



AVARI 1ST MORTGAGE REAL ESTATE FUND

Information Memorandum

October 2021

Amended: April 2024

For wholesale, sophisticated and/or professional investors
Strictly private and confidential

Trustee: Avari Holdings Pty Ltd
ACN 603 200 648

Manager: Avari Capital Partners Pty Ltd
ACN 626 245 172

This Information Memorandum (**IM**) is dated 25 October 2021 and amended on the 9th of April 2024 and is issued by Avari Holdings Pty Ltd ACN 603 200 648 (**Trustee, AVARI, we or us**) which is the trustee of the Avari Private Loan Income Fund (**Fund**). The Trustee holds AFSL 472222. This IM is given to a limited number of prospective investors solely for the purpose of evaluating whether they wish to invest in the Fund (**Investment**).

The manager of the fund is Avari Capital Partners Pty Ltd ACN 626 245 172 (Manager). The Manager is an authorised representative of the Trustee (ASIC No. 001 266 122).

This IM is not a prospectus or disclosure document as defined in the Corporations Act 2001 (Cth) (the Act), and does not constitute a recommendation or a contract to purchase any units or other securities in the Fund or related bodies corporate. This IM has not been lodged with the Australian Securities and Investments Commission (ASIC) or any other government body.

The offer made under this IM is only available to persons who qualify as wholesale clients (as defined in section 761G(7) of the Act)) or sophisticated investors (as defined in section 761GA of the Act) (Qualifying Investors). The Trustee will not issue units in the Fund to a person unless it is satisfied that the person is a Qualifying Investor.

By accepting this IM, the recipient agrees that its existence, contents and any related discussions are to be held in strict confidence. Its use for any purpose other than to consider an investment in the Fund by the recipient is not permitted. It is not to be reproduced or redistributed, in whole or in part or disclosed to any person.

Purpose of information

This IM is a summary of the terms and conditions of the Investment and does not relate to, and is not relevant for, any purpose other than to assist Qualifying Investors to decide whether to proceed with a further investigation of the Investment. It does not purport to contain all the information that a Qualifying Investor or a Qualifying Investor's professional advisers may require in making a decision in relation to the Investment. The definitive terms and conditions of the Investment will be contained in the trust deed of the Fund (Trust Deed) which the Qualifying Investor will be party to should they proceed to make the Investment.

Before making the Investment, Qualifying Investors must ensure they obtain a copy of and read the Trust Deed in its entirety and, if necessary, seek their own independent professional advice. The terms of the Trust Deed may differ from the statements made in the IM. The terms of the Trust Deed prevail over this IM.

Australian residents

This IM does not constitute, and may not be used for the purposes of, an offer or solicitation in any jurisdiction other than Australia or in circumstances in which such offer or solicitation is not authorised. No recipient of this IM in any jurisdiction other than Australia may treat it as constituting an invitation to apply for units in the Fund.

In particular, this product has not been and will not be registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold, delivered or transferred in the United States or to, or for the account of, any “US Person” (as defined in Regulation S under the US Securities Act). Neither this IM nor any Application Form or other material relating to this product may be distributed in the United States.

No representation

The Trustee has compiled the information contained in this IM in good faith. None of the Trustee, the Manager, their associates or related parties, their respective directors, officers, representatives or advisers or any other person who may be taken to have been involved in the preparation of this IM (the Transaction Parties) makes any representation or warranty, express or implied, as to, or assumes any responsibility or liability for any loss or damage suffered in connection with, the content, adequacy, origin, validity, reliability, accuracy, legality or completeness of, or any errors in or any omissions from, any information, statement, opinion or forecast contained in this IM or any other written or oral communications transmitted to prospective investors or their affiliates or representatives in the course of their evaluation of any potential equity investment. The Trustee has not authorised any person to provide any information or make any representation in connection with its business, which is not contained in this IM, and if such information or representations are provided, they cannot be relied upon as having been authorised by the Trustee.

The recipient should note that information on certain matters may not have been included in this IM for reasons of commercial sensitivity even though such information may be material to a prospective investor. This IM must be read in conjunction with the Trust Deed for the Fund, a copy of which is available (free of charge) by sending an email to Simon Riordan at the following email address: info@avaricapitalpartners.com.au

Except to the extent required by law, none of the Transaction Parties accept any responsibility or liability for any errors, misstatements, misrepresentations in or omissions from this IM or any other such document or information supplied at any time to the recipient or its advisers in the course of the recipient's evaluation of the Investment and the Trustee.

The Transaction Parties are not obliged to inform a recipient or any other person of any matter arising or coming to its notice after the date of preparation of this IM. Neither the delivery of this IM, nor any invitation to participate in the Investment implies or should be relied upon as a representation or warranty by any of the Transaction Parties that there has been no change since that date in the affairs or financial condition of the Trustee or that the information contained in this IM remains correct at, or any time after, the date of this IM.

Investors to conduct own investigations

This IM does not contain all the information that a recipient may require to evaluate the Investment or the Trustee and is not intended to form the basis of any decision by a recipient. Prospective investors should not rely on this IM or on any supplementary information, but should conduct their own investigations and analysis of the Trustee, this IM and any supplementary information, and should verify the accuracy, reliability and completeness of the information contained in this IM. Investors should obtain their own independent investment, legal, financial, taxation and other advice, as they deem necessary, and rely solely on that advice in making any decision to proceed with an investment. Prospective investors are solely responsible for obtaining all relevant approvals from government and authorities before proceeding with any investment.

This IM has been provided to give prospective investors an overview of the Trustee and the Fund. The information contained in this IM may not be appropriate for all persons and does not have regard to the investment objectives, financial situation or particular needs of persons who may read or use the information contained in this IM. This IM is not directed at or made available to any person in a jurisdiction in which its circulation or release is prohibited under the law of that jurisdiction.

Projections

This IM includes (and supplementary information may contain) information, statements, estimates and projections (collectively Projections) with respect to the anticipated future performance of the Fund or the Project. Prospective investors are advised that such Projections involve significant elements of subjective judgment and analysis which may or may not be correct and are subject to significant uncertainties and contingencies, many, if not all, of which are outside the control of the Trustee and Manager. None of the Transaction Parties give any representation, assurance or guarantee as to the accuracy of the Projections or that the occurrence of the events expressed or implied in any Projection will actually occur.

For these reasons (amongst others), actual results may differ materially from those in the Projections. The Transaction Parties do not guarantee, represent or warrant any repayment of capital invested or any particular rate of return on investment. The Transaction Parties give no representation, warranty or otherwise that any Projections included in this IM will be achieved or that any assumptions and estimates made in connection with the Projections are correct or reasonable.

No guarantee

Any Investment in the Fund is subject to investment risk, including loss of income and capital invested. Neither the Trustee nor the Manager, any of their directors, officers, employees, advisors or representatives guarantee the rate of return or performance of the Fund, the meeting of the objectives of the Fund, nor do they guarantee the repayment of the committed capital nor do they make any guarantees about the timing of repayment of committed capital, which may be significantly delayed.

Trustee limitation of liability

Except in certain circumstances (including fraud, negligence or wilful default by the Trustee), the Trustee enters into transactions for the Fund in its capacity as trustee of the Fund only, not in its own capacity, and its liability in relation to those transactions is limited to the assets of the Fund.

Disclosure of interests

The Trustee, the Manager or their related entities may also acquire units in the Fund on the same terms and with the same rights as other investors in the Fund.

