

# Supplementary Product Disclosure Statement

## IMPORTANT INFORMATION

This Supplementary Product Disclosure Statement (**SPDS**) is dated 5 August 2022 and is supplemental to the Product Disclosure Statement dated 1 October 2021 (**PDS**) for the offer of Units (**Offer**) in the Alceon Debt Income Fund (ARSN 650 960 820) (**Fund**). This SPDS should be read in conjunction with the PDS. The information set out below is taken to be included in the PDS.

Defined terms and abbreviations included in this SPDS are set out in the Glossary in Section 9 of the PDS.

This SPDS is issued by Melbourne Securities Corporation Limited (ACN 160 326 545) (AFSL 428289) (**MSC Trustees**) as the responsible entity of the Fund.

MSC Trustees has replaced Responsible Entity Partners Limited (ACN 119 757 596) (AFSL 304542) (**REPL**) as the responsible entity of the Fund.

## INVESTMENT DECISIONS

This SPDS contains general information only. It has not been prepared having regard to your investment objectives, financial situation or specific needs. As a result, you should, before acting on the information, carefully consider the appropriateness of the information in light of your objectives, financial situation and needs and seek professional advice from your accountant, stockbroker, lawyer or other professional advisor before deciding whether to invest.

You should also carefully consider the Target Market Determination (**TMD**) for the Fund before making an investment decision. The TMD includes a description of who the Fund is appropriate for. A copy of the TMD is available on the Fund's Website.

This SPDS and the PDS may be viewed online on the Fund's Website. If you access the electronic version of this SPDS, you should ensure that you download and read this SPDS and the PDS in full.

A paper copy of this SPDS, the PDS or any updated information is available free of charge to any person by contacting Alceon Real Asset Management Pty Ltd (ACN 627 059 723) (**ARAM**) at the contact details included in this SPDS below.

## PURPOSE OF THIS SUPPLEMENTARY PRODUCT DISCLOSURE STATEMENT

The purpose of this SPDS is to provide prospective Investors with some updated information regarding the management of the Fund.

1. REPL has now retired as responsible entity of the Fund and MSC Trustees has been appointed as the new responsible entity of the Fund (effective 4 August 2022).
2. The investment manager of the Fund, Freehold Investment Management Limited (ACN 099 959 958, AFSL 339 008) (**Freehold**) merged with Alceon Group (**Alceon**) in March 2021 and the Fund was rebranded as the Alceon Debt Income Fund. The merged group of Freehold and Alceon now holds two Australian Financial Services Licences (each an **AFSL**). Alceon has consolidated its funds management function under a single AFSL and as a result the investment manager of the Fund has changed to another Alceon entity which is ARAM. ARAM is an authorised representative (no. 001274531) of the AFSL holder, Alceon Group Pty Ltd (ACN 122 365 986, AFSL 345692). Other than the change of entity, all other aspects of the management team remain the same.

Therefore, reflecting these changes the following apply:

- (a) All references in the PDS to REPL, in the context of naming the responsible entity of the Fund (including in the Application Form), are now taken to be references to MSC Trustees with the following contact details:

Address:	Level 2, 395 Collins Street, Melbourne VIC 3000
Phone	1300 798 790 (Australia) +61 3 9050 2000 (International)
Email	trustee@msc.group
Website	msc.group

- (b) All references in the PDS to Freehold, in the context of naming the investment manager of the Fund (including in the Application Form), are now taken to be references to ARAM with the following contact details:

Address: 42 Barkly Street, St Kilda Victoria 3182

Phone +61 2 8023 4000

Email [wealth.client@alceon.com.au](mailto:wealth.client@alceon.com.au)

- (c) Section 3.1 of the PDS, “*Responsible Entity – Responsible Entity Partners Limited*”, is replaced with the following:

**“Responsible Entity - Melbourne Securities Corporation Limited**

*Melbourne Securities Corporation Ltd (MSC Trustees), part of the MSC Group, is a professional trustee firm, licensed by the Australian Securities & Investments Commission (ASIC) under Australian financial services licence No.428289.*

*MSC Trustees has been appointed as responsible entity of the Alceon Debt Income Fund to represent and act in the interest of Investors, provide regulatory compliance oversight with the Corporations Act and with reference to ASIC guidance.*

*In exercising its powers and duties, MSC Trustees must:*

- *act honestly and in the best interests of Investors at all times;*
- *exercise a reasonable degree of care and diligence;*
- *treat each class of unitholders equally and fairly;*
- *not make use of information obtained to gain an improper advantage or cause detriment to unitholders;*
- *comply with the Constitution and all applicable laws;*
- *ensure Fund property is separated from the property of the Responsible Entity, the Investment Manager and other entities; and*
- *assume ultimate responsibility for any complaints by Investors or enquiries by ASIC.”*

# Product Disclosure Statement Alceon Debt Income Fund

ARSN: 650 960 820

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1 October 2021

**RESPONSIBLE ENTITY PARTNERS LIMITED**  
ABN: 11 119 757 596  
AFSL: 304542

### Important information

This is an important document and should be read in its entirety before you complete the Application Form.

The Alceon Debt Income Fund ARSN 650 960 820 ("Fund") is an Australian managed investment scheme registered with the Australian Securities and Investments Commission ("ASIC").

This document is a product disclosure statement ("PDS") for the purposes of Part 7.9 of the Corporations Act. This PDS is issued by the responsible entity of the Fund, Responsible Entity Partners Limited (ACN 119 757 596 AFSL 304542) ("REP", "Responsible Entity", "we", "our" or "us").

### PDS

This PDS is dated 1 October 2021. It replaces the PDS dated 1 July 2021.

This PDS has not been lodged with ASIC and is not required by the Corporations Act to be lodged with ASIC. ASIC takes no responsibility for the contents of this PDS or the merits of the investment to which this PDS relates. Units issued under this PDS will be issued by the Responsible Entity on the terms and conditions set out in this PDS.

### No investment advice

The information contained in this PDS is not financial product advice and has been prepared without considering your investment objectives, financial circumstances, or needs.

Before deciding to invest in the Fund, you should read this PDS in its entirety. You should consider all risk factors referred to in this PDS (including those in Section 4) and consider whether acquiring Units represents an appropriate investment in view of your personal circumstances. You should carefully consider your particular investment objectives, financial circumstances, and investment needs (including financial and taxation issues) and you should seek advice from your professional adviser before deciding whether to invest. You should consider the risk factors that could affect the financial performance of the Fund. There is no guarantee that the Units offered under this PDS will provide a return on capital, lead to payment of distributions or that there will be any increase in the value of the Units. If you wish to apply for Units, you must do so using the Application Form.

### Authorised information

No person is authorised to give any information or to make any representation in connection with the Offer, which is not contained in this PDS. Neither the Responsible Entity nor any other person associated with the Fund guarantees or warrants the future performance of the Fund, the return on an investment made under this PDS, the repayment of capital or the payment of distributions on the Units. Any information or representation in relation to the Offer not contained in this PDS may not be relied on as having been authorised in connection with the Offer by the Responsible Entity or any other person that may have liability for the content of this PDS.

### No Offer where offer would be illegal

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Units in any jurisdiction outside Australia. The distribution of this PDS outside Australia may be restricted by law and persons who come into possession of this PDS outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

### Cooling-off rights

Under the Corporations Act, a 14-day cooling off period applies to an investment made in the Fund by retail clients. If during the cooling off period an Investor decides the investment does not meet their needs, then they should advise the Responsible Entity in writing or electronically.

The 14-day period commences at the end of the fifth business day after Units are issued, or when an Investor receives their transaction confirmation, whichever is earlier. The cooling off period will lapse if an Investor transacts on their account within the 14 days.

Refunds will be processed at the issue price on the day the refund is made. Investors should note that, as a result, the amount to be refunded will be increased or reduced for pricing movements since the issue date of the Units.

Further, any tax, fees or duty incurred may be deducted. This could result in the amount returned being less than the original investment.

### Rights and obligations attached to Units

Details of the rights and obligations attached to Units are set out in the Constitution and some of the key provisions are explained in Section 0. A copy of the Constitution is available, free of charge, on request from the Responsible Entity.

### Electronic and printed PDS

This PDS will be available and may be viewed online at [www.alceonre.com.au/adif](http://www.alceonre.com.au/adif). The information on the website does not form part of this PDS.

The Offer pursuant to this PDS is available to persons receiving a hard copy or electronic version of this PDS within Australia. The Responsible Entity is entitled to refuse an Application for Units under this PDS if it believes the Applicant did not receive the Offer in Australia.

Applications for Units may only be made on either a printed copy of the Application Form attached to or accompanying this PDS or via the electronic Application Form attached to the electronic version of this PDS, available on the Investment Manager's website [www.alceonre.com.au/adif](http://www.alceonre.com.au/adif). Units to which this PDS relates will only be issued on receipt of a validly completed Application Form issued together with the PDS whether it will be by a printed copy or an electronic Application Form.

Any person may obtain a paper copy of this PDS free of charge by contacting the Fund's administrator on 1300 133 451 (between 9:00am to 5:00pm Sydney time on a Business Day).

### Disclaimer

No person is authorised by the Responsible Entity to give any information or make any representation in connection with the Offer that is not contained in this PDS. Any information or representation that is not contained in this PDS may not be relied on as having been authorised by the Responsible Entity, its directors, or any other person in connection with the Offer. The Fund's business, financial condition, operations, and prospects may have changed since the date of this PDS.

Certain statements in this PDS constitute forward looking statements. These forward-looking statements are identified by words such as 'aim', 'anticipate', 'assume', 'believes', 'could', 'expects', 'intends', 'may', 'plan', 'predict', 'potential', 'positioned', 'should', 'target', 'will', 'would', and other similar words that involve risks and uncertainties. Investors should note that these statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance, or achievements to differ materially from anticipated results, implied values, performance, or achievements expressed, projected, or implied in the statements.

These forward-looking statements are based on current expectations, estimates, and projections about the Fund's business and the industry in which the Fund invests and the beliefs and assumptions of the Responsible Entity. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Responsible Entity's control. As a result, any, or all the forward-looking statements in this PDS may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 4.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. The Responsible Entity does not make any assurance, express or implied, in relation to whether any forward-looking statements will eventuate.

These forward-looking statements speak only as at the date of this PDS. Unless required by law, the Responsible Entity does not intend to publicly update or revise any forward-looking statements to reflect new information, future events or otherwise. They are provided as a general guide only and should not be relied on as an indication or guarantee of future performance.

