Trilogy Monthly Income Trust

Product Disclosure Statement
3 May 2024

Trilogy Monthly Income Trust
ARSN 121 846 722

Responsible Entity: Trilogy Funds Management Limited
ACN 080 383 679
AFSL 261425

Important Information

The issuer of units in the Trilogy Monthly Income Trust ARSN 121 846 722 is Trilogy Funds Management Limited ACN 080 383 679 (**Responsible Entity, Trilogy Funds, we, us**). The Responsible Entity holds an AFS Licence (No. 261425).

This Document.

This Product Disclosure Statement (**PDS**) is dated 3 May 2024.

This PDS supersedes all preliminary information and other previous communications in connection with the Trust. All such preliminary information and previous communications should be disregarded. Any information or representation not contained in this PDS may not be relied on as having been authorised by the Responsible Entity in connection with the Trust.

The images used in this PDS are illustrative only and the properties depicted in those images do not necessarily form part of the assets of the Trust.

No Investment Advice or Recommendation

The Responsible Entity is not authorised to give any personal financial product advice. This PDS contains important information, however, the information is general in nature and does not take into account your investment objectives, financial situation or particular needs. You should take these and your personal circumstances into account when considering whether the information contained in this PDS is appropriate for you.

Before you invest, you should read this PDS carefully and in its entirety, and, if you consider it necessary or appropriate, obtain independent financial and taxation advice about whether an investment in the Fund is suitable for you.

Target Market Determination

This PDS must be read in conjunction with the Target Market Determination (**TMD**) for the Trust, which can be found at www.trilogyfunds.com.au or by phoning us on 1800 230 099.

No Performance Guarantee

Historical returns are not a reliable guide to future returns. Any returns noted in this PDS represent past performance only and may not reflect the current and future returns of the Trust. You should not base your decision to invest in the Trust on past returns.

Neither the Responsible Entity nor any of their directors, related parties or associates, guarantee the performance or success of the offer, the repayment of capital or any particular rate of capital or income return. You should consider this when assessing the suitability of the investment and particular aspects of risk.

Our Website

Where this PDS indicates certain information is available on our website, we recommend you view that information before making a decision whether to invest. In addition, information contained in this PDS may change from time to time. If the change will not be materially adverse to prospective Investors, the updated information will be available from our website and upon request, we will provide you with a paper copy of any updated information free of charge.

Where the change will be materially adverse, then the Responsible Entity will replace this PDS.

However, if the change will not be materially adverse to prospective Investors, then a supplementary PDS will not be issued.

This PDS (and any supplementary PDS and replacement PDS) is available in electronic format and can be accessed via our website www.trilogyfunds.com.au. If you receive it electronically, please ensure that you have received the entire PDS and applicable Application Forms. If you are unsure whether the electronic document you have received is complete, please contact us on 1800 230 099 or +61 7 3039 2828. A printed copy is available free of charge.

Jurisdiction

The offer under this PDS is only available to Investors receiving it (electronically or otherwise) in Australia and New Zealand. Units in the Trust may not be offered or issued in any other jurisdiction, except to persons to whom such offer, sale or distribution is permitted under applicable laws and are not intended to be offered or issued to US Persons as defined under Regulation S of the US federal securities laws. This PDS does not constitute an offer or invitation in any jurisdiction outside of Australia or New Zealand.

Risks

There are risks associated with investing in the Trust. See Section 7 for more information.

Glossary and Currency

Throughout this PDS, certain defined terms are used. Terms are defined in Section 10 of this PDS (if necessary). Currency amounts are stated in Australian dollars.

Obtaining further information before making a decision

The information in the PDS and the TMD may change from time to time.

Visit our website www.trilogyfunds.com.au regularly for further information about the Trust, including disclosure against ASIC benchmarks and disclosure principles, continuous disclosure and Trust updates and the latest TMD.

Dear Investor

We are pleased to invite you to invest in the Trilogy Monthly Income Trust (**Trust**).

The Trust is a pooled mortgage investment offering access to the attractive returns available from investments in loans secured by registered first mortgages held over Australian property. The Trust finances a diverse range of property developments in the residential, commercial, industrial, and retail property sectors in Australia. Over more than 17 years, the Trust has enabled the successful completion of hundreds of projects. The Trust aims to provide Investors a monthly distribution based on the net returns from the loans, cash, and any other investments held by the Trust.

The Trust has experienced significant growth in funds under management which we believe demonstrates both the relevance of the Trust in the current market and the strong flow of lending opportunities available to us. The increase in funds under management brings the dual benefit of greater liquidity to the Trust's portfolio and increased diversification of loans.

I am pleased to report that since its inception in February 2007, the Trust has paid its Investors a distribution every month and honoured all withdrawal requests. The Trust's unit price is fixed and has remained at $1.00 throughout its history. We are very proud of our track record managing the Trust and its performance. We consider that the returns we have delivered over that time have made the Trust competitive against its peers and demonstrated the value of our experience applied to guiding this Trust through a constantly changing economic environment. Please note that past performance is not a reliable indicator of future performance.

In considering the Trust for potential inclusion in your investment portfolio, we recommend that you read this Product Disclosure Statement in full and the Trust's Target Market Determination. These documents, in combination with advice from a licensed adviser, are designed to help you understand and assess the potential risks and benefits involved in an investment in this Trust. There are two classes of units available for investment under this PDS, the Ordinary Unit and the Platform Unit. These units differ predominantly only in terms of the conditions around withdrawals. If you intend to invest via a platform operator, please speak to your adviser or platform operator about the availability of Platform Units.

Our Investor Relations team and product specialists are available during business hours to answer any questions you may have on free call 1800 230 099 (New Zealand callers +800 5510 1230) between 8:30am and 5:00pm AEST or via investorrelations@trilogyfunds.com.au

Further information about the Trust is available on our website www.trilogyfunds.com.au, including current performance information and ASIC-mandated disclosures (e.g. RG 45) which aim to help you compare mortgage fund investments.

We look forward to discussing this opportunity with you.

Yours sincerely

Philip Ryan
Managing Director
Trilogy Funds Management Limited

Contents

Section 1.
Key features of the Trust

The information in the table below provides a snapshot of the Trust as at the date of this PDS. Please read the whole PDS, the latest TMD and the Current RG 45 Report and seek any advice you need before deciding to invest.

NAME	TRILOGY MONTHLY INCOME TRUST	SECTION(S)
ARSN	121 846 722	
APIR Code	Ordinary Unit - TGY0003AU Platform Unit - TGY9172AU	
ISIN Code	Ordinary Unit - AU60TGY00038 Platform Unit - AU60TGY91722	
Inception	February 2007	
Manager and Responsible Entity	Trilogy Funds Management Limited	Section 3
Custodian	The Trust Company (Australia) Limited, an independent specialist custodian, provides custody of the Trust's assets.	Section 9.11
Investment strategy	The investment strategy of the Trust is to source Loans secured by registered first mortgages held over property geographically spread across Australia's states and territories. Other assets may be held.	Section 2 Section 5
Loans	Loans for which the Trust provides finance may include residential, commercial, retail, development sites and industrial properties. At present, all the Trust's loans are for property development, construction or refinance. Please read Section 5 for details about the lending criteria of the Trust.	Section 5
Minimum investment	$10,000 Trilogy Funds may accept investments that are less than this amount in its discretion.	Section 4.2
Minimum additional investment	$1,000 Trilogy Funds may accept additional investments that are less than this amount in its discretion.	Section 4.2
Minimum holding period	Two months for initial investments for Ordinary Units. Nil for Platform Units	Section 4.3
Distributions	Distributions are paid monthly in arrears at a variable rate.	Section 4.4
Distribution reinvestment	Investors holding Ordinary Units may choose whether their distribution income is paid into their nominated bank account or reinvested into the Trust.	Section 4.4
Withdrawals	**Ordinary Units** A four month notice period is required for withdrawals, but they may be processed and paid in a shorter time at the discretion of Trilogy Funds. The four month notice period is in addition to the minimum holding period of two months applying to your initial investment, i.e., Investors should be prepared to hold units for at least six months from the date of issue of the units. **Platform Units** Requests for withdrawal must be received by 11.00am AEST on the day that is at least 7 business days prior to the last calendar day of the month. The 2-month minimum holding period does not apply to Platform Units. Subject to meeting the withdrawal terms contained within the Constitution and in this PDS, withdrawals of Platform Units will be processed as at the 1st calendar day of the following month and then paid within 20 calendar days after that, or if the 20th day is not a business day, by the next business day.	Section 4.5