Not regulated by APRA

The Trustee is not authorised under the Banking Act 1959 (Cth) (Banking Act) and is not supervised by the Australian Prudential Regulation Authority, nor are investments in the Fund covered by the deposit or protection provisions in section 13A of the Banking Act.

Updated information

The information contained in this IM can change, and the IM may be updated or replaced from time-to-time. Unless the changed information is materially adverse to you, the Trustee may not always update or replace this IM to reflect the changed information. Updated information can be obtained by going to our website or contacting us. Our contact details are detailed at Section 13.

CONTENTS

01	Executive Summary	4	05	Structure diagram	11	09	Investment Considerations and Risks	19	13	Directory	23
02	Why Invest with AVARI	5	06	The Investment Process/ Loan Approval Criteria	12	10	The Investment Committee	20	14	Application Form	23
03	The Investment	7	07	Key terms of the Fund	16	11	Additional information	21			
04	Investment strategy	10	08	Fees and costs	18	12	How to Invest	22			

01 EXECUTIVE SUMMARY



THE FUND

This IM outlines an opportunity to invest in the AVARI 1st Mortgage Real Estate Fund. The Fund will have the first right to invest in all investments sourced by the Manager that meet specified Investment Criteria. The focus of the Fund will be to invest in loans secured by Australian real estate, including by way of first mortgages. The loans will include loans taken out in respect of land, construction, commercial properties and residual stock loans. The diversified style of the Fund will enable the Trustee to access more deals and take advantage of shorter term and higher yielding opportunities unavailable to a syndicate structure.

The Fund is an unregistered managed investment scheme structured as a unit trust. The Trustee does not intend to register the Fund with ASIC as a registered managed investment scheme or to list the Fund on a secondary market such as on the Australian Securities Exchange.

KEY FUND DETAILS

- The Fund will target a return to investors of 6%+ BBSW (bank bill swap rate as published by ASX) per annum net of fees (this is an objective only and not a forecast).
- There will be no cap on the amount of capital invested, or number of units issued, in the Fund

- Opportunities to invest in the Fund will open weekly, subject to approval from the Manager
- The Fund is an open-ended fund
- Withdrawals are permitted with one month's notice subject to the liquidity of the Fund
- The Fund opened for investment on 10 May 2021
- Principals of AVARI will also invest in the Fund and will hold the same class of units as all other investors

INVESTMENT CRITERIA

- The Fund will primarily invest in loans secured by Australian real property either directly (for example, by the Trustee lending directly to the borrower) or indirectly (for example, by investing in other funds, including both funds which are and are not managed by AVARI (Sub Investment Funds), provided that the investments made by such Sub Investment Funds meet the Investment Criteria – see Section 4)
- The Fund will also invest in cash, short-term deposits and/or a cash management account and listed lending vehicles backed by property
- The average maximum loan to value ratio will be not higher than 65%
- Further key terms of the Fund are provided in Section 7 of this IM

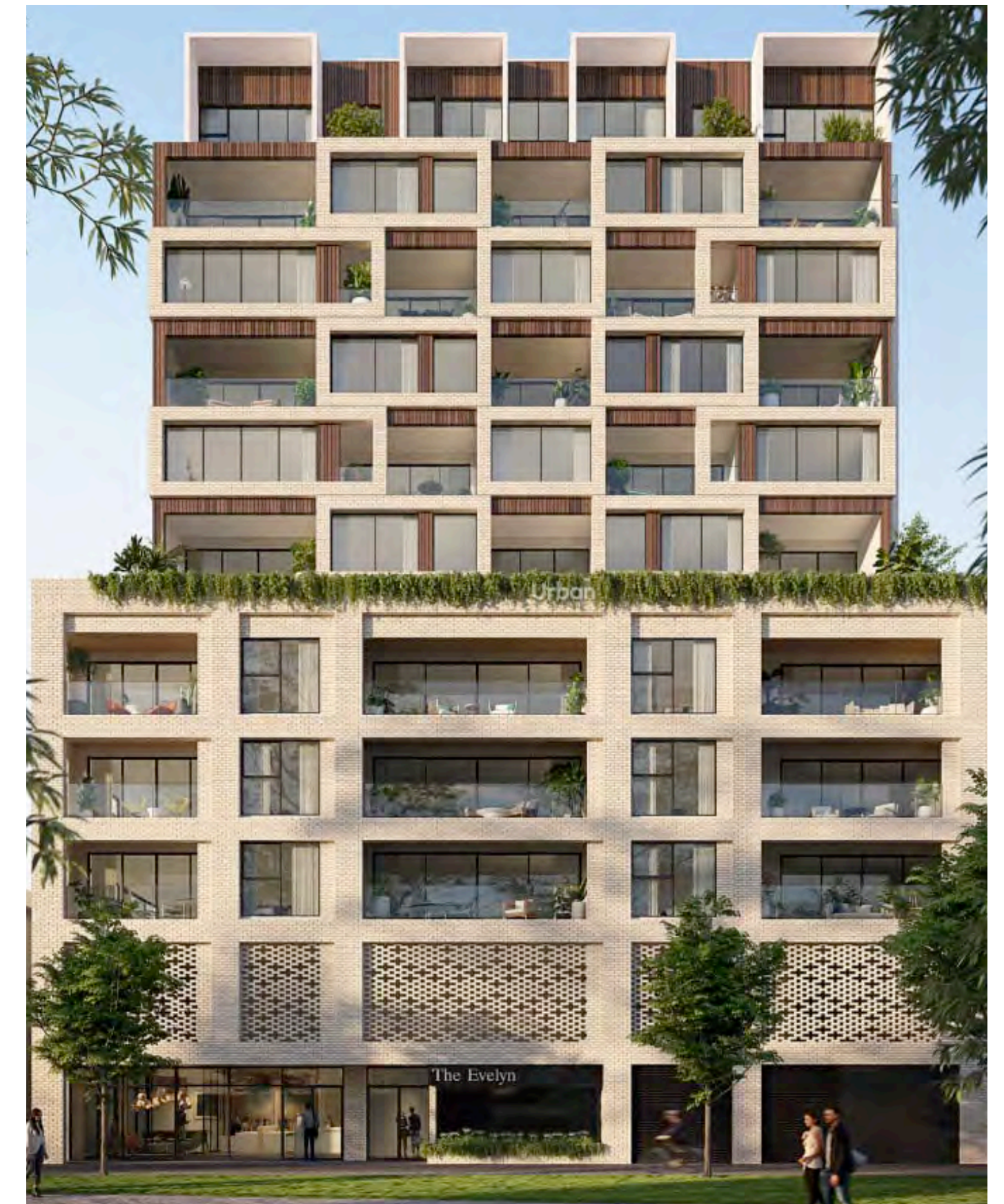
This IM outlines an opportunity to invest in the AVARI 1st Mortgage Real Estate Fund. AVARI has been active in the private lending space since 2015 and has a track record of not having made a loss on a loan investment. Unlike most private lenders, AVARI are also property equity investors, managing over \$1 billion in assets on behalf of their investors and have completed a number of residential and commercial construction projects, refurbishment, leasing and sales.

AVARI's key strengths are as follows:

- Access to deals – AVARI's knowledge and experience in lending and in acquiring and managing real estate assets in the Australian market gives them broad access to deals. For example, a lending deal can arise from an initial purchase discussion and vice versa. Given its track record and established relationships in the market, AVARI is an active player and often receives referrals from brokers, bankers and institutional investors.
- In-house property team – Unlike most fund managers, AVARI has a full in-house property team which includes architects, analysts, project managers, interior designers and internal sales/leasing. This allows the AVARI team to look at lending deals differently – rather than simply assessing ratios, AVARI looks at the asset from an equity investor's lens and determines the feasibility and the probability of the borrower achieving a positive outcome.