Some numerical figures in this PDS have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

#### Updated information

Information in this PDS may need to be updated from time to time. Any updated information that is considered not materially adverse to investors will be made available on the website: [www.alceonre.com.au/adif](http://www.alceonre.com.au/adif) and the Responsible Entity will provide a copy of the updated information, free of charge to any investor who

requests a copy by contacting the Fund's administrator on 1300 133 451 (between 9:00 am to 5:00pm Sydney time on a Business Day).

In accordance with its obligations under the Corporations Act, the Responsible Entity may issue a supplementary PDS to supplement any relevant information not disclosed in this PDS. You should read any supplementary disclosures made in conjunction with this PDS prior to making any investment decision.

#### Miscellaneous

Photographs and diagrams used in this PDS that do not have descriptions are for illustration only and should not be interpreted to mean that any person in them endorses this PDS or its contents or that the assets shown in them are owned by the Fund.

Certain terms and abbreviations in this PDS have defined meanings that are explained in the Glossary in Section 9 of this PDS.

All references in this PDS to '\$' are references to Australian dollars unless stated otherwise. The defined terms used throughout this PDS are set out in the Glossary in section 9. Any discrepancies between total and sums and components in tables contained in this PDS are due to rounding.

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## 1 Investment overview

Feature	Overview	For More Information See Section
Investment Objective	To deliver an annualised total return of between 5 - 7% per annum. <b>Please note, this is an objective and not a forecast and may not be achieved. No returns are guaranteed.</b>	2.1
Investment Strategy	The Fund will seek to deliver on its Investment Objective by investing in loans issued to mid-market real estate owners and developers to finance real estate assets in Australian (primarily Sydney and Melbourne) and select opportunities in New Zealand denominated in Australian dollars.  The Fund may also finance office, industrial and retail real estate assets. It is intended that the Fund will invest in loans to fund construction of such real estate assets, as well as to fund developed real estate assets.  The Fund's investments will be made through investment in selected Investment Entities.	2.2
Responsible Entity	Responsible Entity Partners Limited ACN 119 757 596 AFSL 304542	3.1
Investment Manager	AFIM Limited ACN 099 959 958 AFSL 339008, a wholly owned subsidiary of Australian Mortgage Acquisition Company Pty Limited (AMAC) ACN 163 867 016. AMAC is a member of the Alceon Group.	3.2
Custodian	Mainstream Fund Services Pty Ltd ABN 81 118 902 891, AFSL 303253, has been appointed by the Responsible Entity as the custodian and will hold the assets of the Fund.	
Suggested minimum investment timeframe	3 - 5 years	6.3
Minimum Investment	The minimum investment in the Fund is \$10,000 with \$1,000 increments. The Responsible Entity may accept lower amounts in its discretion.	6.4
Unit Price	The Unit price will be calculated on the last Business Day of each calendar month based on the net asset value of the Fund.	6.4, 6.8
Applications	Applications for Units can be made by completing the paper based or online Application Form.  Units will be issued monthly, within 21 days of the end of each calendar month. All Applications received prior to 5pm (Melbourne time) on the last Business Day of the month will be processed in that month.	6.7
Risks	All investments carry varying amounts of risk. An investment in the Fund is subject to a few risks, including but not limited to: <ul style="list-style-type: none"> <li>• Deployment risk.</li> <li>• Counterparty credit risk.</li> <li>• Security risk.</li> <li>• Diversification risk.</li> </ul> You should read Section 4 carefully prior to investing.	4
Redemptions	The Investment Manager expects that the Fund will be liquid. Where the Funds is liquid, the Responsible Entity intends to process redemption requests at the end of each month. However, under the Constitution the Responsible Entity has up to 360 days from the receipt of a withdrawal request to process the redemption.  To withdraw, you must provide the Responsible Entity with at least a full calendar month's written notice of your intention to redeem. This means for example, that if you were to	6.6

Feature	Overview	For More Information See Section
	<p>lodge your redemption request during the month of April, then your request cannot be accepted prior to 31 May, being the end of the following month after your request was submitted.</p> <p>If redemption requests exceed 5 percent of the Fund's net asset value on the first day of the month, then they will be satisfied on a pro rata basis and any shortfall will roll over to the following month and will be treated as a new redemption request. This process will continue until the redemption request is fully satisfied.</p> <p>Where the Fund is not liquid, redemptions can only be made pursuant to a withdrawal offer issued by the Responsible Entity in accordance with the Corporations Act.</p> <p>Redemptions may also be satisfied by capital returned by borrowers, new investor inflows or from borrowings.</p> <p>You may also transfer your Units to another person in accordance with the procedure in the Constitution. There is no secondary market for Units and so there is no guarantee you will find a buyer for your Units should you wish to sell them. Any such transfer is subject to the approval of the Responsible Entity.</p>	
Fees & other costs	<p>The Responsible Entity will be paid an ongoing responsible entity fee of up to 0.06% per annum of the gross asset value of the Fund, subject to a minimum fee of \$70,000 per annum. The current fee payable is 0.05% per annum of the gross asset value of the Fund.</p> <p>The Investment Manager is entitled to an ongoing base management fee of 1.54% per annum of the net asset value of the Fund before fees and a performance fee of 15.38% of the outperformance over the Benchmark, subject to a High-Water Mark.</p> <p>The Responsible Entity and the Investment Manager may also be reimbursed for other fees and expenses associated with the Fund.</p>	5
Distributions	<p>The Responsible Entity intends to make distributions of net income monthly, subject to available income. The Responsible Entity may make distributions on a less or more frequent basis in its discretion.</p> <p>Given the nature of the investments of the Fund, in particular the underlying investments where the interest is capitalised and only paid at the end of the facility term, only a portion of the income of the Fund will be paid monthly. The remaining income will accrue and be paid following maturity and repayment of the underlying investment.</p> <p>You also have the option to have your distribution reinvested in Units rather than paid in cash. To elect to participate in the distribution reinvestment plan, you can select the option on the Application Form. If you do not select the distribution reinvestment option of the Application Form, then your distributions will be paid in cash. You can change your election at any time by notifying the Responsible Entity at least five Business Days prior to the last day of the calendar month.</p> <p>Returns are not guaranteed.</p>	6.9
Taxation	<p>An investment in Units is likely to have tax consequences for Investors. Investors should seek their own independent tax advice before making an investment in the Fund. Please see Section 7 of this PDS for more information.</p>	7
Handling complaints	<p>The Responsible Entity has a complaint handling procedure and is also a member or an external dispute resolution body.</p>	6.16



## 2 How the Fund Invests

### 2.1. INVESTMENT OBJECTIVE

The Fund's investment objective is to provide Investors with a total annualised return of between 5 - 7% per annum paid through an income stream, that is intended to be monthly, ultimately derived from a diversified pool of loans. This is a target and not a forecast. The Fund may not be successful in achieving this objective.

The portfolio of loans underlying the securities held by the Fund are primarily secured by registered first ranking mortgages held over Australian property and primarily finance real estate development, construction, and ownership across the east coast of Australia, with a small selection (a maximum of 20% of the Fund's capital) secured by first ranking mortgages held over property in New Zealand.

### 2.2. INVESTMENT STRATEGY

The Fund seeks to generate attractive risk-adjusted returns by providing funding to mid-market real estate owners and developers to finance residential real estate assets primarily in Sydney and Melbourne. The Fund may also provide finance for office, industrial and retail real estate assets. It is intended that the Fund will invest to fund construction of real estate assets, as well as to fund developed real estate assets. The Fund may also retain any amounts in cash or cash equivalents pending investment if the Responsible Entity (on recommendation from the Investment Manager) considers it to be consistent with the investment objective of the Fund.

The Fund will not lend directly to the real estate companies, but through Special Purpose Vehicles ("SPVs") and funds established by Alceon ("Investment Entities") through the acquisition of securities issued by those Investment Entities. Alceon is a leading Australian non-bank corporate lender and investment firm. All loans made by the Investment Entities will be originated and managed by Alceon.

The following table sets out the Fund's asset allocation target and ranges.

Asset	Target Allocation	Target Range
<p>Senior loans</p> <p>The Fund will invest in senior loans where the Loan to Value Ratio ("LVR") does not exceed 65 percent and in second ranking loans where the LVR does not exceed 65 percent. In all cases the security value will be based on the forecast net realisable value of the real estate and in the case of a construction loan facility, the net realisable value of the real estate security will be determined on an "as if complete" basis. Allocation to second ranking loans is capped at 20% of the gross asset value of the Fund.</p>	95 percent	95- 99%
Cash or cash equivalents	5%	1 - 5%

The above asset allocations are a target only and the Fund may be outside of these targets from time to time. In particular, the Fund may not meet these target allocations for first 12 months following registration of the Fund with ASIC or while the Gross Asset Value of the Fund is below \$75 million. The Fund may also exceed these target allocations for a limited period in instances where the forecast Fund cashflows project a return to compliance with these targets.

### 2.3. KEY INVESTMENT CRITERIA

- **High Quality Borrowers:** qualified, well capitalised, and resourced borrowers that can demonstrate a strong track record of successful delivery in their chosen markets.
- **High Quality Management:** quality of the borrower's management team is a prerequisite for investing.
- **Risk Management:** Construction delivery risk is further mitigated by focus on funding projects that have planning certainty and fixed price construction contracts.
- **Market Risk:** In addition to partnering with high quality borrowers, the Fund will minimise market risk by ensuring:
  - it is investing in good locations
  - the loans are appropriately secured, primarily via low loan-to-value ratios, and
  - where the security is under construction, ensuring that significant presale contracts have been entered prior to funding.

### 2.4. GEOGRAPHIC FOCUS

The Fund can diversify its portfolio by geography across urban and select regional centres. Given the relative size of Sydney and Melbourne, representing approximately 40% of Australia's population, the Fund is most likely to focus on those two major cities due to continued population growth and infrastructure investment. Sydney and Melbourne can represent 100% of the portfolio combined or individually but the Fund's portfolio must have some exposure to real estate properties in Sydney and/or Melbourne.

The Fund may also allocate up to a maximum of 20% of its capital to select opportunities originated in the major population centres of New Zealand. The Fund will invest in Australian dollars.

The geographic allocations are a target only and the Fund may be outside of these targets from time to time the Fund may not meet these target allocations for first 12 months from registration of the Fund with ASIC or while the Fund size is below \$75 million. The Fund may also exceed these target allocations for a limited period in instances where the forecast Fund cashflows project a return to compliance with these targets.

## 2.5. CAPITAL ALLOCATION

The Fund's proposed capital allocation process is primarily determined by the desire to minimise the periods that the Fund holds excess cash and therefore the Fund is likely to invest in the securities issued by the first Investment Entity within Alceon's pipeline that fits within the Fund's investment strategy and investment criteria.