NAME	TRILOGY MONTHLY INCOME TRUST	SECTION(S)
Minimum balance	$1,000	Section 4.5
Switching	To facilitate the ability of Platform Investors holding Ordinary Units to redeem their units in the Trust, the Trust has introduced switching provisions whereby they may redeem their Ordinary Units and apply the proceeds by way of investment in Platform Units in the Trust. As Platform Units may only be issued to or held by Platform Investors, Ordinary Unit holders who are not platform operators may not switch their Ordinary Units into Platform Units.	Section 4.6
Cooling off	A cooling off period applies to an investment by a retail Investor in the Trust while the Trust is liquid.	Section 4.9
Investors	The Trust is open to both retail and wholesale Investors. Wholesale Investors should consider Section 4.11. Retail and wholesale clients who are Indirect Investors and Platform Investors should consider Section 4.12.	Section 4.11 Section 4.12
Management Fees and Costs	Fees and other management costs apply to an investment in the Trust and you should read the Section 6 for full details. Trilogy Funds is entitled to be paid ongoing management fees for its role in managing the Trust, as well as other fees that relate to the assets under management (**Borrowers' Fees**) which are charged to Borrowers in relation to Loans, including from the funds advanced for a Loan. The Responsible Entity may also be entitled to be reimbursed for expenses it incurs in operating the Trust, and may pay directly from the Trust assets the costs of third party and related service providers to the Trust.	Section 6
Risks	An investment in the Trust is subject to general investment risks, specific risks of investing in a managed fund such as the Trust, as well as all the risks of investing in a portfolio of first ranking mortgages over real property and other assets that the Trust invests in from time to time.	Section 7
Complaints	Trilogy Funds has an internal complaints handling procedure and is also a member of an external dispute resolution body.	Section 9.4
Reporting and investor communications	Investors receive the following information regarding their Trust investment: • receipt of funds notification; • monthly distribution statements; • annual tax statement (AMIT member annual (AMMA) statement); • annual periodic (transaction) statement; and • annual financial report (if requested).	Section 4.10
RG 45 Reports	ASIC has developed eight Benchmarks and Disclosure Principles designed to provide investors with key information about investing in mortgage funds – Regulatory Guide 45: Mortgage Schemes: Improving disclosures for retail investors. They cover liquidity, fund borrowing, loan portfolio and diversification, related party transactions, valuations, lending principles, distributions and withdrawals.	Section 2.2
Access to current information	You can obtain up to date information in relation to the Trust's performance, Current RG 45 Reports and continuous disclosure material at www. trilogyfunds.com.au. This includes any updates of this PDS and the latest TMD.	Section 4.10 Section 9.1
How to contact us	Trilogy Funds Management Limited ACN 080 383 679, AFSL 261425 Level 26, 10 Eagle Street, Brisbane QLD 4000 Phone: 1800 230 099 or +61 7 3039 2828 Website: www.trilogyfunds.com.au Email: investorrelations@trilogyfunds.com.au	

Section 2. About the Trust and ASIC RG 45

2.1 About the Trust

The Trust is an open-ended pooled mortgage trust in which investor money is combined to make a series of loans which are secured by first mortgages over real property in favour of the Trust. From time to time, the Trust may hold investments in other related and non-related managed funds that may invest in bonds, fixed or floating rate debt securities, loan notes, as well as income securities. These may be held directly or indirectly through listed or unlisted managed investment schemes, or other investment vehicles or portfolio arrangements. The income from the Loans is combined with income from cash holdings and any other investments to generate monthly distributions to investors. All assets are held by an external custodian. As Investors leave the day-to-day investment decisions to Trilogy Funds, the experience of the manager and its ability to manage the Loans and the Trust's liquidity position are key to the success of the Trust. See Section 3 for further details about Trilogy Funds' experience, governance structure and role in operating the Trust.

Further details about how your investment operates is set out in Section 4. You should also read Section 5 for further details about the main assets of the Trust, which are Loans.

2.2 About the RG 45 benchmarks and disclosure report

ASIC has developed eight benchmarks and disclosure principles for unlisted mortgage funds, such as the Trust, in *Regulatory Guide 45 – Mortgage schemes: Improving disclosure for retail investors* that are aimed at assisting investors understand the risks of investing in mortgage funds and whether such investments are suitable for them.

For the purpose of this PDS, Trilogy Funds has prepared information relating to each benchmark, including the extent to which the Trust meets each benchmark (and if not, why not), and made disclosures against the disclosure principles in a separate document, referred to in this PDS as the Current RG 45 Report. The information and statements in that document are taken to be included in this PDS and the Current RG 45 Report is available on our website at www.trilogyfunds.com.au.

A paper copy of the Current RG 45 Report may be obtained from Trilogy Funds on request, at no charge. Investors are encouraged to read the Current RG 45 Report (and any updates, as referred to below) before making a decision as to making, retaining or withdrawing an investment in the Trust.

The material below outlines briefly the information as to the benchmarks and disclosure principles contained in the Current RG 45 Report which forms part of this PDS.

RG45	EXPLANATION	TRILOGY FUNDS' RESPONSE
Liquidity – Benchmark 1 and Disclosure Principle	*Liquidity of a mortgage fund may be a risk as the underlying assets of such a fund may not be easily realised within the required period of time and there can be a mismatch between such a fund's cash flows and the amount and size of withdrawal requests received from investors.* Benchmark 1 and Disclosure Principle 1 address the Trust's liquidity. That is, the Trust's ability to satisfy its expenses, liabilities and other cash flow needs (such as meeting withdrawal requests), including the preparation of 12-month cash flow estimates that are approved by the directors at least every three months. The Current RG 45 Report discloses information about the current and future prospects of liquidity of the Trust, any significant risk factors that may affect liquidity and the Trust's policy on balancing the maturity of the Loans with the maturity of its liabilities	Trilogy Funds meets the benchmark.