- Capital preservation – AVARI has a deep understanding of how to acquire and manage assets and complete a development. AVARI's experience in property development allows its team to analyse loan deals to identify potential issues that may arise during development and incorporate a mechanism in the facility accordingly. In the event of a loan default, AVARI can easily step in to complete a project rather than trying to sell an asset during the construction or development phase.
- Deal Size – AVARI is not limited by deal sizes. With reliable funding sources from institutional investors, AVARI can originate deals that are usually beyond the investment size offered by a standard private lender.
- Flexible approach to deals – AVARI's property market knowledge allows fast and efficient due diligence to capture opportunities. AVARI seeks to contribute to the borrower's success by sharing its in-house property expertise, including advice on asset management, development, leasing and sales. This also allows AVARI to access deals which may not be available to a standard private lender.
- Alignment of Manager – AVARI and its staff will invest in the Fund in the same class of units as investors to align interests.
- Communication – AVARI prides itself on its communication. Investors will be kept up to date regarding loans in the Fund's portfolio on a monthly basis.

02 WHY INVEST WITH AVARI





03 THE INVESTMENT



PRIVATE LOAN MARKET

Private lending simply refers to loans provided by groups other than authorised deposit-taking institutions (ADIs). While lending outside the banking sector is a well-established practice, in recent years lending by non-banks have become an increasingly important source of debt finance to individuals and small businesses. Growth in non-bank lending has been experienced in terms of the number of new lenders, increased volume of loans and the broadening range of products offered. Non-bank lending growth is apparent in all major international markets. The disintermediation of the banking sector in Australia is providing investors with attractive opportunities to diversify their investment portfolios by providing access to good quality loan assets that can provide stable, attractive returns.

WHY INVEST IN PRIVATE LOANS

- Real return profile – Unlike many asset classes, returns from private debt are agreed with the borrower from the outset, allowing investors to plan their cashflow. This can include both fixed rate loans that will not move with benchmark interest rates and variable loans that can offer a hedge against inflation and changes in benchmark interest rates
- Portfolio diversification – The private debt asset class provides diversification away from and low correlation to more volatile asset classes such as shares. Private debt is normally less volatile given the focus on capital preservation in a downturn through contractual obligations to repay loans ranking ahead of equity and are often secured against assets. Private debt is also normally less volatile as it can be less exposed to inflation than other asset classes to the extent there are variable rate or short dated fixed rate loan exposures
- Asset backed – Borrowers of underlying loans have a contractual obligation to repay the loan amount and applicable interest and fees to lenders. Loan terms include pledged security of property often backed by a 1st Mortgage and may be secured by other assets. First mortgage investors have the first right to any proceeds from the liquidation sale of the backed asset and other securities. Private debt offers high risk adjusted returns when compared with many other asset classes, while the downside is lack of liquidity. A typical term for a private loan is usually from 6 months to 24 months.



TYPES OF LOANS

Borrowers in the commercial real estate market in Australia are normally in the business of the development, investment, acquisition or improvement of real estate. Borrowers pledge security of the real estate to the lender, meaning in case of default the lender can sell the asset to recoup their loan.

Typical loans include:

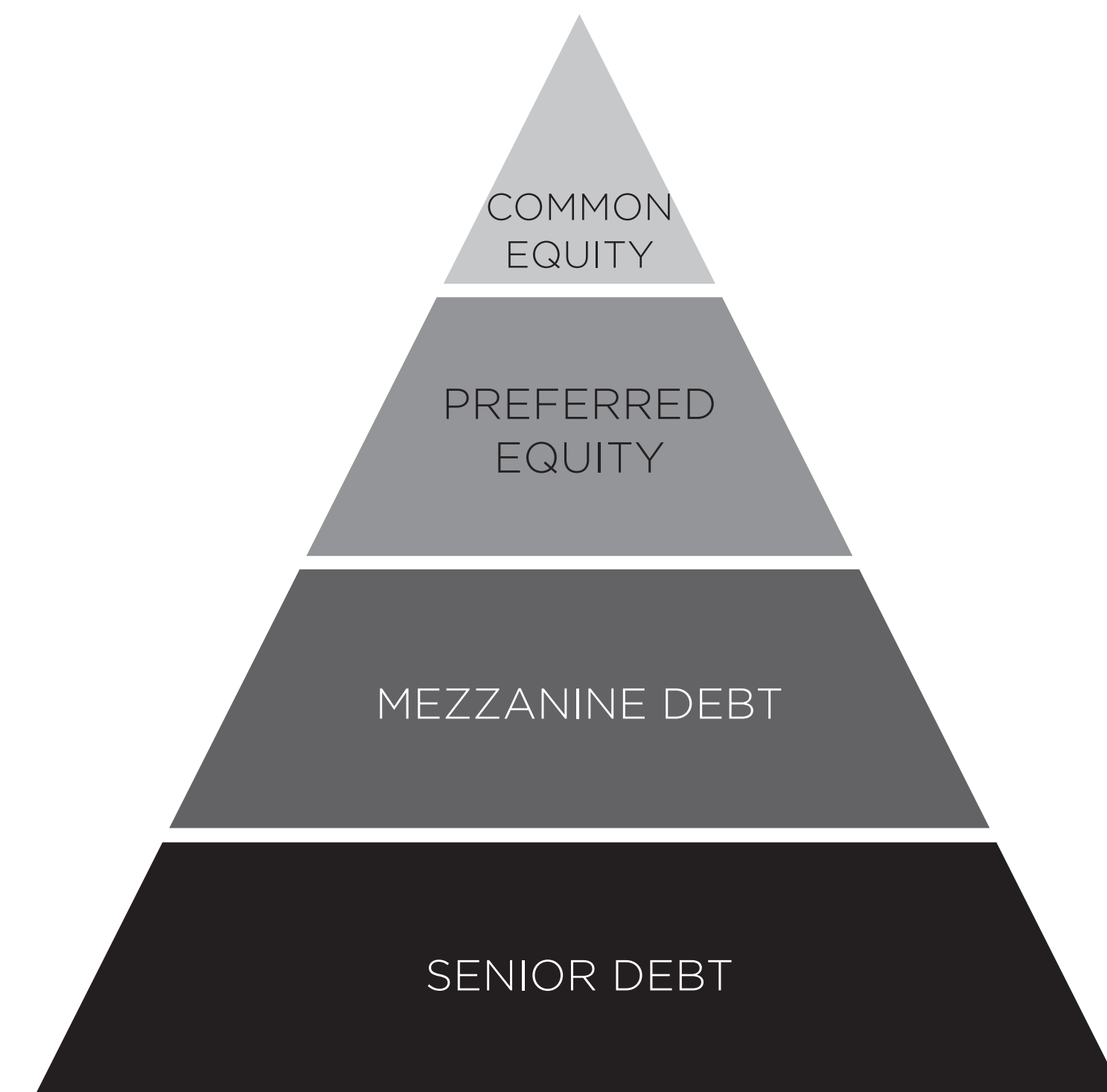
- Land Loan – secured against vacant land which is to be developed. Generally, the land will be zoned for residential or commercial development and the borrower requires capital to settle the land and apply for a development application.
- Bridging Loan – short term loan to assist borrower to obtain another finance arrangement or to sell the asset.
- Construction Loan – for commercial or residential construction, secured against the land and the future construction. Funds are generally drawn down gradually to meet construction costs.
- Residual Stock Loan – loan secured against completed residential development where apartments, houses or serviced land lots remain unsold, loan is generally paid back as remaining stock is sold.
- Commercial Loan – for acquisition/refinance of an office or industrial asset.