Alceon has an Allocation Policy in place where it will allocate participation in opportunities on a fair and equitable basis, consistent with the investment objectives and guidelines of the funds and other investment programs it manages and taking into account such factors as the relative amounts of capital available for new investments, relative exposure to short-term market trends, and the respective investment programs and portfolio positions of the funds and the other investment programs. Such considerations may result in allocations of certain investments other than on a pari passu basis. Notwithstanding the foregoing, the Investment Manager will in general allocate participation in investment opportunities among the funds and the other investment programs on a pro rata basis in proportion to the relative net asset value.

The Fund will not use investment leverage, except for the purposes of meeting redemptions. The Fund may also retain cash or cash equivalents pending investment if the Responsible Entity (on recommendation from the Investment Manager) considers it to be consistent with the investment objective of the Fund.

## 2.6. TYPES OF ASSETS

The Fund's only asset will be securities issued by Investment Entities. These securities, which will generally be in the form of loan notes issued by a SPV trust and might be specific to one or more real estate financing transactions. The Fund is paid a return on its investment based on the terms of the loan notes and such terms can vary between transactions.

### Underlying loans

Alceon will undertake the day-to-day management of the Investment Entities while the borrowers of the loans will assume the day-to-day management role of the underlying real estate asset. The Investment Entities will make first mortgage loans to, proven borrowers with real estate opportunities where assets are in markets that are underpinned by strong supply and demand fundamentals. These transactions will generally not be rated or listed.

The underlying loans will vary in type, terms, covenants, and tenure. Generally, loans will fall into the following broad categories:

Asset Category	Financing Description
Land Finance	Acquisition of land.
Land Sub-division	Financing the civil construction of a land sub-division, which generally includes the roads, street scape, essential services, and registration of the sub-division.
Apartments	Construction of an apartment or series of apartment towers.
Houses, Townhouses	Construction of multi-housing developments which could represent attached or detached dwellings.
Commercial Asset	Financing the acquisition, development, or upgrade of a commercial asset.
Residual Stock	Financing completed residential stock.

### Senior Loans

The senior loans invested in through the Investment Entities, will include the following:

- Loans secured by first ranking security where the loan to value ratio (“LVR”) does not exceed 65 percent.
- Second ranking loans where the LVR does not exceed 65 percent. A second ranking loan will still have the benefit of the first ranking security pledged to secure the loan but will rank behind the senior lender. Allocation to second ranking mortgages is capped at 20% of the gross asset value of the Fund.

The LVR is calculated on each loan by dividing the facility limit by the forecast net realisable value (i.e., expected gross sale proceeds minus GST and selling costs).

## 2.7. BORROWING AND LEVERAGE

Where deemed appropriate by the Responsible Entity (on recommendation from the Investment Manager) for the purposes of meeting redemptions only, the Fund may employ leverage, including without limitation through borrowing cash, securities, and other instruments and by entering derivatives transactions and repurchase agreements. The Investment Entities may also employ leverage, which may provide an alternate source of liquidity for the Fund. Such borrowings will not exceed 30 percent of the Fund’s net asset value, except in the case of derivatives which must not exceed 10 percent of the Fund’s net asset value. The Fund may also pledge assets as security for such borrowings.

The Fund may also use derivatives to hedge against interest rate movements.

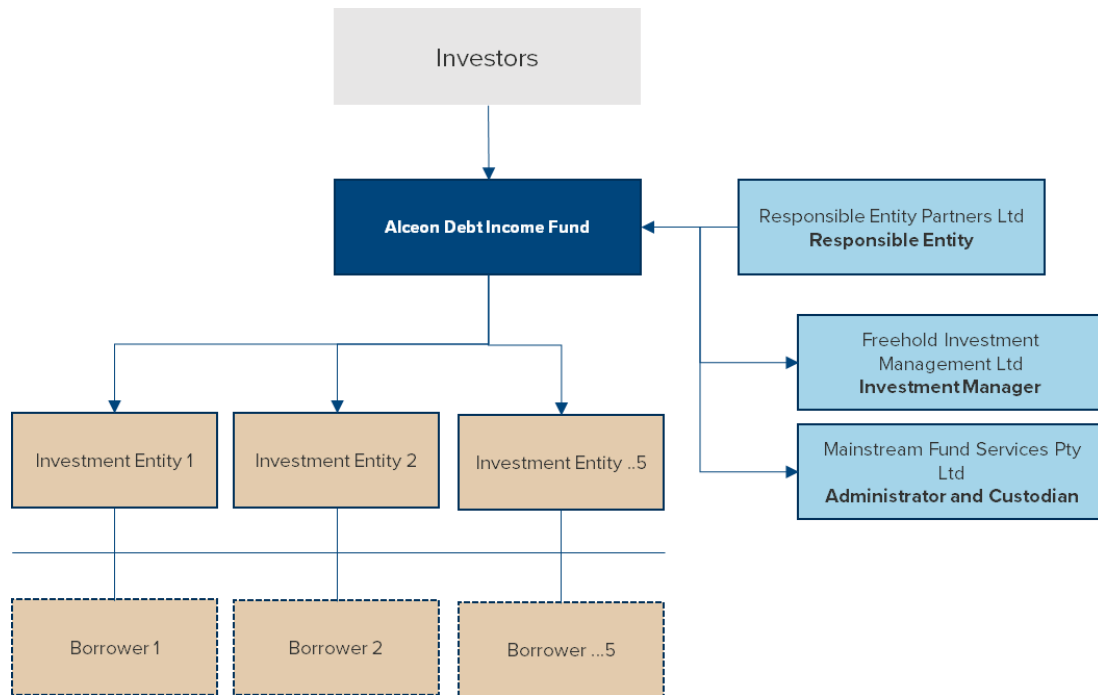
## 2.8. RISK MANAGEMENT AND INVESTMENT RESTRICTIONS

Subject to the exceptions stated below, the Fund (through the Investment Entities) will observe the following restrictions:

- a) maximum dollar weighted average portfolio duration of 24 months (i.e., the average time between investing in a note and it being repaid, weighted based on the dollar value of the notes);
- b) maximum of 20% or \$50 million (whichever is greater) of the Fund’s capital exposed to any single loan facility while the Fund has a gross asset value of less than \$500 million; and
- c) maximum of 10% of the Fund’s capital exposed to any single loan facility while the Fund has a gross asset value of more than \$500 million; and
- d) maximum borrowing capacity for the purposes of redemptions of 30% of the Fund’s capital, including borrowings of the Investment Entities (i.e., on a look through basis).

The Responsible Entity, acting on the advice of the Investment Manager has the discretion to exceed these restrictions if it considers the objective of the Fund will be better achieved in doing so. At any time when the gross asset value of the Fund is below \$75 million, the Fund may be outside the restrictions expressed in b), c) and d) above. The above restrictions apply as of the date of the relevant transaction or commitment to invest compared against the latest available asset value of the Fund. The restrictions shall not be treated as not being complied with if they are only the result of movements in the relative value of investments of the Fund after their acquisition or the exercise of rights arising in respect of such investments. The Fund may also not observe these target restrictions for a limited period in instances where the forecast Fund cashflows project a return to compliance with these targets within a reasonably short timeframe.

## 2.9. FUND STRUCTURE



## 3 Who is Managing the Fund?

### 3.1. RESPONSIBLE ENTITY - RESPONSIBLE ENTITY PARTNERS LIMITED

Responsible Entity Partners Limited is an experienced responsible entity. We understand governance and what it takes to meet a registered fund's compliance obligations in an ever-evolving regulatory environment. We leverage our expertise, scale, and compliance capabilities to help our partners get the best outcome for their funds.

Our extensive experience extends across all asset classes and product types. We work with a range of partners from start-ups to large institutions.

We are driven by a passion for finding a better way to service clients. Our team brings extensive experience in trustee services along with leading edge technology insights and capabilities to deliver solutions that achieve the right outcome for our clients.

We understand that speed to market, reliability and flawless execution are critical for a successful transaction. So, we work to your deadlines and provide the support through the life cycle of the fund or transaction.

### 3.2. INVESTMENT MANAGER - ALCEON

The Responsible Entity has appointed Alceon (through its subsidiary AFIM Limited) , as the Investment Manager of the Fund, under an investment management agreement, to manage the assets of the Fund and originate investment opportunities for the Fund.

Alceon is a financier and multi-strategy alternative investment manager established in 2010 with funds under management of almost \$3 billion (as of March 2021) across asset classes including real estate, private equity, and listed equities. Alceon invests capital for individual and institutional clients including, but not limited to, high-net-worth individuals, family offices, Australian superannuation funds, wealth management businesses, other asset managers, and corporates. Alceon has a team of over 50 investment and operations professionals with offices in Sydney, Melbourne, Brisbane, and Perth. Alceon is 100% privately owned by its staff. As of March 2021, Alceon has invested in and managed over 309 real estate transactions, provided close to \$4.3 billion of real estate capital, managed more than \$20.4 billion of property project value, and had almost \$2.5 billion in funds under management.

On a consolidated basis Alceon's first mortgage real estate funds have returned a net internal rate of return of circa 12.2% to investors on an average loan to value ratio of approximately 55%. (This is an unaudited return and has not been validated). Alceon's management and principals invest 5 - 10% of capital in each transaction on the same terms as other investors.

The rights and obligations of the Investment Manager are set out in the terms of the investment management agreement which has been negotiated on an arm's length, commercial basis. There are no unusual or materially onerous terms (from an investor's perspective) in the investment management agreement.

- Under the investment management agreement, the appointment of the Investment Manager may be terminated in the following circumstances:
  - upon the occurrence of certain 'default' events, including, but not limited to, the Investment Manager going into liquidation or Alceon ceasing to carry on business; and
  - material breach of any provision under the agreement and the failure of the Investment Manager to correct such breach with 28 days.
- On termination, the Investment Manager will be entitled to receive any accrued fees and be reimbursed for any taxes, costs, charges, and expenses properly incurred in connection with the acquisition, disposal, or maintenance of any investment of the Fund.

## 4 Risks

### 4.1. INVESTMENT RISK GENERALLY

Before deciding whether to invest in the Fund, it is important that you understand the risks that can affect your investment. All investments are subject to risk, and investments may not perform as expected resulting in a loss of capital or income to investors. You should understand that:

- the value of your investment may go up and down;
- returns are not guaranteed;
- you may lose money; and
- historical performance is not necessarily indicative of future performance.

You should consider the risk factors in this section, as well as the other information contained in this PDS before deciding to invest in the Fund.