RG45	EXPLANATION	TRILOGY FUNDS' RESPONSE
Scheme borrowing – Benchmark 2 and Disclosure Principle 2	*Mortgage funds with high levels of borrowing face the risk that distributions will not be paid or that withdrawals may be suspended so the fund can pay back the borrowings. Generally, any amounts owing to lenders will rank ahead of investors' interests.* Benchmark 2 and Disclosure Principle 2 address the Trust's policy on borrowing, including the Trust's actual and intended borrowing as well as its policy on borrowing. Details of any borrowing facilities in place and for what purposes any borrowings would be used are required to be disclosed.	Trilogy Funds does not meet the benchmark. While the Trust does not have any current borrowings, Trilogy Funds may in the future borrow on behalf of the Trust to fund short-term liquidity needs. In addition, Trilogy Funds may, from time to time, be approached by borrowers requesting that the Trust seek a bank guarantee to pay an infrastructure bond to an urban utility. In turn, the bank will generally require the Trust to deposit an amount equivalent to the guarantee with it and then borrow that amount back as security for the guarantee. See Section 5.20 for details as to possible future borrowings.
Loan Portfolio diversification – Benchmark 3 and Disclosure Principle 3	*Lack of diversification in a mortgage fund's loan book may mean that an adverse event affecting one borrower or type of loan will simultaneously affect the majority of borrowers and therefore put the overall portfolio at greater risk.* Benchmark 3 and Disclosure Principle 3 address the Trust's lending practices and portfolio risk, including concentration risk. The Current RG 45 Report provides details of the loans that have been made by the Trust (including by location and sector) the maturity profile of loans, and the lending practice in terms of the maximum amount of loans, the terms of loans, interest rate ranges, capitalisation of interest, the method of assessing a Borrowers' capacity to service a loan, the proportion of loans in default or arrears, and other matters that are required to be disclosed. Further information as to the loans made by the Trust is in Section 5 of this PDS.	Trilogy Funds does not meet the benchmark. While Trilogy Funds meets the benchmark with respect to diversification and securing loans by registered first mortgages, there is one mortgage asset (by approved balance) in the Trust's portfolio that exceeds, and one borrower whose mortgage loan balance represents an amount greater than, 5% of total Trust assets. While Trilogy Funds seeks to minimise the portfolio's concentration on a single asset (generally, a loan) or borrower, as the maximum loan size under this PDS is $40 million, it is expected that, from time to time, a single asset and a single borrower may exceed 5% of the total scheme assets. Trilogy Funds believes that this is acceptable for a pooled mortgage trust of this size.
Related party transactions – Benchmark 4 and Disclosure Principle 4	*There is an increased risk that related party transactions are less likely to be made on arm's length commercial terms and that the Responsible Entity will not monitor them as robustly as those involving unrelated parties.* Benchmark 4 and Disclosure Principle 4 address the risks associated with related party lending, investments and transactions, including details of any related party transactions. Disclosure Principle 4 also requires disclosure of details about all types of related party transactions. Details of related party transactions are disclosed in the Current RG 45 Report as are the policies and procedures Trilogy Funds has in place for entering into related party transactions, including how compliance with these is monitored.	Trilogy Funds meets the benchmark. Trilogy Funds does not lend to related parties. See Section 9.6 for information as to the related party transaction policy and procedures adopted by Trilogy Funds and Section 9.7 for details as to certain related party transactions.

RG45	EXPLANATION	TRILOGY FUNDS' RESPONSE
Valuation policy – Benchmark 5 and Disclosure Principle 5	*If valuations are not properly prepared or conducted by a qualified and experienced valuer, it is difficult to assess the risk exposure associated with a loan and to monitor loan to valuation ratios on a continuing basis.* Benchmark 5 and Disclosure Principle 5 address the Trust's valuation practices, including when an independent valuation is required. The Current RG 45 Report discloses the important features of its valuation policy. Further information as to Trilogy Funds' valuation policy and practices is in Sections 5.7 and 5.8 of this PDS.	Trilogy Funds does not meet the benchmark in that it does not invariably obtain a new valuation on a renewal/ extension of a loan. At the time of initial loan approval for a property development loan, Trilogy Funds will obtain an 'as-is' valuation and possibly a 'project related site value' valuation, in addition to an 'as-if complete' valuation. On a renewal/extension of a non-property development loan, Trilogy Funds does not typically obtain an updated 'as is' valuation, or an updated 'project related site value' valuation (if the initial LVR was based on the 'project related site value' rather than the 'as is' valuation, as approved by the Lending Committee). However, Trilogy Funds meets those aspects of the benchmark as to whom it will appoint as a valuer, the basis on which valuations are to be made and as to when it will obtain a valuation or a revaluation of a security.
Lending principles – Loan to valuation ratios – Benchmark 6 and Disclosure Principle 6	*Mortgage funds that lend at a higher loan-to-valuation ratio are more vulnerable to risk of an adverse change in market conditions where the security obtained from borrowers becomes insufficient to cover the loan.* Benchmark 6 and Disclosure Principle 6 address the Trust's lending practices, including the loan to valuation ratios. The Current RG 45 Report contains information as to the maximum and weighted average loan-to-valuation ratios for the Trust and additional matters relating to loans for property development. Further information as to Trilogy Funds' lending practices and LVRs is in Sections 5.2 and 5.6 of this PDS.	Trilogy Funds does not meet the benchmark as it may use the project related site value (if one is disclosed in the valuation report) when reviewed by the Lending Committee. For a property development loan, Trilogy Funds will not lend more than 70% of the 'as-if complete' valuation of the property. For a non-property development loan, Trilogy Funds will generally not lend more than 80% of the 'as-is' valuation. However, in some cases, Trilogy Funds could lend more than 80% of the 'as-is' valuation when relying upon the 'project related site value' but will not lend more than 70% of that value. In these cases, Trilogy Funds would be lending on the 'project related site value' such that further funds can be advanced from the Trust. While Trilogy Funds does not technically meet the benchmark, Trilogy Funds believes that, in some circumstances, the 'project related site value' may be a better measure of value of the proposed site if the developer, for example, has received development approval to build or construct on the land and has procured an agreement to lease with a tenant. Please refer to Section 7.3 for the risks associated with relying on a 'project related site value'.

RG45	EXPLANATION	TRILOGY FUNDS' RESPONSE
Distribution practices – Benchmark 7 and Disclosure Principle 7	*Where distributions are not sourced solely from a mortgage fund's income, there is a risk that these distribution practices may not be sustainable over the long term.* Benchmark 7 and Disclosure Principle 7 address the transparency of the Trust's distribution practices, including whether current distributions are paid from scheme borrowings, and disclosure of the source of distributions. The Current RG 45 Report discloses the source of distributions, discloses that distribution rates may vary from time to time, and includes information as to capitalisation of interest, and the sustainability of the basis of distributions to Investors from sources other than income received in the relevant distribution period. Further information as to distributions is in Section 4.4 of this PDS.	Trilogy Funds meets the benchmark. Trilogy Funds will not pay current distributions from Trust borrowings.
Withdrawal arrangements – Benchmark 8 and Disclosure Principle 8	*If a mortgage fund promotes a short withdrawal period (although the maximum period provided in the constitution is much longer) there is a risk that investors do not fully appreciate that their right of withdrawal may be refused until a longer period of time has elapsed than that represented.* Benchmark 8 and Disclosure Principle 8 address the transparency of Trilogy Funds' approach to withdrawal of investments when the Trust is liquid and when the Trust is non-liquid. The Current RG 45 Report discloses the withdrawal arrangements for the Trust. For further information as to the withdrawal arrangements, please see Section 4.5 of this PDS.	Trilogy Funds does not meet the benchmark. Where the benchmark applicable to a liquid scheme, such as the Trust, requires that the maximum period allowed for in the constitution of a mortgage fund for the payment of withdrawal requests should be 90 days, for the Trust, the maximum period is 15 months. In addition, Trilogy Funds permits members to withdraw at times other than those in the benchmark. While it does not technically meet this benchmark, Trilogy Funds believes that the approach to withdrawals is an acceptable approach for a pooled mortgage trust of this size in light of several factors, including the track record of management of liquidity, the current diversity and characteristics of the loan portfolio and subsequent cash flows.

The Current RG 45 Report is stated as at the date of this PDS, unless otherwise specified, and may change during the currency of this PDS. All financial and statistical data is based on figures as at 31 January 2024 unless otherwise stated. The information in the Current RG 45 Report will be updated at least semi-annually and if there is a significant adverse change.

The Current RG 45 Report and subsequent updates will be available on our website at www.trilogyfunds.com.au and a paper copy available to Investors free of charge on request.