Above is a diagram of the process of a development from land to completed asset and the loans that would apply and be required at each stage.

TYPES OF SECURITY

- **First Mortgage** – lender has first right to any sale proceeds, this is the lowest risk lending option. In case of default the lender can sell the asset to recoup their loan.
- **Tranches of First Mortgage** – where a larger loan secured by a first mortgage is split into tranches. The first “A” tranche has first rights to sale proceeds and receives lower return to tranches ranking behind for higher return.
- **Other Security** – depending on the risks of the deal, other security which may be available includes personal guarantee from the beneficiaries or director, a General Security Interest and/or Specific Security Interest over the borrowing entity or corporate guarantor, or shares held in either, or other subordinated security over other assets. These further securities can provide an extra layer of security if the asset sale proceeds are not sufficient to cover the loan amount.

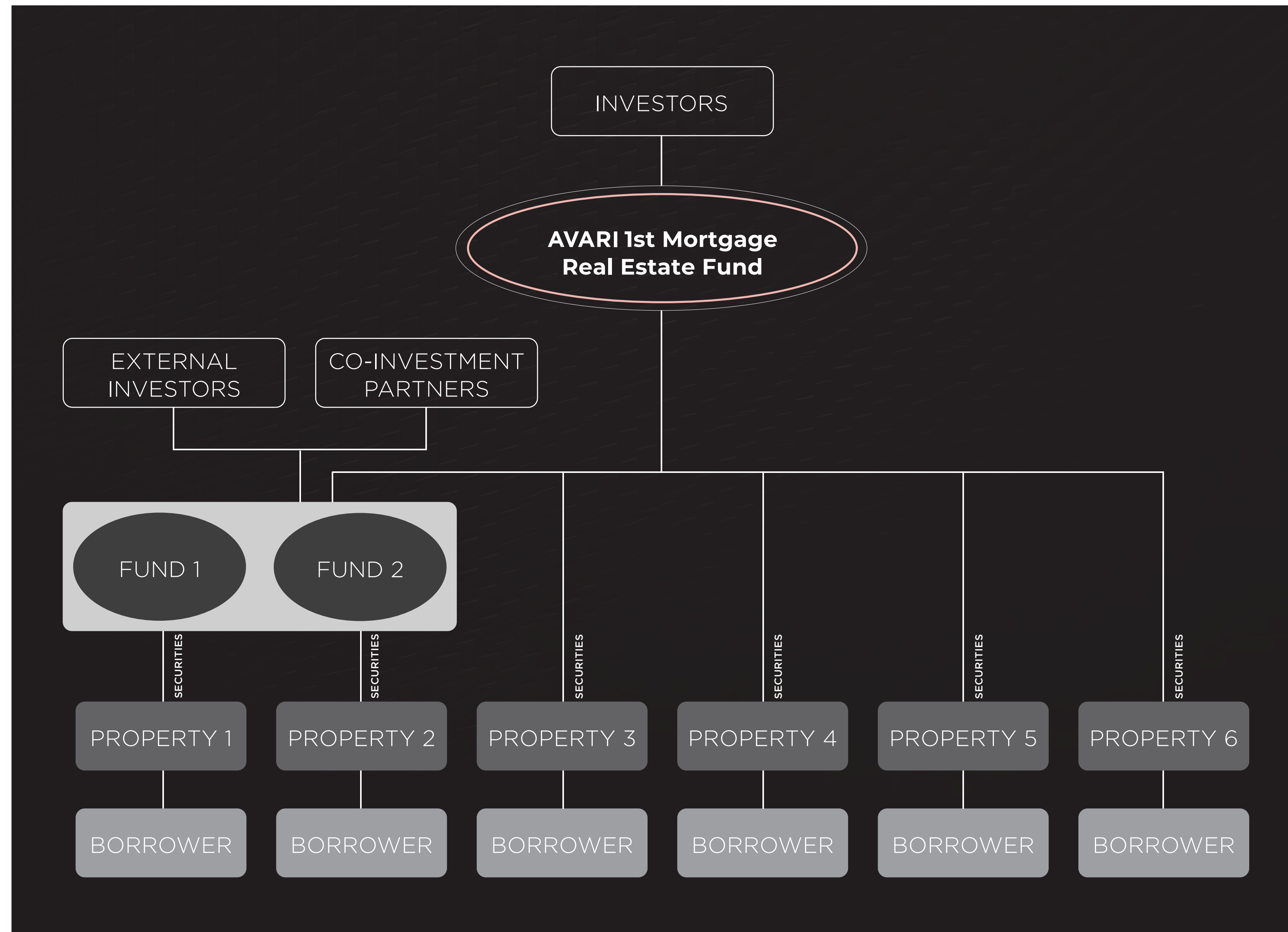


04

INVESTMENT
STRATEGY

Investment Asset Class	<p>The strategy of the Fund is to invest in loans which are secured by real property, including the following:</p> <ul style="list-style-type: none">• first mortgage lending;• loans secured by units/shares in entities that hold properties. <p>For cash-flow purposes, the Trustee will also be permitted to invest in:</p> <ul style="list-style-type: none">• cash, short-term deposits and/or a cash management account;• listed lending vehicles backed by property.
First Mortgage Investment Criteria	<p>The Trustee will only invest in investment opportunities that meet the following investment criteria:</p> <ul style="list-style-type: none">• Securities – Australian commercial properties, land bank, subdivision, residual stock, construction loan, cash, short-term deposits and/or a cash management account, listed lending vehicles backed by property• Structure/vehicle could be:<ul style="list-style-type: none">» the Fund as the lender; or» via a trust/loan note managed by AVARI or other entities; <p>The maximum weighted average portfolio loan to value ratio will not be higher than 65%</p>
Target Return	6% + BBSW (bank bill swap rate as published by the ASX), per annum
Leverage	No borrowing
First right in AVARI Funds	<p>The Trustee will have a first right to invest in AVARI-managed Sub Investment Funds in which the investments meet the Investment Criteria (as set out above). The Trustee will utilise this first right in order to optimise the expected return outcome for investors. A decision to exercise the first right to invest in a Sub Investment Fund is at the absolute discretion of the Trustee.</p> <p>To the extent that the Trustee chooses to not exercise its first right to invest in a transaction and, prior to closing, there is a material change to the terms of that transaction, the Trustee’s first right will be refreshed and the Trustee will be able to consider the investment opportunity again on behalf of the Fund.</p>
Co investment and Joint Ventures	<p>The Trustee may elect to partially waive its first right to invest in AVARI-managed Sub Investment Funds and/or instead utilise an external co-investment or joint venture partner to co-invest in a Sub Investment Fund or to finance the underlying investment. This will allow the Trustee to finance an investment opportunity in excess of the Fund’s appetite or capacity. It will also assist with managing portfolio risk and returns in the Fund by opting for a lower allocation in a particular investment.</p>

05 STRUCTURE DIAGRAM



6.1 SOURCING

The Manager has broad connections and extensive experience in the property investment and development industry, which:

- Enables its team to identify strong, credit-worthy borrowers; and
- Enables it to understand the fundamental challenges and potential solutions for each project. Hence, the Manager can formulate project-specific capital solutions that may otherwise have been deemed as high-risk, by incorporating more hands-on risk monitoring and risk reducing mechanisms and securing the exit paths for the loan investment.