### 4.2. RISK VERSUS RETURN

All investments are designed to make a return and are subject to risk. This means that, as well as making money, there is also a chance that you could lose it. You might also think of risk as the possibility that your investments do not achieve your financial objectives. As a rule, the bigger the potential investment return, the higher the investment risk and therefore the longer the suggested investment timeframe.

The investment strategy of the Fund is to target investments which produce income with no capital growth, therefore the risk to the Fund is that income is reduced or there is none and that the Fund's assets will reduce in value and not recover.

### 4.3. INVESTMENT SPECIFIC RISKS

#### 1. Real estate related assets

While not investing directly in real estate assets, the Fund will still be subject to the general risks incidental to the ownership of real estate related assets, including changes in general economic or local conditions, changes in supply of, or demand for, the particular property being financed and competing properties in an area, changes in interest rates and the availability of mortgage funds, changes in property tax rates and zoning laws and other regulations, the credit risks of joint venture partners, tenants and borrowers, the potential impact of environmental risks, terrorist activities, damage (by fire or otherwise) and the availability and sufficiency of insurance and the risk of expropriation. The marketability and value of any underlying properties related to the Fund's investments will, therefore, depend on many factors beyond the control of the Investment Manager and/or the Responsible Entity, and there is no assurance that there will be either a ready market for investments related to such properties or that investments related to such properties will yield a positive cash flow.

#### Counterparty credit risk

Counterparty credit risk is the risk that a party to a credit transaction fails to meet its obligations, such as defaulting under a loan. This creates an exposure to underlying borrowers and the financial condition of issuers of the securities. The value of a security and cash flows can also be affected by changes in credit risk premium, defaults (i.e., when a borrower fails to pay interest or principal when it is due) and recovery risk (the severity of the capital loss incurred because of a default).

The performance of the Fund is dependent upon the ability of borrowers to pay interest and repay loans to underlying investments that the Fund has invested in. Despite assessing borrowers' suitability prior to providing loans and periodically reviewing loans, there is a risk that borrowers may fall behind their loan commitments or default on their loans due to an inability to meet their contractual obligations. This may result in the Fund suffering a loss.

The Fund's income is dependent on borrowers fully meeting their commitments to underlying investments.

#### Repayment risk

A key objective of the Fund is to invest in loans that are secured by real estate mortgages, which are, by their very nature, illiquid investments. The principal method of liquidity for the Fund is for the borrower to repay the loan and in the event of borrower insolvency to sell or liquidate assets securing the loan.

#### Security risk

There is no guarantee that where there is a default by a third party on the Fund's underlying debt instruments, the security held by the Fund will be sufficient or effective to cover any losses incurred because of the default. Where such security is insufficient or ineffective, this may result in a diminished return on Units for investors.

#### Diversification risk

The Fund's investment portfolio may be less diverse than desired. Until the Fund has achieved desired longer-term diversification, an adverse event in relation to any single investment could have a materially adverse impact on the Fund and its assets.

### Development loan risk

The Fund may be making loans for development purposes, and the risks associated with such loans are generally higher than those made for established properties. Examples of development specific risks include the following:

- i. Programme delays can occur from weather conditions and industrial relations disputes;
- ii. Construction or development costs can exceed budgeted costs and the borrower may be unable to complete the project unless the borrower can obtain further funds;
- iii. If a borrower is unable to complete a project, then it may not be possible to sell the incomplete project and recover the loan principal;
- iv. A change in market conditions could result in the project's value on completion being worth less than anticipated; and
- v. If the loan is made to assist in the completion of a residential apartment project, then a change in market conditions during construction could result in purchasers failing to complete the purchase of their apartment and the apartments affected having to be re-sold. If the affected apartments cannot be sold at the same or higher price, then it may impact on the borrower's ability to repay the loan.

### Second mortgage risk

Loans may be secured by a mortgage. About second mortgages, the mortgage will rank in priority behind a senior lender's mortgage. Therefore, in the event of a default by the borrower the ability to recover the amount owing under the loan agreement will be affected by the actions of the senior lender. Generally, the senior lender will have the right to take possession of, and deal with, the security property and assets of the borrower if various covenants of the senior lender's loan facility are not met. Because the second mortgagee's security will rank behind the senior lender, if the borrower defaults under any of the loan facilities and the senior lender exercises its security, then the second mortgagee will not have day-to-day control over the borrower's assets. This will generally mean the second mortgagee cannot exercise the Fund's security until the senior lender has been paid in full. In addition, any monies available to the second mortgagee in these circumstances would be limited to what is recovered after the senior lender has been paid in full.

### Documentation risk

A deficiency in documentation could, in certain circumstances, adversely affect the return on a loan. This may make it difficult to enforce the mortgage in respect of the loan and may also affect the ability to recover any penalties imposed against the borrower.

### Valuation risk

The Fund's investments will not be listed or traded on a stock exchange or a securities market and as such may be illiquid and difficult to value.

## 4.4. FUND SPECIFIC RISKS

### 1. Indirect investment

As the Fund will invest in underlying investments through an Investment Entities, the Responsible Entity will have no control over the day-to-day management of the underlying loans. The success of the Fund is dependent on the Investment Manager identifying suitable loans and then managing those loans to ensure that the loans are repaid. If the Investment Manager is unable to identify suitable loans, then this may negatively impact upon Investors' returns.

### 2. Deployment Risk

Given the investment strategy of the Fund, the ability to deploy capital will depend on the ability of the Investment Manager to identify suitable investments. Delay in deployment of capital will affect the returns of the Fund.

### 3. Liquidity risk

While the Investment Manager intends that the Fund will be liquid, it may become illiquid at any time due to a number of factors outside of the Investment Manager and the Responsible Entity's control. Under the Constitution, the Responsible Entity has 360 days to process a withdrawal request.

Where the Fund is illiquid, Investors have no right to redeem their Units, except as provided by the Responsible Entity. While the Responsible Entity does intend to provide for redemptions, these rights are limited and are not guaranteed.

You can transfer your Units to another person; however, there is no secondary market for Units and so there is no guarantee that you will find a buyer for your Units. This means should your circumstances change, there is no guarantee that you will be able to receive any return on your investment at the time you require it.

### 4. Key person risk

The Investment Manager is responsible for managing many aspects of the Fund. The Investment Manager has a team of qualified and experienced professionals. The loss of one of the Investment Manager's key staff has the potential to adversely affect the operations of the Fund.

#### 5. Manager strategy risk

There is a risk that the Investment Manager or the Investment Manager's investment strategy will not achieve the performance objectives or produce returns that compare favourably against its peers. Many factors can negatively impact the Investment Manager's ability to generate acceptable returns e.g., loss of key staff. To the extent such investment strategy (or the assumptions underlying it) does not prove to be correct, the Fund may not perform as anticipated, which could result in substantial losses.

#### 6. Short operating history

The Fund is a relatively new enterprise with a short operating history, prior to becoming a registered scheme. There can be no assurances that the Fund will achieve its investment objective. It is possible that an Investor could suffer a complete loss because of an investment in the Fund.

#### 7. Leverage

The Fund has the power to borrow and may do so when deemed appropriate by the Responsible Entity (on a recommendation from Investment Manager) for the purposes of meeting redemptions only. While leverage presents opportunities for increasing total returns, it has the effect of potentially increasing losses as well, as well as causing transactional costs. Accordingly, any event which adversely affects the value of an investment by the Fund would be magnified to the extent leverage is employed.

### 4.5. GENERAL RISKS

#### 1. Market risk

There is a risk that investments may fall in value through the movement of investment markets (examples of investment markets include equity markets, property markets and fixed income markets). Economic, technological, political, legal and market sentiment can change and be reflected in the value of investment markets.

#### 2. Legal and regulatory risk

It is possible that regulatory changes during the term of the investment could change the parameters or scope of the investment. Legal, tax and regulatory changes that may adversely affect the Fund could occur during the term of the Fund. This PDS cannot address or anticipate every possible current or future regulation that may affect the Fund, the Responsible Entity or the Investment Manager or their businesses.

#### 3. Property market conditions

Changes in property market conditions including supply, demand, and rental markets impact on the ongoing value of any property. Given that the Fund's investments will be exposed to the property sector, any downturn in that market may adversely affect the Fund's investments.

#### 4. Sector risk

Sector risks include but are not limited to demand for the type of product or service a company produces or provides, commodity prices, the economic cycle of industry, shifts in consumer demands, lifestyle changes or advances in technology.

#### 5. Taxation risk

Australian tax laws are constantly in a state of flux with the introduction of various taxation amendments which may affect you.

Tax liability is your responsibility. The Responsible Entity is not responsible for the taxation consequences of an investment in the Fund. You should consult your own taxation adviser to ascertain the tax implications of your investments.

#### 6. Macroeconomic risk

The general state of the Australian and international economies, as well as changes in taxation, monetary policies, interest rates and statutory requirements may have a negative impact on the Fund's performance and on the value of your investment.



## 5 Fees and Other Costs

### 5.1. CONSUMER ADVISORY WARNING

<p><b>DID YOU KNOW?</b></p> <p><b>Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.</b></p> <p><b>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).</b></p> <p><b>You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.</b></p> <p><b>You may be able to negotiate to pay lower fees. Ask the fund or your financial adviser.</b></p> <p><b>TO FIND OUT MORE</b></p> <p>If you would like to find out more, or see the impact of the fees based on your own circumstances, the <b>Australian Securities and Investments Commission (ASIC)</b> Moneysmart website (<a href="http://www.moneysmart.gov.au">www.moneysmart.gov.au</a>) has a managed funds fee calculator to help you check out different fee options.</p>
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### 5.2. FEES AND OTHER COSTS

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment, or from the Fund assets.

Taxes are set out in Section 7.

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
<b>Fees when your money moves in or out of the Fund</b>		
<i>Establishment fee</i> The fee to open your investment	Nil	Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil	Not applicable
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	Not applicable
<i>Exit fee</i> The fee to close your investment	Nil	Not applicable
<b>Management costs</b>		
<i>The fees and costs for managing your investment</i>		

Type of fee or cost	Amount	How and when paid
Responsible entity fee	0.05% p.a.	Calculated and accrued monthly and payable to the Responsible Entity monthly in arrears from the assets of the Fund.
Investment Manager fee	1.54% p.a.	Calculated and accrued monthly and payable to the Investment Manager monthly in arrears from the assets of the Fund. These fees are negotiable.
Fund Expenses	0.31% p.a. based on reasonable estimates	Payable to the Service Providers as and when incurred from the assets of the Fund's.
Performance Fee	0.51% p.a. based on the maximum cap of the net asset value.	The Fund charges a performance fee of 15.38% of the outperformance over the hurdle return (5% p.a.), subject to the High-Water Mark. It is calculated and accrued monthly and payable to the Investment Manager at the end of each financial year and when Units are redeemed. The performance fee is capped at annual 0.51% of the net asset value of the fund.
Indirect costs	Estimated to be 0% p.a..	Payable out of the Fund's assets or interposed vehicle's assets once the cost is incurred and reflected in the Unit price.
<b>Service fees</b>		
<i>Switching fee</i> The fee for changing investment options	Nil	Not applicable

### 5.3. EXAMPLE OF ANNUAL FEES AND COSTS

The following table gives an example of how the fees and costs applicable to Units in the Fund can affect your investment over a one-year period. You should use this table to compare this product with other products offered by managed investment schemes.