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Section 3.
About Trilogy Funds Management Limited

3.1 History of Trilogy Funds

Trilogy Funds' origins can be traced back to 1998 when Philip Ryan, Trilogy Funds' co-founder and current Managing Director, was partner in a law firm associated with a fund management company managing mortgages and property assets. Philip recognised the potential the sector provided for investment and income and sought opportunities to create a standalone business.

In 2004, Philip met Rodger Bacon and John Barry, who both had decades of success in the financial sector and were instrumental in the growth and subsequent sale of Challenger Limited. Philip, Rodger, and John decided to combine their experience and joint passion for property and managed funds to create what is now Trilogy Funds.

All three co-founders are still active at Trilogy Funds – Philip as Managing Director, Rodger as Non-Executive Deputy Chairman and John as Executive Director.

Today, Trilogy Funds continues to grow its funds under management across a robust portfolio of products aligned with the goal of helping investors live their ideal lifestyle with income from investments based on property that yield consistent returns, paid monthly.

3.2 What is the role of the Responsible Entity?

The role of Trilogy Funds in acting as the responsible entity and trustee of the Trust is to ensure that Trust assets are managed and dealt with in accordance with the Trust's Constitution, the Corporations Act and this PDS.

3.3 Other governance and committees

Trilogy Funds has established a Lending Committee which considers all Loan applications in accordance with Trilogy Funds' lending policy guidelines and monitors the loan portfolio on an ongoing basis.

Trilogy Funds has also established a Treasury Committee to monitor the Trust's liquidity, including the inflows, outflows and other investments made to supplement the portfolio's returns.

In addition, a Compliance Committee monitors Trilogy Funds' compliance with the Constitution, the Compliance Plan and the Corporations Act. Under the law, a majority of the members of the Compliance Committee must be, and are, external members.

3.4 Our experience

In the area of mortgage lending, property development and property investment, experience is a key requirement for success. Trilogy Funds is a specialist in property investment, with a long track record, particularly in mortgage and property trusts. Our experience is grounded in the disciplines of accounting, law, financial services, mortgage management, and property lending. In a practical sense it covers all elements of the property development and investment process, from sourcing and negotiating assets, on-going management of property, property development and construction projects, lending against property, transaction management at all levels, and capital structuring and liquidity management.

Experience in these areas and the networks of contacts developed over many years provide access to specialised information and knowledge. Trilogy Funds is dedicated to the property and mortgage sector and is a specialist direct property and mortgage funds manager. Each of Trilogy Fund's key directors and executives in the property and mortgage teams have extensive experience in their respective fields.

3.5 Trilogy Funds Board of Directors

Robert Willcocks
BA, LLB, LLM

Independent Non-Executive Chairman

Robert was appointed as the independent Non-Executive Chairman for Trilogy Funds in 2009. He is a corporate adviser with more than 30 years' experience as a professional listed public company director and chairman. A former senior partner of the law firm Mallesons Stephen Jaques (now King & Wood Mallesons), Robert holds a Bachelor of Arts and Bachelor of Laws degrees from the Australian National University and a Master of Laws degree from the University of Sydney.

As an independent non-executive chairman of Trilogy Funds, Robert draws on his extensive experience as a corporate lawyer and combined experience as a public company director and chairman, where he was mostly involved as an independent director with non-executive roles.

Rodger Bacon
BCom (Merit), AAICD, SF Fin

Non-Executive Deputy Chairman

Rodger is an experienced financial services executive with a successful career establishing and growing high-performing businesses spanning more than 40 years.

A founder of Trilogy Funds and a member of the Board's Property Investment, Lending and Treasury Committees, Rodger uses his extensive experience to add value to the Board and Executive in all aspects of Trilogy Funds' investment, financing, property development, marketing and customer focussed initiatives.

Prior to establishing Trilogy Funds, Rodger was an Executive Director at Challenger, where he helped establish multiple ASX listed financial services companies, developed a property portfolio worth more than $2.7 billion, and was instrumental in establishing and growing Challenger Annuities to capture 30% of annuities sales in Australia. He was also Chairman of the Credit Committee at Challenger.

Prior to joining Challenger, Rodger worked at the Schroder Merchant Banking Group for 15 years where he was involved in all aspects of fund management including domestic and foreign fixed interest, direct property portfolios, management of equities, research and analysis and corporate finance.

Philip Ryan
LLB, Grad Dip Leg Prac, F Fin

Managing Director

As co-founder and Managing Director of Trilogy Funds, Philip is responsible for leading a cohesive and high-performing team across Trilogy Funds' three offices, overseeing business compliance, and developing product offerings. He sits on the Board's Property Investment, Lending and Treasury Committees. He also acts as General Counsel for Trilogy Funds.

Philip has over 30 years of experience in the financial services industry, across financial planning and funds management. He was previously a partner in a Brisbane law firm, having been a solicitor admitted to the Supreme Court of Queensland and High Court of Australia for over 35 years. He is a Fellow of FINSIA, with qualifications at a post graduate level in mortgage lending and financial services.

Philip leveraged his legal and financial services qualifications as a founding director in 1998 of the funds management entity which evolved into Trilogy Funds. He is a key instigator of Trilogy Funds' products, including the Trilogy Monthly Income Trust, Trilogy Enhanced Income Fund, Trilogy Wholesale Income Fund and various property trusts. Philip is passionate about creating financial products within the mortgage and property sectors that generate attractive income returns, as well as assisting younger generations to achieve their financial goals.

John Barry
BA FCA

Executive Director

John has extensive experience guiding the strategic operations of some of Australia's leading financial services companies.

As founder of Trilogy Funds, as a member of the Board's Property Investment and Lending Committees, and as Chairman of the Board's Treasury and Audit and Risk Committees, John is a strategic thinker whose focus on identifying opportunities to add value for consumers and the business has seen him champion transformational change at Trilogy Funds. He is also a valued mentor for the Executive and other Trilogy Funds team members.

Previously, John was involved in the establishment and ultimate growth of Challenger into a broadly based financial services company which included the $3.5 billion Howard Mortgage Trust and a $2.7 billion international property portfolio. John was an Executive Director at Challenger, Head of Property and responsible for the development of the Endowment Warrants-a precursor to Instalment Receipts and the structure and establishment of Challenger's long term annuities. Prior to Challenger John worked in corporate finance at Morgan Grenfell Australia and Rothschilds Australia and was an Executive Director of Rothschilds Australia.

Prior to Trilogy Funds, John established ABN AMRO's reverse mortgage product and headed up its PPP social infrastructure division.

John has also been the independent Non-Executive Chairman of Westpac RE Limited, a wholly owned subsidiary of Westpac Banking Corporation.

Rohan Butcher
BSc Quantity Surveying, Lic Real Estate, Reg Builder

Non-Executive Director

Rohan is a Non-Executive Director of Trilogy Funds and a member of the Lending Committee. With more than 30 years' experience in construction and property development, Rohan brings to Trilogy Funds his experience working in quantity surveying, estimating, project administration, development management, planning and project management. At Trilogy Funds, Rohan's key area of focus is the management of risk in the delivery of projects.

Rohan has been involved in several major projects within the residential, retail and commercial property sectors while undertaking a variety of senior appointments with major public and private companies. He is also a member of the Urban Development Institute of Australia.

Justin Smart
BA Com, CPA

Executive Director

Chief Operating Officer & Chief Financial Officer

Justin commenced with Trilogy Funds as its Chief Financial Officer in 2007 and was later promoted to Chief Operating Officer in 2011. Justin is a company director of Trilogy Funds' private companies and is the public officer for the Trilogy Funds group. Justin has a comprehensive understanding of Trilogy Funds' systems and processes. His responsibilities include but are not limited to management of the group's operations, with a particular focus on process improvement and automation to provide quality services to stakeholders.