6.2 SELECTION

The Manager has a rigorous loan selection process, which is summarised below.

PROJECT DUE DILIGENCE

The Manager assesses the project including but not limited to:

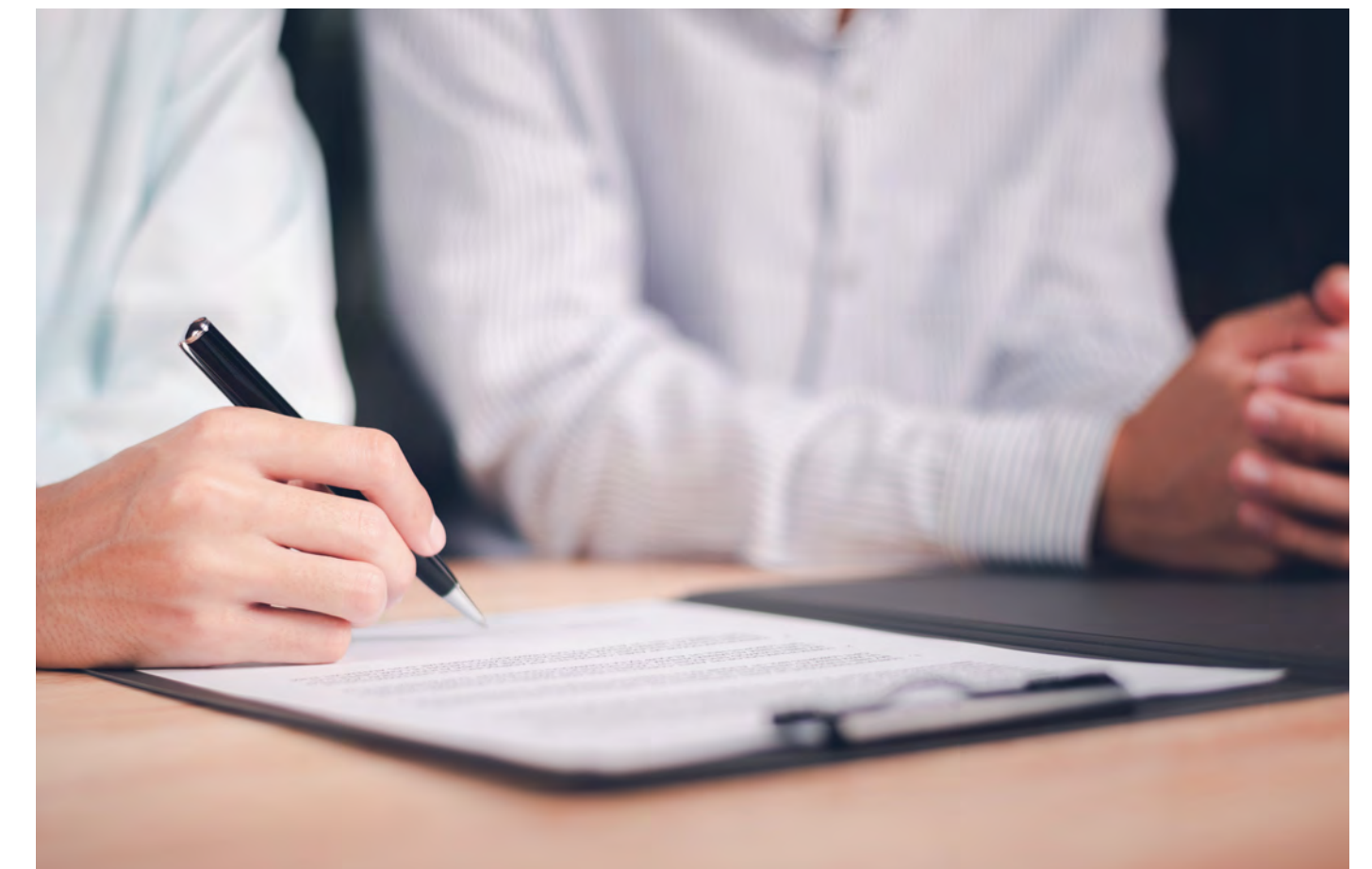
- Business plan on sales, rental, construction and development
- Project exit strategy

- Cashflow forecast
- Detailed projected costs
- Key parties capability
- Market conditions for leasing and sales
- Technical conditions for the construction component; and
- QS report.

In this process the Manager assesses whether the project has the potential to reach an exit and to identify the factors that will hinder project progress.

The Manager assesses the project feasibility to a standard that the project on its own is viable. Should the borrower fail, the Manager can normally take over the project and reach completion utilising its development arm.

06 THE INVESTMENT PROCESS / LOAN APPROVAL CRITERIA



PROJECT SERVICING AND REPAYMENT CAPACITY & CONTROL OPTIONS

- Test whether the provision of funds will enable the project to reach key milestones or an exit for loan repayment;
- Stress test pre-sales level and sales price against repayment requirement;
- Test income for debt serviceability;
- Identify project risk factors that may trigger default on loan; and
- Design control methods for each risk factor identified.

In this process, the Manager will aim to ensure the servicing and exit paths for the loan investment by actively seeking to prevent default.

BORROWER REVIEW

The Manager assesses the background of the borrower; track record, credit history, gearing status, and financial condition of the group or related parties.

In this step, the Manager needs to be satisfied with the capability of the borrower in delivering the project and its credit quality in loan repayment.

SECURITY REVIEW

The Manager assesses the securities provided by the borrower:

- To stress test the security value and LVR;
- The gearing level in different stages and the recoverable value at each potential scenario of default;
- The senior debt’s rights if applicable and its impact on the subject loan in case of default;
- To identify the necessary agreements with senior lender if applicable.

In this step, the Manager needs to be satisfied that for each scenario of potential default, there is sufficient value and enforceable mechanisms to recover and provide downside protection.

PROPERTY VALUATION

The valuation will be performed by a third-party independent valuer. If a loan falls into the development and construction loan category, the valuer will assess the marketability and saleability upon completion of the project. The valuation is based on “as-is” value if secured against real property and “as-if-complete” value for development and construction loans.

When a third-party valuer/surveyor is employed, the Manager ensures that they are appropriately qualified and have current professional indemnity insurance for the work conducted for the Manager.

The input assumptions or the resulting value for the valuation report may be different from the feasibility assessment or exit testing. The value from the independent valuer will be the base figure for the Loan-to-Value calculation in loan terms formulation.

LOAN TERMS FORMULATION AND RISK CONTROL MECHANISM

At this stage, the investment team determine: loan terms, loan amount, term, repayment schedule and any risk management tools. The loan amount will comply with our LVR guideline and maximum loan constraints based on the valuation result.

Risk management mechanisms will include any measures identified to tackle exposure from project to security and existing debts. Potential risk control mechanism see Section 6.5.

6.3 DUE DILIGENCE PRIOR TO FUNDING

- Legal reviews on titles, leases, incentives agreements, license agreements, OC rules, sales contract, construction contracts;
- Planning reviews on titles, easement, zoning and authorities searches;
- Technical reports/certificates/logbooks review on area survey, structure, fabric, mechanical, electrical, fire, hydraulics, lifts and any other special reports;
- Financial reviews on cashflow forecast, feasibility study, bank transaction records, invoices, monthly reports, annual reports, annual budgets, outstanding incentives schedule, arrears, for pattern analysis and comparable analysis;
- Credibility study of Borrower's financial statements, holding structure, background check, credit history.