Example	Balance of \$50,000 with a contribution of \$5,000 during the year	
<b>Contribution Fees</b>	Nil	You will not be charged contribution fees.
Plus, Management Costs	2.41% per annum <sup>1</sup>	For every \$50,000 you have invested in the Fund you will be charged \$1,205 each year. <sup>1</sup>
<b>Equals Cost of the Fund</b>	If you had an investment of \$50,000 in the Fund at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of between \$1,205 and \$1,325.50. <sup>2</sup>	

- Based on the Fund having estimated net assets of \$35 million during the first year of operation.
- Depending on when you make the additional \$5,000 investment.

### 5.4. ADDITIONAL EXPLANATION OF FEES AND COSTS

#### 1. Investment Manager fee

The Investment Manager is entitled to an ongoing fee for managing the Fund of 1.54% per annum of the net asset value of the Fund. This fee is calculated and accrued monthly and is payable to the Investment Manager monthly in arrears from the assets of

the Fund. If the net asset value of the Fund is \$10 million throughout the year, then the Investment Manager will be entitled to an ongoing fee of \$12,833.33 per month.

## 2. Responsible Entity fee

The Responsible Entity is entitled to an ongoing fee for performing the role of responsible entity for the Fund of 0.05% p.a. of the gross asset value of the Fund. The applicable percentage rate of the annual fee is calculated having regard to all funds of which the Responsible Entity is the responsible entity, and the Investment Manager is the investment manager, the higher the funds under management the lower the percentage rate of the fee. The disclosed rate of this fee is based on the current funds under management of the applicable funds, including the Fund. This fee can increase to a maximum of 0.06% per annum of the gross asset value of the Fund. This fee is calculated and accrued monthly and payable to the Responsible Entity monthly in arrears from the assets of the Fund.

If the gross asset value of the Fund is \$10 million throughout the year, then the Responsible Entity will be entitled to an ongoing fee of \$416.67 per month.

## 3. Performance Fee

Pursuant to the terms of the Investment Management Agreement, the Investment Manager may be entitled to receive a Performance Fee should the Fund's performance exceed a certain level. To the extent this fee is earned, it will be paid to the Investment Manager from the assets of the Fund as an expense of the Fund. The Performance Fee is calculated and accrues monthly and is paid (if payable) on the last day of each financial year during the term of the Investment Management Agreement.

The Performance Fee is only payable when, during the relevant calculation period (a calendar month), movements in the Fund's net asset value per Unit outperform the Benchmark during the relevant period and the Fund maintains or increases any earlier outperformance over the Benchmark. That is, the performance exceeds the prior High-Water Mark.

The Performance Fee will be equal to 15.38% of the 'Outperformance', capped at an amount of 0.51% of the Net Asset Value of the Fund (before any Performance Fee has been accrued for the relevant period). The Outperformance will be calculated as follows:

(The Net Asset Value per Unit on the last Business Day of the calendar month (including distributions declared or paid) for the relevant period - Net asset value per Unit on the first Business Day of the calendar month if the Unit value increased by the Benchmark over the relevant period ("Performance Fee Per Unit")) x number of Units on issue as of the last day of the calculation period.

The Benchmark is a return of 5% per annum. The High-Water Mark is the application price of Units or, where a Performance Fee has most recently been paid to the Investment Manager, the net asset value of the Fund (plus any distributions paid or declared during the financial year or other period for which the Performance Fee is being calculated) on the last day of the relevant period for which a Performance Fee was paid or accrued.

	Scenario 1	Scenario 2	Scenario 3
Net fund return before performance fee	3.0%	5.9%	8.8%
Performance fee Benchmark	5.1%	5.1%	5.1%
Performance fee paid (as a percentage of the NAV)	0.0%	0.12%	0.51%*
Net fund return	3.0%	5.8%	8.3%

\*The annual performance fee cap of 0.51% is applied.

The Performance Fee is also calculated and payable:

- i. when Units are redeemed, in which case the amount payable (if any) will be the Performance Fee per Unit multiplied by the number of Units being redeemed considering net realised and unrealised appreciation and depreciation (as the case may be) attributable to such Units, and
- ii. on the date of termination of the Investment Manager, in which case the amount payable (if any) will be any accrued but unpaid Performance Fee.

The Investment Manager has no obligation to restore to the Fund any Performance Fees previously earned and paid, notwithstanding a loss in a subsequent period. It should be noted that the Performance Fee calculation is based in part upon unrealised gains (as well as unrealised losses) and that such unrealised gains and/or losses may never be realised. The Investment Manager may reduce, waive, calculate differently, or rebate the Performance Fee calculated with respect to one or more Unitholders (that are wholesale clients, as defined in the Corporations Act) at its absolute discretion.

### Expense recoveries

In addition to our ongoing management fees, we are entitled under the Constitution to be reimbursed for expenses incurred in properly performing our duties as Responsible Entity of the Fund. These expenses are paid from the assets of the Fund.

We estimate the ordinary expenses of the Fund on an ongoing basis will be in the range of 0.31% p.a. of the net asset value of the Fund.

Extraordinary expenses are also recoverable but are not included in this estimate. Extraordinary expenses are expenses that are not normally incurred in the day-to-day operation of the Fund and are not necessarily incurred in any given year. They may include costs associated with holding Investor meetings, changing the Fund's Constitution, or defending or pursuing legal proceedings

### Indirect costs

Indirect costs are any amount that have reduced or will reduce (whether directly or indirectly) the return on the Fund or reduce the amount or value of the income of or property attributable to an interposed vehicle in or through which the property attributable to the Fund is invested, and that are not charged as a fee.

Indirect costs are disclosed as part of management costs and are paid out of the Fund's assets or interposed vehicle's assets once the cost is incurred and reflected in the Unit price.

The Responsible Entity's reasonable estimate of such costs for the Fund's first financial year is 0% p.a. of the net asset value of the Fund. The actual amount you will be charged in subsequent financial years is not currently known and could be different.

The indirect costs information included is based on information available as at the date of issue of the PDS. You should refer to our website for any updates which are not materially adverse from time to time.

### Transactional and operational costs

Transactional costs are those incurred when Investors apply for or withdraw from a product or when transactions occur to manage the Fund's investment strategy, and include brokerage, a buy-sell spread, settlement costs, clearing costs and stamp duty.

Operational costs are costs incurred by the Fund for its ownership of the Fund assets. They include borrowing costs for the Fund. Borrowing costs are the expenses related to borrowing money by the Fund and its interposed vehicles for investments and include costs such as interest, loan establishment fees and associated legal costs.

The Buy/Sell Spread is the difference between the amount paid to acquire a Unit (application price) and the price that would be received if the Investor were to redeem their investment on the same day (redemption price). There is no Buy/Sell Spread on the Fund.

The total transactional and operational costs of the Fund for the first year of operation are estimated to be 2.41% of the Fund's estimated average net assets, or \$1,205 for a \$50,000 investment in the Fund.

Please note that these costs are an additional cost to you.

### GST

The fees and costs are GST inclusive amounts, net of any expected reduced input tax credits. If, for any reason, the Fund is not eligible to receive an input tax credit from the ATO for expenses incurred, the additional GST cost will be incurred by the Fund. Fees payable to parties related to the Responsible Entity or the Investment Manager

Entities related to the Responsible Entity, or the Investment Manager may be engaged to provide services to the Fund. Any appointments will be on arms' length terms and made on commercial terms.

### Waiver, deferral, or rebate of fees

The Responsible Entity and the Investment Manager may, in their absolute discretion, accept lower fees and expenses than they are entitled to receive, or may defer payment of those fees and expenses for any time.

The Responsible Entity has agreed to waive the portion of its minimum \$70,000 fee to the extent it is entitled to recover this fee from the assets of other funds managed by the Investment Manager or its subsidiaries.

To ensure that the Fund does not incur duplicate management fees, the Investment Manager will arrange for fee rebate arrangements to be put in place prior to any investment in an Investment Entity by the Fund. To the extent the Investment Manager is unable to arrange fee rebates, these fees will be payable out of the Fund's assets and will be disclosed as indirect costs (see item 4 above).

If payment is deferred, then the fee will accrue until paid.

#### **Fee negotiations and underwriter fees**

We may negotiate reduced management costs with wholesale investors. Contact us for more information.

The Investment Manager may arrange for the amount to be raised under this Offer to be underwritten by an institutional investor/fund (including another fund managed by the Investment Manager). In such circumstances, the underwriter, or underwriters ("Underwriter") may commit to subscribe for any shortfall in funding or to provide additional funding under a revolving facility to be used in the Investment Manager's discretion for any reason including to meet redemption requests or paying back capital to avoid returning excess capital early to other investors. The Underwriter may be paid an arm's length fee for agreeing to underwrite. This fee will be paid by AFIM from its own resources and will not be a cost to the Fund.

#### **Changes to fees and costs**

We reserve the right to change fees and other costs, subject to any limitations under the Constitution and applicable law. We will give you 30 days' notice prior to increasing any fees. We will consider during and towards the end of each financial year whether the fee and cost amounts require updating to reflect estimated fees and costs (including indirect costs) more accurately in future years, including where new information has come to light in relation to fees and costs. If we consider that the updated fees and costs information is not materially adverse, we will post an update on our website, otherwise we will issue a supplementary or replacement PDS in accordance with the Corporations Act.

#### **Adviser Fees**

The Fund does not pay adviser fees. If you consult a financial adviser, then you may pay additional fees to your adviser pursuant to your arrangement with them. If your adviser provides personal advice for your circumstances, then the statement of advice provided to you by your adviser should include details of the fees charged by your adviser.

## 6 Investor Information

### 6.1. TERM OF THE FUND

The Fund is intended to be an open-ended Fund.

### 6.2. SUGGESTED MINIMUM INVESTMENT TIMEFRAME

Financial advisers will have differing views about the minimum investment period you should hold various investments. Your own personal circumstances will also affect your decision. We have suggested a minimum investment timeframe for an investment in the Fund of three to five years. However, this is only a suggestion, and you should regularly review your investment decisions with your financial adviser because your investment needs or market conditions may change over time. The minimum suggested investment timeframe should not be considered personal advice.