Justin is a Certified Practising Accountant, with extensive experience in financial services, technology, auditing, and strategic planning. Additionally, he retains strong financial knowledge and oversight of the Responsible Entity's AFSL requirements, including Trilogy Funds' managed investment schemes.

Utilising his vast knowledge of the statutory financial reporting requirements of the group and its managed investment schemes, Justin has contributed to the ongoing growth and operational success of Trilogy Funds, by implementing critical business systems and improvements. In doing so, he has been instrumental in providing the insights necessary to drive the business forward.

As a long-standing member of the Lending Committee, Workout Committee, and Investment Committee, Justin is passionate about continual improvement, through facilitating a supportive and collaborative company culture and searching for ways to improve how we provide services to our stakeholders. Prior to joining Trilogy Funds, Justin held various senior management roles within the financial services sector.

Clinton Arentz
MBA

Executive Director

Head of Lending and Property Assets

Clinton commenced as Head of Lending and Property Assets with Trilogy Funds in 2017. Since embarking on this role, he has been instrumental in pioneering the growth and strategic development of two of our key products, the Trilogy Monthly Income Trust, and the Trilogy Industrial Property Trust.

Clinton is Trilogy Funds' in-house project specialist, with expertise across risk management, structuring and financing, coordination and delivery, as well as work-out projects and disposals. Throughout his time at Trilogy Funds, Clinton has successfully championed many business operations. Specifically, Trilogy Funds' nationwide expansion of its flagship mortgage fund, conducive to the growth and management of a $900 million construction loan book portfolio as well as leading the acquisition strategy of the Trilogy Industrial Property Trust from inception to an AUM of $250 million, across 5 Australian states and territories.

Further to his 30 years of proven experience in property development, project delivery and asset management across residential, commercial, and industrial projects, Clinton upholds a strong track record in team leadership, business development and direct client and media liaison across both lending and property divisions. He holds a Masters in Business Administration from the Australian Institute of Business, in addition to Certificate courses from the Securities Institute of Australia and London School of Economics. Above all, he is passionate about providing exceptional service to our developer clients.

Henry Elgood
MAICD

Executive Director

Institutional Capital and Chief Risk Officer

As a key member of Trilogy Funds' respective Treasury and Compliance Committees, Henry holds a wealth of knowledge and experience across governance and risk management. From a client-focused point, Henry has engaged in product creation and innovation for a variety of investors. Further to this, he carries a lengthy, successful track record of originating and executing corporate transactions with onshore and offshore partners, combined with significant experience in fixed income asset management.

Leveraging his experience in driving strategic initiatives across business units within the financial services sector, and separately as a company director of several private companies, his ability to align business risk appetite with strategic growth initiatives across the Trilogy Funds group is unparalleled.

Henry provides oversight of the Responsible Entity's AFSL requirements and engagement with the regulators. This is achieved through the development and implementation of appropriate risk management measures, ensuring there are appropriate controls and governance across our internal business functions.

Patrice Sherrie
BBus(Acc) FCA GAICD

Independent Non-Executive Director

Patrice is an experienced company director and has over 35 years' experience in chartered accounting and commerce. Patrice has significant senior experience in listed and unlisted organisations across multiple industries including property, infrastructure, finance and government organisations. Patrice's current and previous appointments include QBANK, City of Brisbane Investment Corporation, Sunwater and Acumentis.

Joining the Trilogy Funds Board of Directors in February 2024, Patrice brings a wealth of expertise along with strong networks in property, finance and government. Patrice holds a Bachelor of Business – Accounting, is a Graduate Member of the Australian Institute of Company Directors and is a Fellow of the Institute of Chartered Accountants in Australia.

Section 4.
Your investment in the Trust

4.1 How to invest

There are three steps to make an investment in the Trust. You should read the guidance on the Application Form for information on how to fill it out and refer to our website at www.trilogyfunds.com.au.

Step 1 – Read this document and consider the offer

You should read this PDS and the TMD in full before deciding whether to invest in the Trust. Pay particular attention to the risks set out in Section 7 and other information concerning units, the Trust and its assets. The risks need to be considered in light of your particular investment objectives, financial situation and needs. You should seek your own financial advice from a licensed adviser before investing.

Step 2 – Complete the Application Form

To make an investment, complete and lodge the Application Form with your application money. Please take care to ensure that you complete all sections of the Application Form correctly and return it together with documentation required.

We will accept the payment methods listed on our Application Form.

Step 3 – Lodge your Application Form

Please see the instructions on the Application Form for details about lodging the form with us.

4.2 Minimum investment amount

The minimum investment for an initial application is $10,000 (or such lesser amount as Trilogy Funds may accept in its discretion), and thereafter in multiples of $1,000 (or such lesser amount as Trilogy Funds may accept in its discretion). Any interest earned on application money will form part of the assets of the Trust.

Trilogy Funds reserves the right to reject any application, or to allocate a lesser number of units than applied for by the Investor. If this occurs, then any application money not accepted will be returned to the Investor without interest.

4.3 Minimum investment time period

All investments, other than reinvestments from distributions and Platform Units, are subject to a minimum holding period of two months. However, this may be waived, and withdrawals may be processed and paid in a shorter time, at the discretion of Trilogy Funds. See Withdrawals in Section 4.5 for more details.

4.4 Distributions

(Refer also to Current RG 45 Report – Benchmark 1 and Disclosure Principle 1 – Liquidity and Benchmark 7 and Disclosure Principle 7 – Distribution practices).

Calculation of distribution per unit

The amount of the distribution per unit is calculated by dividing the total income or other funds available for distribution in the relevant distribution period (i.e. monthly) after the deduction of fees, expenses and any losses by the number of units in the Trust. This includes both Ordinary Units and Platform Units.

Source of distributions

The cash for current distributions may be sourced from cash which:

- where interest is capitalised, is advanced to the Borrower to enable the Borrower to make the interest payments due under and in accordance with the relevant Loan agreement;
- where interest is not capitalised, is from interest paid by Borrowers;
- constitutes repayments of Loans by Borrowers;
- includes all or part of fees and costs paid by the Borrower relating to lending arrangements which are included in the Trust's revenue;
- constitutes interest received from the deposits of cash; or
- constitutes the income from other investments.

As the interest on all mortgage Loans is typically capitalised, the current distribution is sourced from sources other than the receipt of interest payments from Borrowers, as noted above. Trilogy Funds will not use any borrowings that it may make to fund distributions.

It is Trilogy Funds' practice to pay monthly distributions based on the income earned in the relevant period but potentially not yet received from the Borrower. In calculating distributions, Trilogy Funds may, in its discretion, include in income any amount of management fees to which it is entitled but wishes to waive or defer for the period, in order to achieve a particular rate of return. Generally, Trilogy Funds will do this to smooth returns to Investors, based on the expectation generated by historical returns, and only after Trilogy Funds analyses the Trust's position, including the current market conditions, anticipated investment income, the interest rate paid by Borrowers, the mix of loans in the Trust, the Trust's liquidity needs and the total of fees and costs received and/or capitalised for the relevant period.

Income distributions are calculated daily and distributed monthly in arrears, to the financial institution account you nominate.

Distribution payment options – re-investment

Direct Investors holding Ordinary Units may choose to have their distributions paid directly into their nominated financial institution account or reinvested as additional units in the Trust. As the reinvestment option is not available to Platform Investors, it does not apply to Indirect Investors.

No minimum investment amount applies to any distribution re-investment.

Your preference for payment into a nominated financial institution account or reinvestment may be changed at any time by completing a Change of Details Form.

Timing of distribution payment

Distributions are normally paid on or shortly after the eighth business day following the end of each month.