6.4 ON-GOING MANAGEMENT

Servicing - The investment team monitor the interest payment progress and take timely actions if delay is observed.

Credit - The team conduct regular checks on borrowers' credit quality, aiming to identify credit change early.

Property/Security - The team conduct property inspections and property value checks on a frequent basis to ensure the loan is backed by the required security at all times.

Project - If the loan falls into the development and construction category, the investment team monitor the progress of the project and approve the periodic loan drawdowns accordingly.

INTEREST
PAYMENT
MONITORING



CREDIT
WORTHINESS
MONITORING



PROPERTY
VALUE
MONITORING



PROJECT
COMPLETION
MONITORING

IF APPLICABLE

6.5 RISK MANAGEMENT

Risk	What might happen	How we manage
Credit Risk	The Borrower is over-leveraged	<ul style="list-style-type: none">• Loan contract states that no additional borrowing is permitted without prior approval from the first mortgage holder.• Any other lenders will rank after the trust/first mortgage holder should a liquidation happen.• The Trustee has the right to approve or reject the borrower/project's major decisions including payment and incurring debt.
Development/ Construction Risk	Construction loans involve additional risk compared with real property loans due to the failure to complete the project	<ul style="list-style-type: none">• We assess the feasibility of the project prior to approving the loan.• Built in mechanisms allow the Trustee the right to step-in to complete the project when project milestones are not met.
Market Risk	Negative change of interest rates or property market may affect the value of the security.	<ul style="list-style-type: none">• Conservative LVR approval
Default Risk	Borrowers may default by delaying interest payments or declining to repay principle.	<ul style="list-style-type: none">• We conduct detailed credit review and effect all security documents prior to loan approval and drawdown.• We secure the loan against high-quality security.• If the loan falls into the development and construction category, we monitor the program of the underlying project over the loan term.• We have resources to take over the underlying project of the loan to reduce loss.
Valuation Risk	The value of the asset was incorrectly estimated.	<ul style="list-style-type: none">• We engage qualified third-party valuers to conduct independent valuation.• Where the property has unique characteristic that is beyond our scope, we avoid the investment

07 TERMS OF THE FUND

Name of Fund	AVARI 1st Mortgage Real Estate Fund
Former Name(s)	AVARI Private Loan Income Fund
Name of Trustee	Avari Holdings Pty Ltd ABN 88 603 200 648
Fund Manager	Avari Capital Partners Pty Ltd ABN 86 626 245 172
Fund structure	Single Australian domiciled unregistered unit trust
Investors	Investors can be individuals or a company. Investors may be acting in their own right or as a trustee of a family trust or a superannuation fund. However, all investors must be ‘wholesale clients’ (as defined in section 761G(7) of the Corporations Act 2001) or sophisticated investors (as defined in section 761GA of the Corporations Act 2001) (collectively, Qualifying Investors).
Term of Fund	The term of the fund is open-ended, subject to a maximum term of 80 years. The Trustee has a broad discretion to terminate the Fund.
Period for Commitment	<p>The Fund will be open to Investors for commitment on a weekly basis.</p> <p>The Trustee has the discretion to accept or decline any application made by an Investor to invest in the Fund, including in circumstances where the Manager advises that there are not sufficient investment opportunities to deploy the capital.</p> <p>Capital must be contributed by investors by the last business day of the month in which they apply to invest in the Fund.</p> <p>The Trustee will issue units to approved applicants on the first day of each month subject to KYC requirements being met (please refer to the Application Form). The Trustee has discretion to issue units at other times when required.</p>
Commencement Date	1 May 2021
Number of Units	The number of units to be issued in the Fund is not capped.
Price per Unit	<p>On establishment of the Fund, the price per unit is \$1.00.</p> <p>The price per unit from time to time will vary and be based on the underlying net asset value of the assets of the Fund. The price per unit will be calculated in accordance with the terms of the Trust Deed.</p>
Class of Units	Ordinary units (only one class of units will be issued)

Minimum investment	\$50,000 per investor (provided the investor is a Qualifying Wholesale/Sophisticated Investor).
Withdrawals	<p>An investor may apply to redeem its investment in the Fund at any time, provided that a redemption request in the form required by the Trustee is made at least 1 month before the next unit redemption date. A redemption date will occur on the last day of each month during the term of the Fund.</p> <p>The Trustee will in its absolute discretion consider all withdrawal requests it receives in each month. If the Trustee determines that the liquidity of the Fund is not sufficient to meet all withdrawal requests received in that month, the Trustee may in its absolute discretion approve withdrawal requests on a pro rata basis having regard to the liquidity of the Fund at the time. Any withdrawal requests not fulfilled in whole or in part will automatically rollover and be considered by the Trustee in the following month.</p>
Transfer	The Trustee may, in its absolute discretion, allow an Investor to transfer its units provided that the Investor bears all costs in connection with the transfer.
Target Return (after all fees)	The target return is 6.00% + BBSW (bank bill swap rate as published by the ASX) per annum to Investors on their investment calculated pre-taxation but after the payment of all fees payable to the Trustee and the Manager. Note this investment return objective is a target only and is not a forecast. It is merely an indication of what the Fund aims to achieve over the medium to long term. The Fund may not be successful in meeting this objective and returns are not guaranteed.
Distribution	<p>The Trustee may make income distributions on a monthly basis, in its absolute discretion. Any income distributions will be made on or around the tenth (10th) day of each month. Investors will receive a distribution statements each month.</p> <p>There is no guarantee that any income distributions will be paid to Investors.</p>
Risks	Like any investment of this type, there are risks associated with investing in the Fund. Distributions are not guaranteed, nor are any capital returns. For information about the risks associated with investing in the Fund, see Section 9.
Fees and Costs	There are fees and costs payable in relation to the Fund. For more information about the fees payable, see Section 8.
Tax Information	Before investing in the Fund, Investors should obtain their own independent tax advice and a review of the Fund's trust deed, which takes into account their own circumstances.
Legal Counsel	Brown Wright Stein Lawyers acting for Avari Capital Partners Pty Ltd as Manager

08

FEES & COSTS

Note: All fees are inclusive of the net impact of GST, i.e. plus GST minus claimable GST credit.

Fee	Fund level	Sub Investment Fund Level
Management Fee	The Trustee will enter into a management agreement with the Manager. Pursuant to the terms of the management agreement, the Manager will be entitled to a management fee of 0.5% per annum of the capital invested in the Fund, accrued monthly and payable to the Manager at the end of each month when there is distribution.	The Sub Investment Funds may charge separate management fees on terms which are different to those which apply to the management fee payable by the Fund. Whilst the Fund is invested in an AVARI-managed Sub Investment Fund, the Manager will pay to the Fund 100% of the management fees (not including any debt establishment fee) collected that are attributable to the Fund's holding in that Sub Investment Fund. This rebate is to prevent duplication of fees for Investors. For the avoidance of doubt, no rebate will be made in respect of management fees attributable to the Fund's holding in a Sub Investment Fund that is not managed by AVARI.
Other expenses	The Trustee is entitled to pay out of the assets of the Fund all reasonable ongoing expenses incurred by Trustee and payable to parties external to AVARI and its related entities. The Trustee will also be able to pay out of the assets of the Fund any fees payable to the Manager.	The trustee of each Sub Investment Fund is entitled to pay out of the assets of the Sub Investment Fund all reasonable ongoing expenses incurred by it and payable to parties external to AVARI and its related entities. A trustee of a Sub Investment Fund is also able to pay out of the assets of the Sub Investment Fund any fees payable to the manager of that Sub Investment Fund.
Debt Establishment Fee (for investment into AVARI Funds in debt)	Where the Trustee lends directly to a borrower, a debt establishment fee will be payable by the borrower to the Manager.	Where the trustee of a Sub Investment Fund lends directly to a borrower, a debt establishment fee may be payable by the borrower to the manager of the Sub Investment Fund.
Development Management Fee	If the Trustee exercises any step-in rights under a loan, the Manager's associated development management entity may replace the original development manager engaged by the borrower to manage the development of the project. In such circumstances, the new development manager will be entitled to an arm's length development management fee, payable by the Borrower.	If the trustee of a Sub Investment Fund exercises any step-in rights under a loan, the development management entity of the manager of that fund may replace the original development manager engaged by the borrower to manage the development of the project. In such circumstances, the new development manager will be entitled to an arm's length development management fee, payable by the Borrower.
Placement Fee	The Manager may pay a placement fee to investors' advisors, which will not be paid out of the trust fund of the Fund.	

