

ASCENT FIRST MORTGAGE FUND
ASRN 091 981 827

SUPPLEMENTARY PRODUCT DISCLOSURE STATEMENT

Dated: 28 November 2008

This is the first Supplementary Product Disclosure Statement to the Ascent First Mortgage Fund Product Disclosure Statement ("PDS") issued by Ascent Funds Management Limited ABN 40 089 245 330 ("the Manager") dated 20 October 2006.

This Supplementary Product Disclosure Statement is to be read in conjunction with the PDS, and has been issued by the Manager to update the PDS in response Regulatory Guide 45 entitled "*Mortgage Schemes -Improving Disclosure for Investors*" published by the Australian Securities and Investments Commission ("ASIC") in September 2008 ("the Guide").

The Guide establishes eight key disclosure benchmarks. To a large extent these benchmarks are already addressed in the PDS. Nevertheless, each of the benchmarks is identified and addressed below, with reference where appropriate to the PDS.

Further and updated information may, from time to time, be made available on the Manager's website at www.ascentfin.com.au.

Words and phrases having a defined meaning in the PDS have the same meaning in this Supplementary Product Disclosure Statement.

1. Liquidity

Liquidity is a measure of a fund's ability to meet its short-term commitments.

Unlike unlisted mortgage schemes which provide investors with a shared interest in pool of mortgages, the Ascent First Mortgage Fund ("the Fund") provides investors the opportunity to invest in a specific First Mortgages secured by real property. ASIC has defined this type of scheme as a "contributory mortgage scheme"

which is exempt from disclosure in respect of the Liquidity benchmark.

2. Scheme Borrowing

The Fund does not borrow to fund its operations or to fund distributions, and has a strict policy of not borrowing against its assets.

3. Portfolio Diversification

It is the Manager's policy to allocate your funds in a number of different First Mortgage's. You will be provided with a Summary of Mortgage for each

First Mortgage in which your money is invested. The Summary of Mortgage will allow you to assess the First Mortgage and your level of investment therein.

Subject to the minimum investment of \$5,000 per First Mortgage, you choose your own level of portfolio diversification across the Fund's First Mortgage's.

4. Related Party Transactions

The Fund does not lend to related parties.

Any investments in the Fund from related parties are received and processed on the same commercial terms and conditions as similar investments from non-related parties.

All investors and borrowers are subject to government regulated identification procedures and internal conflict of interest checks which form part of the Manager's documented compliance policy.

5. Valuation Policy

Without exception the Manager obtains a valuation of the Real Property forming the security for the loan in which you are investing.

Additionally, from time to time the Manager may have mortgaged properties revalued whenever it considers that a significant change in market conditions may have affected the properties' value's.

All properties are valued on an 'as is' basis by registered valuers, who are briefed to include a statement in their valuation report confirming the valuation complies with all relevant industry codes and standards.

Valuation information will be provided to you in the Summary of Mortgage document.

Upon the request of the borrower, the Manager may increase a borrower's loan or extend the term of a borrower's loan.

A borrower's loan will only be increased or extended on the basis of a valuation that is not more than three years old, and then only in accordance with the Lending Principles (discussed below).

If the term of a borrower's loan is extended for a term which is more than three years from the date of the original valuation, the Manager obtains a new valuation prior to granting the extension.

In the event that the loan in which you have invested is varied or extended you will be provided with a new Summary of Mortgage containing valuation information, upon receipt of which you will be given 14 days to notify the Manager that you wish to withdraw from the mortgage.

For further information regarding the above refer to page 5 of the PDS, under the headings "Lending Criteria" and "Settlement of First Mortgages".

6. Lending Principles

The Fund makes loans in accordance with the Lending Criteria described at page 5 of the PDS.

Under no circumstances does the principal sum lent exceed 66% of the market valuation (as at the date of the valuation) of the property securing the loan. Consequently, none of the Fund's loans exceed ASIC benchmarks, which permit loans of up to 80% of the latest market valuation.

The Fund does not lend on a progress payment or cost-to-complete basis.

7. Distribution Practices

You will receive payments on account of the interest paid by the borrower on the First Mortgage in which you have invested. These payments will be paid to you at a time, and in the manner, described in the PDS (at page 3) and your Summary of Mortgage.

The Fund does not make forecasts in respect of distributions to investors.

8. Withdrawal Arrangements

Upon investment your funds will be held in the Manager's trust account pending allocation to a First Mortgage and may be withdrawn at any time, prior to allocation to a First Mortgage, upon written request to the Manager. All unallocated funds are held with Australian Banks.

The Fund offers investments in First Mortgages for a fixed-term. The term of your investment will depend on the term of the First Mortgage in which you have invested, which will be specified in your Summary of Mortgage.

When the term of your First Mortgage ends, the Manager will contact the borrower who may elect either to pay out the mortgage or extend the term (subject to meeting the Lending Criteria and the approval of the Manager)..

If the borrower pays out the First Mortgage, you may withdraw your money from the Fund or leave it in the Fund's trust account pending allocation to the next available First Mortgage.

If the Manager agrees to vary the mortgage, (which is subject to the Managers approval being granted in accordance with the Lending Criteria and Valuation Policy described above), you will be provided with a new Summary of Mortgage and given 14 days to decide if you do not wish to participate in the varied mortgage.

In limited circumstances your funds may be permitted to be withdrawn prior to the expiration of the term or discharge of the mortgage. Investors wishing to withdraw in these circumstances must submit a written request to the Manager, the approval of which is subject to the discretion of the Manager and the availability of replacement funds. However as set out on page 4 of the PDS, investors should consider their investment in a specific First Mortgage to be an investment for the term of the First Mortgage.

For more information regarding the Fund's distribution practices please refer to page 3 and 7 of the PDS under the headings "Interest Rates and Income Payments" and "Withdrawal of Money" respectively.

Before deciding to invest in the Fund, investors should ensure they have read and understood both the PDS and this Supplementary Product Disclosure Statement.

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