4.5 Withdrawals

(Refer to Current RG 45 Report – Benchmark 1 and Disclosure Principle 1 – Liquidity and Benchmark 8 and Disclosure Principle 8 – Withdrawal arrangements)

How to make a withdrawal

Direct Investors who wish to withdraw all or part of their investment in the Trust should provide notice of their request by completing and signing a Withdrawal Form and lodging it with us as advised on the form.

Currently, a minimum balance requirement for each unit holder is $1,000 but we reserve the right to change or waive this minimum balance requirement at any time at our discretion. The withdrawal arrangements that apply to Indirect Investors and Platform Investors (including those holding Platform Units) are described in Section 4.12 below.

Notice of withdrawals and processing times

Four months' notice is generally required for processing withdrawals of Ordinary Units held by Direct Investors (in addition to the two months minimum holding period for initial investments).

However, withdrawals may be processed earlier than the four months' notice period at the sole discretion of Trilogy Funds, and if the liquidity position of the Trust allows this to occur.

While the Trust is operated as a liquid trust, it should be noted that the underlying assets are not necessarily liquid in nature and therefore the Constitution provides a maximum of 15 months within which Trilogy Funds must meet withdrawal requests from the holders of Ordinary Units and Platform Units and still treat the trust as liquid. The Trust is not an 'at call' cash account and should not be treated as such.

Withdrawals and Trust liquidity

The Trust has a withdrawal process designed to safeguard its liquidity levels and to protect the interest of all its Investors.

The liquidity of the Trust affects withdrawals in two ways:

1. The first is that for the Trust to meet withdrawal requests from Investors, the Trust must be a 'liquid' scheme. To be a 'liquid' scheme, not less than 80% of the assets of the Trust must be able to be realised within the period specified in the Constitution, which is 15 months. The nature of the Loans made by the Trust and the security provided for the Loans are inherently illiquid in nature but the nature of the loans made by the Trust (pursuant to the Trust's lending criteria, see Section 5) means that they are intended to be able to be realised within 15 months.
2. The second relates to the projected cash needs of the Trust to make loans, and to pay fees, expenses and any other costs, and the proportion of the assets of the Trust that is held in cash or other assets that can be readily available.

For more information as to the Trust's liquidity, its liquidity policy, how this is managed, and its liquidity targets, refer to Current RG 45 Report – Benchmark 1 and Disclosure Principle 1 – Liquidity. For more information as to the risks of compulsory redemption, please refer to Section 7.4(g).

4.6 Switching between classes in the Trust

Platform Investors who hold Ordinary Units may switch from Ordinary Units to Platform Units in accordance with the provisions of the Constitution.

Trilogy Funds has the discretion whether to accept the switching request and ask for any further details that may be required to substantiate that the Investor is a platform operator.

4.7 Transferring units

Units may be transferred in accordance with the provisions of the Constitution. A transfer of units must be in writing, signed by both the seller and the buyer and transfer duty paid (if applicable) before it is given to Trilogy Funds. Trilogy Funds has the right to refuse a transfer without assigning any reason.

4.8 Adding to your investment

Current Investors wishing to add to their investment may do so at any time. Please use your investor ID in any electronic transfers. The minimum additional investment amount is $1,000.

Before making or deciding to make an additional investment in the Trust, you should check www.trilogyfunds.com.au for any new or supplementary product disclosure statements, for any updates to this PDS, for any replacement TMD, and for continuous disclosure notices and other updates about the Trust (including current performance information and the Current RG 45 Report).

4.9 Cooling off for retail investors

If a retail Investor changes their mind about investing in the Trust, the Investor has the right to ask to have their application money returned if the cooling off rights given by the Corporations Act apply to the investment. For so long as the Trust is a 'liquid' fund the cooling off rights apply to the Trust. Those Investors who are 'wholesale clients' within the meaning of the Corporations Act do not have any cooling off rights.

To exercise this right, if available, an Investor must do so within 14 days after the earlier of receiving a confirmation of their investment with Trilogy Funds, or the end of the fifth business day after the date units were issued.

Trilogy Funds must receive instructions before the end of the 14 day period for the exercise of cooling off rights to be effective.

Repayment of application money under cooling off rights is subject to an adjustment if Trilogy Funds has re-valued the assets of the Trust (leading to a compulsory redemption of units) during the period the investment is held.

As a wholesale Investor or a platform operator of the master trust, wrap account or IDPS you do not have any cooling off rights under the Corporations Act. Indirect Investors should contact the platform operator of the master trust, wrap account or IDPS through which they are investing to obtain details of the cooling off rights, if any, that they have.

4.10 Reporting

Details about the reporting and communications we provide you are set out at www.trilogyfunds.com.au. Upon becoming a member of the Trust, you will be provided with an acknowledgement letter confirming receipt of application money and the number of units issued.

Other reporting will generally be via the website and email and will include the following:

- monthly distribution statements;
- an annual statement of taxable income, providing a summary of distributions earned for inclusion in the Investor's income tax return (AMIT member annual statement);
- annual periodic statement, which details all transactions on each Investor's account, together with balances on the number of units held in the Trust; and
- annual financial report of the Trust in accordance with regulatory requirements, if requested.
- If you do not have an email address or access to the internet to receive this information then please contact Investor Relations to update your communication preferences.

4.11 Wholesale Investors

Trilogy Funds has the discretion to waive or reduce fees for wholesale Investors. Any waiver or reduction is available only to those who are "Wholesale" investors within the meaning of the Corporations Act on an individual basis, and only in accordance with the Corporations Act requirements and the ASIC class order relief relating to differential fees. For further information on differential fees, please refer to Section 6.7.

4.12 Platform Investors, Indirect Investors and Platform Units

Investing through investment platforms

You may invest in the Trust through an investment platform (**Platform Investor**), also referred to as wraps and investor directed portfolio services (**IDPS**), and if you do so, you are referred to in this PDS as an Indirect Investor. Trilogy Funds authorises the use of this PDS as disclosure to investors who wish to access the Trust through Platforms Investors. Indirect Investors should complete the application form provided by the Platform Investor. Trilogy Funds charges Platform Investors a reduced management fee (see Section 6.4(a)(ii)). Indirect Investors who gain exposure to this Trust through an investment platform are not direct investors in the Trust and therefore do not:

- become unit holders in the Trust, nor do they acquire the rights of a unit holder in the Trust. The Platform Investor, being the operator of the investment platform has those rights and can exercise, or decline to exercise, them on behalf of the Indirect Investors; and
- receive distributions or reports directly from Trilogy Funds, nor do they directly participate in Investor meetings.

Indirect Investors through an investment platform should be able to request reports on the Trust from their Platform Investor, and Indirect Investors should direct any enquiries to the Platform Investor. Indirect Investors should consult their platform operator to obtain information on how their operator deals with applications, withdrawals, transfers, income distributions and timing, fees and expenses and monitoring of their investments. Such Indirect Investors should also read the disclosure document issued by the Platform Investor. Indirect Investors who are retail clients are able to access Trilogy Funds' internal dispute resolution procedures in some cases. For further details about complaints handling see Section 9.4 of this PDS.

Types of Platform Investors

There are two types of Platform Investors:

1. those platform operators who have subscribed for and continue to hold Ordinary Units in the Trust and are referred to in this PDS as Ordinary Platform Investors, and
2. those platform operators who have subscribed for or have switched their Ordinary Units for Platform Units in the Trust and are referred to in this PDS as Platform Unit Investors.

Platform Units

Platform Unit Investors are considered a separate class of investor in the Trust. They are issued with a class of units in the Trust called 'Platform Units'. Indirect Investors should note that:

- unlike Ordinary Units there is no minimum holding period applicable to Platform Units; and
- like Ordinary Units, the Platform Unit Investors (and thus the Indirect investors) are subject to the possibility of the compulsory redemption of units referred to in Section 7.4(g).