09 INVESTMENT CONSIDERATIONS & RISKS

Like any investment, there are risks associated with investing in the Fund. There are a number of risk factors that could affect the performance of the Fund and the repayment of an investor's capital. Many risk factors fall outside of the Trustee's and the Manager's control and cannot be completely mitigated. The following is a non-exhaustive list of the main risks associated with investment in the Fund. Investors should consider and weigh them up carefully and make their own assessment as to whether they are comfortable with them. Distributions are not guaranteed and neither is the return of investors' capital.

Market risk

Investment returns from the Fund are affected by general market conditions and may decline over short or extended periods due to market sentiment, economic, technological, legal, social and/or political factors. Factors that influence markets generally can include business confidence and government and central bank policies including the level and direction of interest rates, natural disasters, pandemics and man-made disasters beyond the control of the Trustee and the Manager.

Manager risk

The risk that the Manager or the Manager's investment strategy will not achieve its performance objectives or produce returns that compare favorably against its peers. Many factors can negatively impact the Manager's ability to generate acceptable returns e.g. loss of key staff.

Regulatory risk

The Fund's operations may be negatively impacted by changes to government policies, regulations and taxation laws.

General economic risk

General economic factors including (but not limited to) equity and credit market cycles and interest rate movements may have an adverse effect on the profitability of investments and the performance of the Fund.

Taxation risk

The returns to investors may be affected by changes to taxation legislation. Changes to taxation legislation may necessitate a change to the Fund's structure to ensure investor interests are protected.

Fund risk

The Fund could terminate, or the fees and expenses paid from the assets of the Fund could change. There is also the risk that investing in the Fund may give different results than investing in the underlying assets of the Fund directly because of the income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other investors.

Illiquidity risk

There are restrictions on when withdrawals can be made from the Fund. Further, the Fund may be illiquid when a withdrawal request is made. This may present a risk to investors in the event they require a return of their investment more urgently.

Speculative investment risk

The Trustee will be involved in the property industry. Investment in the Fund and in the underlying sub funds should be regarded as speculative and involves a high level of risk. Investment in the Fund should be considered only by investors able to sustain a loss or all or part of the sum invested and who do not require certain or predictable income flows or liquidity in their investments.

Interest rate risk

Changes to interest rates can have a direct and indirect impact (negative or positive) on returns. The income return on an investor's investment is not guaranteed and could go down. This could happen due to factors such as the deterioration of the financial position or credit rating of a financial institution, adverse movements in the Australian and overseas interest rates, market illiquidity, adverse movements of exchange rates, negative changes in monetary policy and other economic, social and political factors.

General investment risks

In addition to the specific risks identified above, there are also other more general risks that can affect the value of an investment in the Fund. These include the following:

- The state of the Australian and world economies.
- Legislative changes (which may or may not have a retrospective effect) including taxation and accounting issues.
- Inflation.
- Negative consumer sentiment which may keep the value of assets depressed.
- Natural disasters, pandemics and man-made disasters beyond our or the Manager's control.
- The illiquidity and cost of capital markets.

Credit risk

Credit risk represents the risk that a borrower defaults on the managed loan portfolio and the Trustee is not able to recover the loan amount (e.g. if the sale of secured property is not sufficient to cover the loan).

Valuation risk

Valuation risk is the risk that the valuation of the secured property obtained by AVARI not reflective of current market property values. Incorrect valuation may affect the amount the Trustee is able to recover at the time of loan default.

Documentation risk

Documentation risk is the risk that a deficiency in documentation (such as documents and contracts associated with mortgage agreements) could, in certain circumstances, adversely affect the return on an investment.

Income risk

Income risk arises primarily from a failure of the borrower to make agreed interest payments. The Trustee does not guarantee the interest due on a sum invested.

Property market risk

Property market risk is inherent in the real estate assets securing the Fund's mortgage investments. A general downturn in the property market can potentially cause a reduction in the value of the property held by the Fund as security for a loan.

Lending principles risk

Some schemes may take a more conservative approach than others when determining how much to lend to a borrower relative to the value of the underlying security property. Schemes that lend at a higher loan to value ratio are more vulnerable to the risk of an adverse change in market conditions where the security obtained from borrower becomes insufficient to cover the loan.

10

THE INVESTMENT COMMITTEE

Peter Barnes

Non-Executive Chairman and Chair of the Investment Committee

Peter has over 36 years of experience across the property and lending industry. Apart from acting as Chair of AVARI's investment committee Peter also currently acts as the Chair and Independent Board Director of Charter Hall Investment Management Limited and Chairman of Richard Crooks Construction. Peter was previously Non-Executive Director of Heathley Asset Management Limited, Non-Executive Director of the Valad Core Plus Fund and a member of the Advisory Board for Taylor Constructions. Peter's experience includes 5 years with the Commonwealth Bank of Australia as Executive Vice President and Head of Property Lending, 6 years with Lend Lease as its Internal Auditor and Operations Manager and 20 years as a Director and Managing Director of CRI Australia Ltd.

Sunny Tsun

Investment Committee

Sunny has extensive experience in real estate investment management internationally, having been involved in over 100 transactions in over 20 countries, with a total transaction value significantly in excess of US\$10bn, over a 26 years career. Sunny spent 23 years with GIC cumulatively, and was most recently Head of Office for the GIC office in Australia, and Country Head for Real Estate in ANZ. GIC manages the foreign reserves for Singapore and is one of the largest direct real estate investors globally and in Australia. Besides GIC, Sunny had also worked briefly at SEB Immobilien and Ping A Trust and Investment.

Alan Liao

Managing Director & Investment Committee

Alan Liao is the founder and Managing Director of AVARI Capital Partners. Alan has over 15 years of experience in financial market and capital management. Alan founded AVARI Capital Partners in 2014. Prior to this, he was working in Investment Banking at CITI Bank. Alan's total deals at AVARI exceed \$2B. Alan is experienced in investment sourcing, portfolio management and repositioning. Alan has also completed numerous residential developments.

11 ADDITIONAL INFORMATION

Fund

The Fund is an Australian unlisted unit trust. Unit trusts are vehicles which enable investors to pool their money with that of other investors.

The Fund is structured as an unregistered managed investment scheme under the Corporations Act 2001 (Cth). It is an unlisted scheme.

Trust Deed

The trust deed of the Fund (Trust Deed) establishes the Fund and sets out the rules under which the Fund will be operated and investors' rights and obligations. Together with this IM and certain laws, it governs the relationship between the Trustee and investors.