### 6.3. APPLICATIONS

Investors should complete the paper based or online application form available the Investment Manager's website at [www.alceonre.com.au/adifand](http://www.alceonre.com.au/adifand) return it to the Responsible Entity with their initial investment. Initial investments must be a minimum of \$10,000. Payments must be made by way of electronic funds transfer payable as directed on the Application Form. Additional investments can be made with \$1,000 increments. The Responsible Entity may accept lower amounts in its discretion.

Where Application Forms and investment funds are received before 5.00pm EST on the last Business Day of a month, Investors are issued Units based on the valuation of assets at the close of business on the last Business Day of that month.

### 6.4. MAKING ADDITIONAL INVESTMENTS

Investors can make additional investments at any time provided the application amount is \$1,000 or more. Additional investments can be made by using the Additional Investment form and guide available at [www.alceonre.com.au/adif](http://www.alceonre.com.au/adif).

### 6.5. REDEMPTIONS

The Investment Manager expects that the Fund will be liquid. Where the Funds is liquid. the Responsible Entity intends to process redemption requests on the last Business Day of each Month. However, under the Constitution the Responsible Entity has up to 360 days from the receipt of a withdrawal request to process the redemption.

To withdraw, you must provide the Responsible Entity with at least a full calendar month's written notice of your intention to redeem. This means for example, that if you were to lodge your redemption request during the month of April, then your request cannot be accepted prior to 31 May, being the end of the following month after your request was submitted.

If redemptions requests exceed 5 percent of the Fund's net asset value on the first day of the Month, then they will be satisfied on a pro rata basis and any shortfall will roll over to the following Month and will be treated as a new redemption request. This process will continue until the redemption request is fully satisfied.

While the Funds is liquid, Investors may make a redemption request at any time by sending a completed Redemption Form available at [www.alceonre.com.au/adif](http://www.alceonre.com.au/adif). The request should state the:

- a) Investor's name; and
- b) Investor number; and
- c) redemption amount (or state account closure if that is the case)

and should be signed by the Investor(s) or authorised signatories.

Completed Redemption Forms must be sent to the Fund's administrator by post or email to the Unit Registry contact details listed in the Redemption Form and be received prior to 5pm on the second last Business Day of the Month to be processed at the end of the following Month. Redemptions Forms received after this time will be deemed to have been received in the following Month. For example, if a form is received on the last Business Day of June, it will not be accepted by the Responsible Entity until the last Business Day of August.

Where the Fund is not liquid, redemptions can only be made pursuant to a withdrawal offer issued by the Responsible Entity in accordance with the Corporations Act.

Redemptions may be satisfied from borrowings.

You may also transfer your Units to another person in accordance with the procedure in the Constitution. There is no secondary market for Units and so there is no guarantee you will find a buyer for your Units should you wish to sell them. Any such transfer is subject to the approval of the Responsible Entity.

## 6.6. STRUCTURE OF THE INVESTMENT

The Fund is a unit trust established by the Constitution. It is a managed investment scheme that is registered with ASIC.

Under a managed investment scheme, investors' funds are pooled with those of other investors to facilitate larger scale investments. Investors hold units in the scheme which represent a proportional entitlement in the assets of the scheme based on the amount invested and the application price of the units at the time of entry to the scheme. No unit confers an interest in a particular part of the scheme or in any particular asset. The unit price reflects the value of the assets in the scheme and may increase or decrease over time with the value of the underlying assets. When you redeem your investment, the units you hold in the scheme are redeemed by the trustee.

## 6.7. UNIT PRICING AND ALLOCATION

The Fund's investments will be valued monthly.

The application price will be determined on the last Business Day of each month by reference to the net asset value of the Fund divided by the number of Units on issue. The withdrawal price for a Unit is also calculated by dividing the net asset value of the assets of the Fund by the number of Units on issue. There is no buy-sell spread.

Applications received prior to 5pm (Melbourne time) on the second last Business Day of the month, will be issued within 21 days of the end of the month.

## 6.8. DISTRIBUTIONS

Distributions will generally be paid monthly, within 15 Business Days of the end of each calendar month. A distribution is a payment of the Fund's taxable income. The components of the distribution will vary from period to period. Given the nature of the investments of the Fund, in particular the underlying investments in construction facilities, where the interest is capitalised and only paid at the end of the facility term, only a portion of the income of the Fund will be paid monthly. The remaining income will accrue and be paid following maturity and repayment of the underlying investment.

There may also be times when no distribution is paid.

The Fund uses a 'rolled up' formula for the calculation of the Unit Price. This means you will not receive a pro-rata distribution if you redeem your investment partway through a distribution period. Distributions are paid to each registered unitholder as at the last day of the month.

Distributions will be paid in cash to the account nominated by the Investor, unless the Investor notifies the Responsible Entity at least five Business Days prior to the last day of the month that they wish to reinvest their distribution in Units.

Where a distribution is reinvested, Units will be issued at the Unit price as at the last day of the month to which the distribution relates. The Units will be allocated on the first day of the following month.

Investors will need to advise us in writing of any change to distribution nomination (i.e., whether their distributions are paid in cash or reinvested in Units) and account payment details. For a change to be reflected in the next distribution, such advice must be received by us no later than five Business Days prior to the last day of the month.

## 6.9. UNIT TRANSFERS

Investors may transfer Units to another person. However, the Responsible Entity has the discretion to refuse transfers of Units without giving any reasons for this refusal.

To effect a transfer to another person, the following will be required:

1. a signed and completed standard unit transfer form (with duty paid, if applicable)
2. notification of the transferee's Investor name and number (or if a new Investor, an Application Form).

Standard unit transfer forms are available by contacting us. A transfer of Units may have tax implications and Investors should seek their own tax advice in this regard.

## 6.10. INVESTOR REPORTING

Investors will be kept updated on the Fund through reports that will be distributed Quarterly.

Holding statements will be distributed on commencement to the nominated address via email or to be available in the investor web portal.

## 6.11. TAX REPORTS

After the end of each financial year, Investors will be provided with a tax statement.

## 6.12. OTHER REPORTS AND INFORMATION

You will also receive an annual audit report of the Fund that supports the accuracy of the information in Investors' annual transaction and valuation statements. We will seek to distribute this report within three months of the financial year-end.

### 6.13. CONTINUOUS DISCLOSURE

In certain circumstances, such as if the Fund has 100 or more Investors, it will be regarded as a 'disclosing entity' for the purposes of the Corporations Act and will be subject to regular reporting and disclosure obligations. If the Fund becomes a disclosing entity, the Responsible Entity will comply with its obligations under the Corporations Act and ASIC's good practice guidance in satisfying its continuous disclosure obligations via website notices.

Information and continuous disclosure notices for the Fund will be available by going to [www.alceonre.com.au](http://www.alceonre.com.au) or by calling 1300 133 451 during business hours.

If the Fund becomes a 'disclosing entity' then it will be required to lodge half-yearly financial reports with ASIC. It is therefore important that you check the website regularly for important information about the Fund.

### 6.14. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS

The Responsible Entity may from time-to-time face conflicts between its duties to the Fund as Responsible Entity, its duties to other funds that it manages and its own interests. The Responsible Entity will manage any conflicts in accordance with its conflicts of interest policy, the Constitution, ASIC policy and the law. Investors can obtain more detail on the Responsible Entity's policy and procedures for conflicts of interest and related party transactions by calling us on 03 9097 2800.

The Investment Manager and the Responsible Entity are not related parties. The Investment Manager also has a conflicts of interest policy.

The Responsible Entity and the Investment Manager may from time-to-time enter transactions with related entities. These transactions will be on arm's length terms and managed in accordance with the Responsible Entity's or Investment Manager's (as applicable) conflict of interest procedures. All transactions will be effected at market rates or at no charge, and in accordance with the Corporations Act.

### 6.15. COOLING OFF

Under the Corporations Act, a 14-day cooling off period applies to an investment made in the Fund by retail clients. If during the cooling off period an investor decides the investment does not meet their needs, then they should advise the Responsible Entity in writing or electronically.

The 14-day period commences at the end of the fifth business day after Units are issued, or when an Investor receives their transaction confirmation, whichever is earlier. The cooling off period will lapse if an Investor transacts on their account within the 14 days.

Refunds will be processed at the issue price on the day the refund is made. Investors should note that, as a result, the amount to be refunded will be increased or reduced for pricing movements since the issue date of the Units.

Further, any tax, fees or duty incurred may be deducted. This could result in the amount returned being less than the original investment.

### 6.16. COMPLAINTS

#### 1. Complaints

We have established procedures for dealing with complaints.

If you have invested indirectly through a Portfolio Service, you should contact the operator of that service. You will find their contact details in their PDS or on their website.

If you have invested directly and you have a complaint, you can contact our Complaints Officer by either:

Email: [re.complaints@certane.com](mailto:re.complaints@certane.com)

In writing to: Complaints Officer, Responsible Entity, Level 9 Podium, 530 Collins Street, Melbourne VIC 3000

If you make a complaint to us, we will acknowledge receipt of the complaint and take steps to address the complaint. We aim to resolve all complaints as soon as possible; however, where we can't resolve your issue immediately, we will resolve it within 45 business days.

#### 2. Seek an external review

If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Website: [www.afca.org.au](http://www.afca.org.au)

Telephone: 1800 931 678 (free call)

Email: [info@afca.org.au](mailto:info@afca.org.au)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3000 The Responsible Entity has comprehensive internal and external complaints resolution processes in place to seek to ensure complaints are resolved with minimum inconvenience to all parties.



## 6.17. LABOUR STANDARDS AND ENVIRONMENTAL, SOCIAL OR ETHICAL CONSIDERATIONS

Neither the Responsible Entity or the Investment Manager directly take labour standards or environmental, social, or ethical considerations into account for the purpose of selecting, retaining, or realising investments of the Fund, as these decisions are primarily based on economic considerations. However, sometimes these matters do indirectly affect the economic factors upon which investment decisions are based.

## 6.18. CONSTITUTION

The Constitution is the primary document governing the relationship between the Responsible Entity and Investors in the Fund. It contains extensive provisions about the legal obligations, rights, and powers of both the Investors and the Responsible Entity.

It includes broad powers for the Responsible Entity to carry out its duties and deal with the assets of the Fund, including the right to fees and reimbursement of expenses. The Constitution also details the Responsible Entity's entitlement to be indemnified out of the assets for all liabilities, costs, damages, or expenses incurred in connection with its office, or in prosecuting or defending any action in respect of a provision of the Constitution. The liability of the Responsible Entity is limited to the extent of the Fund's assets, except where there has been any fraud, negligence, or breach of trust by the Responsible Entity.