Investments in Platform Units are subject to the risks and features as outlined in Section 7 in this PDS. These include investment objectives and strategy, asset allocation, distributions of investment returns, and liquidity and cash management. Other than different redemption and fee terms, Platform Units have the same rights as Ordinary Units.

Access to your money

For investments through platforms, withdrawal requests by Indirect Investors are made to the Platform Investor. At any time during your investment, you can request a withdrawal by contacting your financial adviser or platform operator.

a. Withdrawals by Ordinary Platform Investors

If your investment is through a Platform Investor that holds Ordinary Units, it will follow the withdrawal procedures applicable to any holder of Ordinary Units, as described in Section 4.5 above. The Platform Investor or your financial adviser will tell you how and when to make an application to withdraw.

b. Withdrawals by Platform Unit Investors

If your investment is through a Platform Investor that holds Platform Units, it will follow the following withdrawal procedures.

The withdrawal request must be submitted by the Platform Unit Investor by the 7th business day prior to the last day of each calendar month (**Withdrawal Request Date**) for the effective withdrawal date to be first calendar day of the next month (**Effective Withdrawal Date**). Withdrawal payments, subject to the limitations below, will be made to the Platform Unit Investor within 20 calendar days after the Effective Withdrawal Date, or if the 20th calendar day is not a business day, then by the next business day. The withdrawal amount may be reduced by any withdrawal fee that may be charged. However, for the duration of this PDS, the Responsible Entity has waived the withdrawal fee for all investors who hold Platform Units.

Withdrawal of Platform Units is subject to the following:

- as with Ordinary Units, meeting withdrawals is subject to the availability of cash in the Trust, and the Trust being a liquid scheme. Further, under the Constitution the Responsible Entity has a maximum of 15 months within which Trilogy Funds must meet withdrawal requests from the holders of Ordinary Units and Platform Units and still treat the Trust as liquid. The compulsory redemption provisions apply to both classes of units.
- Withdrawal requests made by the Platform Unit Investor will only be accepted where the request is received before 11:00am AEST, on the Withdrawal Request Date. Requests received after 11:00am AEST on the Withdrawal Request Date will be held over to the subsequent specified Withdrawal Request Date.
- Where Trilogy Funds receives multiple withdrawal requests from Platform Unit Investors, it will aggregate and process the total withdrawal requests. Funds will be set aside to meet likely withdrawal requests. In determining the amount to be set aside we will take into account factors including the amount of cash available in the Trust and the amount of withdrawal requests received from the holders of Ordinary Units (or of other classes of units, if any). If the total withdrawal requests exceed the funds set aside to meet them, all Platform Unit Investor requests will be reduced on a pro rata basis. At all times we will act having regard to the best interests of all investors in the Trust. We will notify your Platform Unit Investor if withdrawal payment amounts are reduced.
- Where Trilogy Funds reduces the withdrawal payment to your Platform Unit Investor, the Platform Unit Investor will advise you whether you need to submit a new withdrawal request to it. Your new request can be for the balance of the unpaid withdrawal amount or any other amount. This new withdrawal request will be processed at the specified Effective Withdrawal Date relevant to the relevant Withdrawal Request Date at which Trilogy Funds receives the request from your Platform Unit Investor.
- As at the date of this PDS, where insufficient funds are available to meet withdrawal requests relating to a specified Withdrawal Request Date and withdrawal amounts are reduced on a pro- rata basis, this pro-rating of withdrawal amounts may be subject to the additional two limitations below whereby Trilogy Funds has the discretion to limit the number of Platform Units that may be withdrawn as at any Effective Withdrawal Date:
  - by any one Platform Unit Investor to 15% of the total investment account value of that Platform Unit Investor at the time of the Effective Withdrawal Date; and
  - by all Platform Unit Investors to 2% of the total Platform Units on issue at the time of the Effective Withdrawal Date.
- Trilogy Funds has the sole discretion to process and pay out more than 15% of the total investment value of any one Platform Unit Investor and more than 2% of the total Platform Units on issue at the time of the Effective Withdrawal Date.

Section 5.
About the Trust's Loans

The Mortgage Investments consist of loans made directly to Borrowers from the Trust. All Loans are secured by registered first mortgages and Borrowers are charged either a fixed or variable interest rate. The Mortgage Investments held by the Trust are held beneficially for Investors according to their proportionate share. The legal title to each Mortgage Investment is held by the Custodian.

For all financial data in relation to the Trust, as well as the current portfolio of Loans, please see the Current RG 45 Report located on Trilogy Funds' website at www.trilogyfunds.com.au, especially Benchmark 1 and Disclosure Principle 1 – Liquidity and Benchmark 3 and Disclosure Principle 3 – Loan portfolio and diversification.

5.1 Assets of the Trust

The Trust has assets consisting of Loans secured by first mortgages held over Australian property, cash at bank, basic deposit products (including term deposits held with Australian ADIs (authorised deposit taking institutions)), and other investments where Trilogy Funds is satisfied that the investments provide sufficient liquidity to meet the cash requirements of the Trust. These may include investments in other related and non-related managed funds that may invest in bonds, fixed or floating rate debt securities, loan notes as well as income securities.

Investments may be held directly or indirectly through listed or unlisted managed investment schemes, or other investment vehicles or portfolio arrangements. These investments are intended to provide a return on the cash component of the Trust.

5.2 Loans

Trilogy Funds will determine which Loans are suitable for investment. Each Loan is assessed by the Lending Committee on its individual merits. The performance of all Loans is carefully and regularly monitored to ensure adherence to on-going reporting requirements and individual Loan covenants. The progress of all Loans is monitored via the draw-down process and through regular contact with the Borrower. This is an actively managed process to ensure that all projects are being run efficiently and in accordance with the lending criteria.

Trilogy Funds' policy of loan diversification is designed to help protect the Trust from significant losses by ensuring risks are not concentrated with one particular Borrower or group of Borrowers or in one particular geographical area or one type of property. It would be difficult for most individual Investors to match this diversification when investing on their own.

Further details on the types of Loans funded by the Trust are in the Current RG 45 Report located at www.trilogyfunds.com.au.

5.3 Registered first mortgages

The primary security for each mortgage investment held by the Trust is a registered first mortgage on a property situated within specified states and territories in Australia. 'Registered' means that the mortgage is registered with the Queensland Department of Natural Resources and Mines or the equivalent government department in other states and territories.

5.4 Additional security that may be taken

Additional types of security may be taken including general security agreements, third party mortgage documentation, and personal guarantees to support the first mortgage security.

5.5 Lending Committee

The Lending Committee is a committee delegated by the Board to oversee the loan process from approval of the initial Borrower application through to repayment.

The Lending Committee operates under the Trust's Lending Policy and assesses, manages and monitors each Loan including:

a. approving Loans for offer through the Trust;
b. monitoring Loan positions and individual Loan performance;
c. monitoring Loan covenants and ensuring Borrowers' compliance with specific Loan conditions;
d. monitoring Loan recovery action as and when required; and
e. reporting to the Board on Loans.

The Lending Committee is also responsible for the overall credit risk and investment strategy of the Trust, including:

a. developing and reviewing the credit policies and procedures;
b. monitoring implementation of credit policies and procedures; and
c. reviewing and amending the overall investment strategies after taking into account the Australian property and credit markets and the economy generally.

The Lending Committee meets on a regular basis (generally weekly) and works to achieve the best outcomes for Investors in accordance with the investment strategies relating to each Loan.