The Trust Deed deals with a wide range of matters, including:

- the nature of units in the Fund
- the Trustee's powers
- appointment of the Manager
- when the Fund terminates
- the Trustee's rights to fees and reimbursement of expenses
- the Trustee's limited liability; and
- the process for changing the Trust Deed.

An investor has no right to have its units redeemed by the Trustee: an investor's early exit from the Fund is entirely at the Trustee's discretion. Investors should keep in mind the Fund's investment is illiquid. An investor may try to transfer their units but the Trustee may refuse to register the transfer and need not give reasons.

The Trustee must exercise diligence in carrying out its functions and duties under the Trust Deed. Provided the Trustee acts in good faith and without gross negligence, it will not be liable in equity, contract, tort or otherwise to investors for any loss suffered in any way relating to the Fund.

Subject to any liability which law might impose on the Trustee by law or equity are expressly excluded to the extent permitted by law. Associates of the Trustee may invest in the Fund and need not account to the Trustee for any benefits received.

A copy of the Trust Deed is available on request.

Tax

Under the current tax laws in Australia, the Fund will not be liable for income tax if all income earned by the Fund is distributed to investors in the financial year in which it is derived.

The Trustee is not a taxation advisor and is not able to provide investors with taxation, financial or legal advice. The Trustee recommends that investors obtain their own independent investment, legal, financial, taxation and other advice, prior to investing in the fund.

There are circumstances under which investors may need to pay tax on amounts of income not received by them in cash in the year in which tax is payable, for example, if interest is capitalised or if distributions are reinvested including where the Trustee issues additional Units to investors in satisfaction of their entitlements to the income each year. You may need to pay tax in relation to your investment in the Fund, generally income or capital gains tax, but you might be able to claim some tax credits or have the benefits of some concessions. There may be circumstances which mean Your tax liability depends on your circumstances and we recommend that you seek professional advice before you invest or deal with your investment. We will send you all the information you need each year to complete your tax return, and also the audited accounts of the Fund each year.

Collection of an investor's TFN is authorised and their use and disclosure strictly regulated by the tax laws and the Privacy Act 1988 (Cth). Investors may quote a TFN or claim a TFN exemption in relation to their investment in the Fund when completing their application form. Investors may quote an ABN instead of a TFN if they are making this investment in the course of an enterprise carried out by them. If an investor chooses not to quote a TFN, TFN exemption or ABN, we may be required to deduct tax at the prescribed rate from that investor's income distributions. At the date of this IM, this was the highest marginal rate plus Medicare levy.

Governing Law

This IM and any application for units referred to in this IM are governed by the laws of New South Wales.

Complaints handling

The Trustee has a system for dealing with any complaints you may have as an Investor. If you have a complaint, then please contact the Trustee at:

Attention: Simon Riordan

info@avaricapitalpartners.com.au

12 HOW TO INVEST



Who Can Invest

Investors can be individuals or a company. A company may be acting in its own right or as a trustee of a family trust or a superannuation fund. However, any investor must be a ‘wholesale client’ for the purposes of the Corporations Act 2001 (Cth).

An Australian resident is a ‘wholesale client’ under the Corporations Act 2001 (Cth), if it satisfies one of the following criteria:

- makes an investment of \$500,000 or more in the Fund; or
- if investing less than \$500,000:
 - provides a certificate (which is not more than 6 months old) from a qualified accountant, that the investor has net assets of at least \$2.5m or had a gross income for each of the last 2 financial years of at least \$250,000 (under certain circumstances, personal and trust assets or income may be aggregated to achieve these thresholds: Please speak to your accountant.); or
 - is a “sophisticated investor” (which generally requires the investor to hold an AFSL).

Minimum Application

The minimum subscription amount for each Investor is \$50,000.

Applications in excess of \$50,000 are to be in increments of \$10,000.

The Trustee reserves the right to accept investments less than these amounts or reject an application in whole or in part without giving reasons.

In the event the Trustee, in its discretion, decides not to proceed with the fund raising for any reason, applicants for Units will have their application moneys refunded as soon as practicable. No interest is payable on refunds.

Allotment of Units

Units in the Fund (Units) will be allotted to investors under the Trust Deed at the absolute discretion of the Trustee. If applicants apply for more Units than are on offer, the Trustee may allot a lower number of Units than applied for by an applicant, or not accept a particular application or applications. Unless the Trustee exercises its right to accept oversubscriptions to the offer, applications lodged after the offer is filled will not receive an allotment.

If the Trustee allots a lower number of Units than that applied for by an applicant, or does not accept an application, the Trustee will refund the portion of application monies relating to Units that were not allotted. No interest will be paid on these monies.

Confirmation of Unit allotment

Following the issue of Units to the successful applicants for Units, the applicants will receive an initial Unitholders Statement that sets out the number of Units that have been allotted to them.

Payment of subscription amount

The subscription amount for Units will be paid in full by the investor upfront, in accordance with the payment instructions set out in the Application Form (see Section 14)

No Cooling Off

There is no cooling off period once an application for units is lodged. Once made, your application cannot be withdrawn, except where the Trustee chooses to exercise its discretion.

Subscription Terms and Conditions

The Terms and Conditions of applying for Units and, if any issue of Units, are set out in this IM, the Trust Deed and the attached application form (Constituent Documents). By signing and submitting an application form you are agreeing to the terms and conditions of each Constituent Document.

Application form

To subscribe for Units, an applicant must execute an application form and provide certain other identification documents. The application form is available on request. The application is only deemed to have been accepted upon acceptance by the Trustee, at which time it becomes binding on the applicant. The applicant agrees to subscribe for Units on terms and conditions of the Constituent Documents.

Only legal entities are allowed to invest in the Fund. Applications must be in the name(s) of natural person(s), companies or other legal entities acceptable to the Trustee.

Completed application forms should be forwarded to:

Attention: Simon Riordan

Suite 42.02, 264 George Street, Sydney NSW 2000

info@avaricapitalpartners.com.au

13 AVARI DIRECTORY

TRUSTEE

Avari Holdings Pty Ltd

ABN 88 603 200 648

Australian Financial Services Licence 472222

A: Suite 42.02, Australia Square,
264 George Street, Sydney 2000 Australia

T: +61 (02) 9299 6899

E: info@avaricapitalpartners.com.au

W: www.avaricapitalpartners.com.au

MANAGER

AVARI CAPITAL PARTNERS PTY LTD

ABN 86 626 245 172

Australian Financial Services Licence
Authorised Representative No. 001 266 122
of Avari Holdings Pty Ltd (ABN 88 603 200
648, AFSL 472222)

A: Suite 42.02, Australia Square,
264 George Street, Sydney 2000 Australia

T: +61 (02) 9299 6899

E: info@avaricapitalpartners.com.au

W: www.avaricapitalpartners.com.au

14 APPLICATION FORM

To apply please visit

[https://portal.avaricapitalpartners.com.au/py/sys.pyc?](https://portal.avaricapitalpartners.com.au/py/sys.pyc?app=all)

[app=all](#) a paper based application is available by
request.

Please use the below banking details for transfers

Account Name: Avari Holdings Pty Ltd ATF Avari 1st
Mortgage Real Estate Fund

Account No.: 1405-2754

Account BSB: 063-000

BIC / Swift Code: CTBAAU2S (for overseas transfers
only)

Financial Institution: Commonwealth Bank of Australia
Branch: 325 Collins St Melbourne

Bank Address: G.01 325 Collins St, Melbourne VIC 3000

Reference: Investor's surname or company