The absolute beneficial entitlement of Investors to the Fund assets is set out in the Constitution. The liability of Investors is limited under the Constitution to the value of their investment. However, the question of limited liability for investors of managed investment schemes has not been tested in a court of law.

The following is a summary of the main terms of the Constitution:

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<b>Responsible Entity's powers and duties</b>	<p>Subject to the Constitution, the Responsible Entity has all the powers in respect of the Fund that it is possible under the law to confer on a Responsible Entity and as though it were the absolute owner of the Fund assets acting in its personal capacity.</p> <p>Without limiting the above, the Responsible Entity's powers include the power to:</p> <ul style="list-style-type: none"><li>• acquire and invest in any property (whether real or personal) or assets, located in any jurisdiction (which for the avoidance of doubt includes the acquisition of any contractual or other rights);</li><li>• dispose of or otherwise deal with the assets of the Fund;</li><li>• manage and administer the Fund's assets;</li><li>• grant security, enter derivative transactions and incur all other types of obligations and liabilities;</li><li>• authorise any person to act as its agent or delegate to hold title to any asset, perform any act or exercise any discretion within the Responsible Entity's power; and</li><li>• act as underwriter for the offer of any securities or other interests in the Fund.</li></ul>
<b>Indemnity and Liability of Responsible Entity</b>	<p>Except to the extent the Corporations Act imposes liability:</p> <ul style="list-style-type: none"><li>• the Responsible Entity is not liable for any loss suffered by unitholders in respect of the Fund, whether in contract, tort or otherwise; and</li><li>• the Responsible Entity is not liable to any person who is not a unitholder (including in relation to any contracts or other arrangements entered in respect of the Fund) to any extent beyond the Assets.</li></ul> <p>In addition to any indemnity allowed by law, the Responsible Entity has a right of indemnity out of the Assets in respect of:</p> <ul style="list-style-type: none"><li>• any liability incurred by the Responsible Entity in the performance of its duties in respect of the Fund; and</li><li>• all fees payable to and costs recoverable by the Responsible Entity under the Constitution.</li></ul> <p>However, the indemnity does not apply with respect to a liability to the extent that, in respect of that liability, the Responsible Entity has acted negligently, fraudulently or in breach of trust.</p> <p>If for any reason beyond the control of the Responsible Entity it becomes impossible or impractical to carry out the provisions of the Constitution, then subject to the Corporations Act, the Responsible Entity is not under any liability for anything done by it in good faith.</p>
<b>Retirement or removal of Responsible Entity</b>	<p>The Responsible Entity may only retire or be removed in accordance with the provisions of the Corporations Act.</p>

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<b>Amendment</b>	The Responsible Entity may amend the Constitution at its absolute discretion on such terms as it sees fit.
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## 6.19. INVESTMENT MANAGEMENT AGREEMENT

The investment management agreement is between the Responsible Entity and the Investment Manager under which the Investment Manager agrees to provide investment management services to the Fund which include:

1. the identification and acquisition of assets consistent with the Fund's investment mandate
2. keeping all assets under review and monitoring their performance, and
3. using reasonable endeavours to achieve the investment objectives for the Fund.

The investment management agreement contains provisions dealing with matters such as the Manager's obligations to report to the Responsible Entity and sets out the fees payable to the Manager for its services (summarised in Section 5).

The investment management agreement will remain in force until the Fund is wound up unless the agreement is terminated earlier in accordance with its provisions. The agreement can be terminated by the Responsible Entity if the Manager is in material breach of the agreement and that breach has not been remedied after a certain time. There are also provisions allowing the Responsible Entity to terminate if, for example, the Manager becomes insolvent. The Manager is permitted to terminate the agreement in certain circumstances, such as if the Responsible Entity ceases to be the Responsible Entity for the Fund.

## 6.20. PRIVACY

*The Privacy Act 1988* ("Privacy Act") and amendments made to the *Privacy Act by the Privacy Amendment (Private Sector) Act 2000* govern the use of an individual's personal information gained by an organisation from dealings with the individual. The Australian Privacy Principles of the Privacy Act govern the way in which organisations should treat personal information.

The Responsible Entity is committed to managing and only using personal information in ways that comply with the Privacy Act. As a result, the Responsible Entity will apply the Australian Privacy Principles to all information you provide to the Responsible Entity when you make an application to invest in the Fund.

The personal information is collected by the Responsible Entity and will be disclosed within the Responsible Entity's organisation, and any other party the Responsible Entity believes necessary to facilitate the operation and maintenance of the Fund.

4. assess your Application;
5. service your needs as an Investor;
6. provide facilities and services that you request;
7. provide investment reporting on the Fund;
8. carry out the appropriate administrative services for the Fund; and
9. comply with any laws which the Responsible Entity is required to comply with.

## 6.21. AUTOMATIC EXCHANGE OF FINANCIAL ACCOUNT INFORMATION

### 1. Foreign Account Tax Compliance Act and Common Reporting Standard

Australian legislation relating to the automatic exchange of financial account information between jurisdictions gives effect to the United States of America Foreign Account Tax Compliance Act (**FATCA**) and the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (**CRS**). These regimes cover the collection and reporting of information to tax authorities by financial institutions.

The Fund is a reporting Australian financial institution under the inter-governmental agreement entered into between the Australian and US governments in relation to FATCA effective from 1 July 2014. The Fund is also a reporting Australian financial institution under the CRS. Accordingly, the Fund will be required to comply with the registration, due diligence and reporting requirements of FATCA and CRS.

We may request that you provide certain information for the Fund to comply with its FATCA and CRS obligations. Depending on your status, for the purposes of FATCA and CRS, we may assess any information you provide to us and if required, report information in relation to you and your Unit holding to the Australian Taxation Office (**ATO**). The ATO will in turn share such information with the US Internal Revenue Service or tax authorities of jurisdictions that have signed a CRS Competent Authority Agreement on an annual basis.

### 2. How could FATCA and CRS affect you?

By applying for Units in the Fund, you:

1. agree to promptly provide us or our service providers with any information we may request from you from time to time;
2. agree to promptly notify us of any change to the information you have previously provided to us or our service providers;
3. consent to us disclosing any information we have in compliance with our obligations under FATCA and CRS;
4. consent to us disclosing any information we have if your Units are held by or for the benefit of, or controlled indirectly by, specified US person(s) (in the context of FATCA) or foreign tax resident(s) (in the context of CRS), including disclosing

information to the ATO, which may in turn report that information to the US Internal Revenue Service or other foreign tax authority; and

5. waive any provision of domestic or foreign law that would, absent a waiver, prevent us from complying with our obligations under FATCA and CRS.

Failure to comply with our obligations under FATCA and CRS could result in the Fund being subject to a 30% US withholding tax on payments of US income or gross proceeds from the sale of US securities (in relation to FATCA only) and administrative penalties under Australian taxation law.

It is important to note that:

1. although we may take steps to manage the imposition of any withholding tax or penalties, no assurance can be given that this will be successful, and
2. if you fail to provide us with any information requested by us, and the Fund is subject to withholding tax or penalties, we may seek to recover such amount from you.

For further information in relation to how our due diligence and reporting obligations under FATCA and CRS may affect you, please consult your tax adviser.

## 6.22. ANTI-MONEY LAUNDERING

Under Australian legislation, the Anti-Money Laundering and Counter- Terrorism Financing Act 2006 (AML/CTF Act), certain additional identification is required from Investors. We are obliged under this legislation to satisfy thorough Investor identification and verification requirements prior to accepting an application for Units in the Fund. The processing of applications may be delayed until any requested documentation is received in a satisfactory form and the identity of the Investor is verified.

If an Applicant invests in the Fund through a dealer, IDPS or financial adviser, then they will request and collect any verification materials from the Applicant. Applicants who invest in the Fund directly must provide us with the relevant identification material, along with a completed Application Form.

We may request additional information from Applicants where we reasonably consider it necessary to satisfy our obligations under the AML/CTF Act.

## 7 Taxation

### 7.1. OVERVIEW

The Tax Comments set out below a general description of the Australian income tax implications of the Fund as well as for Australian resident and non-resident Unitholders who hold their units on capital account.

The Tax Comments do not consider all possible investor scenarios or aspects of Australian tax law that may be relevant to an Investor's individual circumstances including Investors who hold their investment on revenue account or as trading stock, or who are exempt from Australian income tax, or who are subject to the Taxation of Financial Arrangements provisions contained in Division 230 of the Income Tax Assessment Act 1997.

The Tax Comments should not be used by Investors as a substitute for advice obtained from an appropriate professional adviser having regard to the Investor's individual circumstances and Investor's should obtain their own professional advice on the tax implications based on their own specific circumstances.

### 7.2. TAXATION OF THE FUND

#### Tax treatment of the Fund

Based on current tax legislation, a trust should not generally be liable for income tax, where its beneficiaries are presently entitled to all the income of the trust or if the trust is an AMIT (refer below) the income is attributed to unitholders. As this is intended for the Fund, provided it falls outside the public trading trust rules in Division 6C of the ITAA 1936, the Fund should not be liable to tax.

#### Public trading trusts

The taxation treatment of a trust will depend on whether it is a public trading trust under Division 6C of the ITAA 1936 during a particular income year. To be treated as a public trading trust, the Fund must, amongst other things, be a trading trust during an income year.

A trust will be a trading trust in respect of a year of income if it carries on a trading business or controls an entity that carries on a trading business at any time during an income year. Importantly, a trust (or an entity controlled by the trust) must undertake an 'eligible investment business' ("EIB") for Australian taxation purposes to not be considered a trading business. Relevantly, an EIB includes investing or trading in:

- Secured or unsecured loans (including deposits with a bank or other financial institution);
- Bonds, debentures, stock, or other securities;
- Shares in a company; and
- Units in a unit trust.

Having regard to the proposed activities of the Fund which will consist investing in securities issued by the Investment Entities, the Fund should not be considered to invest or trade in non-EIB activities and therefore, should not be a trading trust (although we note this is a year-by-year factual test and so ultimately will depend upon the Fund activities in any given year).

#### Tax losses

Where a revenue loss or net capital loss is incurred by the Fund, the loss must be quarantined within the Fund and cannot be passed to Investors for tax purposes. Instead, revenue tax losses should be able to be carried forward and offset against assessable income derived by the Fund in future years subject to satisfying the relevant trust loss recoupment tests.

Any net capital losses should be able to be carried forward and offset against future capital gains derived by the relevant Trust. There are no restrictions on utilising carried forward net capital losses incurred by a trust.

### 7.3. MANAGED INVESTMENT TRUST ("MIT") ASPECTS

Subject to the ultimate Investor profile, the Fund may qualify as a withholding MIT for Australian income tax purpose. For the Fund to qualify as a withholding MIT in relation to an income year, the Fund must satisfy several conditions including, among others, being a managed investment scheme and an unregistered wholesale trust, conditions relating to being widely held by Investors. The Fund may also elect into the Attribution MIT ("AMIT") regime.

A withholding MIT has certain tax advantages including reduced withholding tax on distributions to certain non-resident investors which is discussed further below.

### 7.4. TAXATION OF AUSTRALIAN TAX RESIDENT INVESTORS

#### Taxation of distributions from the Fund

Australian tax resident Investors are liable to pay tax on their share of the taxable income of the Fund in the income year to which it relates. An Investor's share of the taxable income of the Fund for the year ended 30 June must therefore be included as assessable income for the Investor's financial year ending on or after that date and would be subject to tax at their respective tax rates. Individual Investors will be taxed at their marginal rates, corporate Investors generally at the current corporate rate of

30% and complying superannuation funds (including complying SMSFs) at 15% (based on the applicable rates at the date of this PDS). This applies irrespective of whether the income to which the Investors are presently entitled is distributed.

Distributions from the Fund may include various components, the taxation treatment of which may differ. The distributions are expected to predominantly include Australian and foreign sourced interest income from the investments which would be included in the taxable income of the domestic investors and taxed at the above rates.

Where the Fund qualifies as a MIT (or elects to be an AMIT under the AMIT regime) and validly elects to treat the Fund's eligible assets on capital account, certain investors may obtain the benefit of the CGT discount and other tax concessions (where applicable) on distributions of capital gains they may receive. This election will not apply to loans.

Where the Fund invests into Investment Entities that are Australian companies, Investors may be entitled to franking credits in respect of distributions which include franked dividends subject to both the Fund and the Investor satisfying certain conditions. Investors may be able to use the franking credits to reduce their income tax liabilities. Excess franking credits may be refundable to individuals and complying superannuation entities (including complying SMSFs) and in certain circumstances may give rise to tax losses for companies.

Investors may also be entitled to claim a FITO for foreign tax paid or deemed to have been paid by the Investor in relation to assessable income or capital gains received from the Fund in relation to foreign investments, for example where Investment Entities are providing first mortgage loans to NZ borrowers.

#### **Taxation on disposal of Units**

Where an Investor holds Units on capital account, an Investor must include any realised capital gain or loss on the disposal of the Units in the calculation of their net capital gain or loss for the year.

An Investor will realise a capital gain or loss on the disposal of the Units equal to the excess or shortfall of the disposal proceeds over the relevant cost base the Investor holds in the Units. The cost base would equal the issue price or consideration paid by the Investor for the Units less any tax deferred or capital distribution received by the Investor in respect of the Units.

Where the Investor has held the Units for less than 12 months, this is the gain or loss included in the Investor's net capital gain calculation. Where the Investor has held the Units for 12 months or more and there is a gain, a discounting factor may be available for certain Investors. The gain on the Units is initially reduced by any other capital losses of the Investor. If, as a result, a net capital gain arises it may be reduced by the discount factor. The discounting factor for individuals and trusts is 50%, whilst a discount factor of 33 $\frac{1}{3}$ % applies for complying superannuation entities (including SMSFs).

## **7.5. TAXATION OF NON-RESIDENT INVESTORS**

#### **Taxation of distributions from the Fund**

Distributions (or attributions if relevant) of Australian-sourced income from the Fund to non-resident Investors will generally be subject to withholding tax. The nature of the withholding tax depends on the nature of income distributed (or attributed if relevant) and whether the Fund will qualify as a withholding MIT.

Provided that the Fund qualifies as a withholding MIT, distributions (or attributions if relevant) that qualify as fund payments (a defined term) will be subject to specific withholding tax rules. A fund payment is any payment (or attribution if relevant) by the Responsible Entity from the net taxable income of the Fund to Investors other than dividends, interest or royalties included in the amount.

**The Responsible Entity will generally be required to withhold from distributions to non-resident Investors in respect of Australian-sourced income as follows:**

- The Responsible Entity will withhold tax at 10% from interest payments.
- The Responsible Entity should not be required to withhold tax for any franked dividends that are distributed from the Fund to non-resident Investors. Unfranked dividends may be subject to withholding tax (depending on the tax profile and residency of the Investor).
- For any distributions not attributable to interest or dividends paid (e.g., net gains made on sale of investments or fee income) to non-resident Investors who provided an address or place of payment for the distribution in an information exchange country, the Responsible Entity will withhold tax at 15% from fund payments.
- For any distributions not attributable to interest or dividends paid (e.g., net gains made on sale of investments or fee income) to an Investor that provided an address in a non-information exchange country, the rate of withholding applied will be 30%.
- Where Investors are resident in a country other than the information exchange country address provided to the Responsible Entity, further Australian tax obligations may arise for that Investor.

Non-Australian tax resident Investors should not be required to lodge an Australian tax return in respect of a trust distribution that is subject to MIT withholding tax or interest or dividend withholding tax on the basis that they are generally final taxes for Australian taxation purposes.

Any foreign-sourced income that is distributed by the Fund to non-resident Investors by the Fund, which is expected to only include interest, should not be subject to withholding tax in Australia.

### Taxation on disposal of Units

A capital gain arising on the disposal or redemption of the Units should not be subject to Australian capital gains tax in the hands of a non-resident Investor where the underlying assets of the Fund are not “Taxable Australian Property”. Given the underlying investments of the Fund are intended to be first mortgage loans issued to borrowers, the investments in securities in the Investment Entities made by the Fund are not expected to be considered Taxable Australian Property.

### 7.6. TAX FILE NUMBERS AND AUSTRALIAN BUSINESS NUMBERS

An Australian tax resident Investor need not quote a TFN when applying for Units in the Fund. However, if a TFN is not quoted, or no appropriate TFN exemption information is provided (e.g., where an Investor has lodged a TFN application and is awaiting confirmation), tax is required to be deducted from any income distribution entitlement at the highest marginal tax rate plus Medicare levy (currently 47 per cent). Investors that hold their Units as part of their business may quote their Australian Business Number instead of their TFN. For completeness, a Non-resident Investor should not be subject to this type of withholding.

### 7.7. GOODS AND SERVICES TAX

The acquisition, disposal and/or redemption of Units is not subject to GST.

Generally, GST incurred on costs relating to the issue, acquisition or disposal of Units should not be recoverable in full. However, Investors are recommended to seek professional taxation advice in relation to their own position.

### 7.8. STAMP DUTY

No stamp duty should be payable by Investors on the issue of units in the Fund. Under the current stamp duty legislation, in the ordinary case, no stamp duty should be payable on any subsequent disposal or redemption of the Units in the Fund.

## 8 Application Process

### 8.1. IMPORTANT INFORMATION

This PDS does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to facilitate the public offer of the Fund outside Australia.

The distribution of this PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

You cannot invest in the Fund unless you submit an Application Form in the form required by the Responsible Entity and provide all documentation required.

### 8.2. HOW TO APPLY

1. Complete an application form and other forms as required and have all Applicant(s) sign where indicated. You may also choose to complete and submit via Alceon's online application form.
2. If completing the paper-based Application, send the originals with the Application to fund's administrator, Mainstream Fund Services as instructed in the Application Form.
3. An application will only be processed when we have received the original documentation together with payment of the Application Monies, plus the relevant identification documentation.

We believe it is important for you to obtain independent professional advice about your financial circumstances and needs and whether the Fund is a suitable investment for you.

## 9 Glossary

<b>AFSL</b>	An Australian financial services licence.
<b>Alceon or Alceon Group</b>	Alceon GT Pty Limited ACN 122 362 458 as trustee for The Alceon Group Trust
<b>Applicant</b>	A person who submits an Application Form in accordance with this PDS to become an investor in the Fund.
<b>Application</b>	An application for an investment in the Fund, as evidenced by completion of the Application Form and payment of the Application Monies.
<b>Application Form</b>	The application form to be used by persons wishing to invest in the Fund, available at: <a href="http://www.alceonre.com.au/adif">www.alceonre.com.au/adif</a> .
<b>Application Monies</b>	The monies received or transferred in connection with the offer pursuant to this PDS and the Constitution.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>AUD</b>	Australian Dollar.
<b>Australian Privacy Principles</b>	The Australian Privacy Principles set out in schedule three of the Privacy Act 1988 (Cth).
<b>Benchmark</b>	A fixed five percent per annum
<b>Business Day</b>	A day on which banks are open for business in Melbourne other than a Saturday, Sunday, or public holiday.
<b>Constitution</b>	The constitution of the Fund dated 9 August 2018, as amended from time to time.
<b>Corporations Act</b>	Corporations Act 2001 (Cth) and the associated regulations, as amended from time to time.
<b>Fund</b>	The Alceon Debt Income Fund, established by the Constitution.
<b>GST</b>	Australian Goods and Services Tax pursuant to the A New Tax System (Goods and Services) Tax Act 1999.
<b>High Water Mark</b>	The application price of Units or, where a performance fee has previously been paid to the Investment Manager, the net asset value of the Fund (plus any distributions paid or declared during the financial year or other period for which the performance fee is being calculated) on the last day of the relevant period for which a performance fee was paid or accrued.
<b>Net Asset Value</b>	The net asset value (NAV) represents the net value of the Fund and is calculated as the total value of the Fund's assets minus the total value of its liabilities.



<b>PDS</b>	This document including its schedules and annexures.
<b>Investment Entities</b>	The Special Purpose Vehicles (SPVs) or trusts established by Alceon into which the Fund will invest.
<b>Investment Manager</b>	AFIM Limited ABN 78 099 959 958, a wholly owned subsidiary of Alceon.
<b>Investor</b>	An investor in the Fund, also referred to as “you” or “your”.
<b>LVR</b>	Loan-to-value ratio.
<b>Offer</b>	The offer of Units in the Fund made under this PDS.
<b>PDS</b>	This document including its schedules and annexures.
<b>Quarter</b>	Each three-month period ending on the last day of March, June, September, and December.
<b>Responsible Entity or REP</b>	Responsible Entity Partners Limited ACN 119 757 596, AFSL 304542
<b>Target Market Determination, TMD</b>	A Target Market Determination (TMD) describes the target market for a financial product and relevant conditions in relation to the distribution of the product to consumers.
<b>TFN</b>	Tax File Number.
<b>Unit</b>	A unit in the Fund.