5.6 Loan-to-valuation ratios (LVR)

(Refer also to Current RG 45 Report – Benchmark 6 and Disclosure Principle 6 – Lending principles – Loan-to- valuation ratios)

All Loans approved for inclusion in the Trust must generally be under a maximum LVR of 70% of the latest valuation (which should not be more than four months old at the time of Loan approval). The type of valuation is important; specifically:

1. For a property development or construction loan (development loan) – up to LVR of 70% of the 'as if complete' valuation (see Note 2 under Section 5.7)
2. For other loans – up to LVR of 70% of the 'as is' or 'project related site value' valuation (See Note 1 under Section 5.7). When both the 'as is' and 'project related site value' is included in the valuation report, the Lending Committee will determine what value should be used in assessing the LVR.

It is possible that the maximum LVR is exceeded in some circumstances from time to time during the life of the Loan. For example, if a Loan is in default, the LVR on that Loan may exceed 70%, and if an advance of further funds is required in order to complete a development where a Loan is in default or, for example, there are other issues such as construction delay, the LVR may exceed 70% of the 'as if complete' valuation.

The Trust invests a significant component of its total funds in property development loans. Development loans are those where a Borrower utilises the loan finance to construct buildings (e.g. units, houses, commercial, retail or industrial property) or to undertake land development. On the sale of a unit, house, commercial, industrial or retail building, or part of the land that is secured by the mortgage, all or part of the proceeds are utilised to reduce the Borrowers' debt.

Development loans involve close supervision by Trilogy Funds. During the life of a loan, Trilogy Funds may appoint various consultants, including quantity surveyors, engineers, project managers, and/or valuers to advise:

- the amount of all drawdowns by a Borrower and all payments which are to be made to contractors in stages based on the progress of development; and
- the expenditure required to complete the project.

5.7 Valuations

(Refer also to Current RG 45 Report – Benchmark 5 and Disclosure Principle 5 – Valuation policy)

Trilogy Funds requires valuations to be prepared by an independent, qualified and registered valuer prior to advancing Loan funds against a property being offered as security.

In all cases, Trilogy Funds requires the valuation to meet a variety of conditions, including the following criteria:

a. all external valuations must be performed by a qualified valuer on Trilogy Funds' approved panel;

b. the valuer must be a member of an appropriate professional body in the state or territory where the mortgaged property is situated;

c. Trilogy Funds prefers to instruct the valuer, however, if not, the valuation must be addressed or assigned to Trilogy Funds for mortgage purposes under Trilogy Funds' standard instructions;

d. the panel valuer must be independent of the Borrower and Trilogy Funds;

e. no one valuer conducts more than one third of the total valuation work undertaken for the Trust calculated by number of the security properties;

f. the valuation report must comment as to whether the mortgaged property represents satisfactory security for mortgage purposes, as appropriate;

g. valuers must include a statement in their valuation reports as to whether the valuation complies with all relevant industry standards and codes;

h. the valuer must be instructed to prepare the valuation report in a format which clearly sets out the primary methodology used and, if so requested, a secondary check valuation methodology, in accordance with the instructions;

i. valuations for construction projects and completed buildings should state a replacement value in the valuation for the purpose of Trilogy Funds determining the amount of insurance required; and

j. when a Loan is for development or construction purposes, the valuer must assess the property on both an 'as is' (See Note 1) and 'as if complete' (See Note 2) basis. All other property Loans are valued on an 'as is' or 'project related site value' valuation basis;

Note 1: 'As is' valuation means an estimate of the market value of a property as at a specific date and may be inclusive of GST. 'Project related site value' valuation represents a notional value of the site in relation to a particular project intended for the property being an amount that depends on the success of the project as forecast through cash flow analysis used by a project developer for project feasibility assessment in the current market.

Note 2: 'As if complete' valuation means an estimate of the market value of a property assuming certain specified improvements are made and may be made on a gross realisation basis and may be inclusive of GST.

5.8 Valuation currency requirements

All valuations must not be more than four months old as at the date of approval of the original Loan (except where the valuer stipulates that the valuation is current for a shorter period of time in which case the valuation should not be relied upon beyond that short period of time) and must be updated:

1. at least every four years;
2. within two months after the Lending Committee or the Board forms a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of loan covenant; and
3. for any other reason determined by the Lending Committee.

At the discretion of the Lending Committee, valuations may also be obtained when the following occurs:

- a material change in the terms of the Loan, including as to the amount, duration, or interest rate on renewal;
- a delay in any construction or development proposal;
- information is discovered that leads Trilogy Funds to believe that there may be a variation in the security value;
- a material change in the nature of the building/ property;
- a material change in the tenancy profile of a building;
- a request to vary directorship or ownership of the Borrower or a guarantor company (or its associates); or
- the valuation undertaken for funding is in excess of four months old as at the time of approval of the new Loan.

In determining whether there needs to be a new valuation when a Loan is being extended, or there is an increase in the amount of the borrowing, or a change in the interest rate, Trilogy Funds' Lending Committee may take into account a number of factors such as the Borrowers' history, the amount of the Loan that is outstanding, the duration of the extension, and other information from local agents and valuers such as recent sales and settlements.

5.9 Borrowers' capacity to service the Loan and Loan assessment

A disciplined process is used by Trilogy Funds to evaluate each Loan proposal that is submitted by Borrowers. This approach extends past approval stage to include the monitoring of all Loans. This process reflects the requirements of Trilogy Funds' Lending Policy. The process includes:

- a signed Loan application is made, including all information required by Trilogy Funds;
- the Borrower is interviewed by a representative of Trilogy Funds;
- the Borrowers' and/or the project's ability to repay the Loan is evaluated;
- credit checks are carried out in all cases; and
- a representative of Trilogy Funds inspects all security property.

5.10 Loan assessment for property construction Loans

In the case of development and construction Loans, Trilogy Funds determines the feasibility of projects during the assessment and approval stage. This includes calculation of the amount to be reserved as capitalised interest, and calculations to determine the LVRs at relevant times during a project. An integral part of the Loan assessment and ongoing monitoring is for the Lending Committee to review an independent valuer's report containing the property's value on both an 'as if complete' and either an 'as is' or 'value' basis, generally accompanied by a quantity surveyor's estimation of the costs to complete the project.

After approval, all funds drawn down for the purposes of property construction or development are only advanced after Trilogy Funds is satisfied about the progress of the relevant project.

5.11 Adequate property insurance

Prior to a Loan being made, written confirmation must be provided to Trilogy Funds confirming that adequate insurance over the property to be mortgaged is in place and that the interest of the Custodian will be noted as mortgagee on the relevant policies. Insurance coverage is monitored on a regular basis.

5.12 Loan monitoring and defaults or arrears

(For further information as to defaults and arrears refer to Current RG 45 Report –Disclosure Principle 3 – Loan portfolio and diversification)

The performance of all Loans is regularly monitored by Trilogy Funds with respect to the timely payment of interest, adherence to ongoing reporting requirements and specific Loan covenants. The Lending Team reports on Loans (in default and the current status of other loans) at the regular meetings of the Lending Committee (generally weekly).

The Lending Committee monitors any Loans in default or arrears. Trilogy Funds may treat a Loan as in arrears, where for example, there is non-payment of principal or interest after the due date for payment. Trilogy Funds may treat a Loan as in default, where for example, there is non-adherence to the conditions of the Loan agreement, such as the need to have adequate insurance in place. If a Borrower defaults or is in arrears then the property used as security may be sold and the proceeds used to repay the Loan made by the Trust along with any outstanding interest and costs incurred.

In the event that a Borrower is in default or in arrears the following may apply

- where a Loan is in arrears more than seven days, the Borrower will be contacted to arrange collection of the arrears;
- any Loan in arrears more than 30 days may be placed in the hands of Trilogy Funds' solicitors to commence recovery procedures;
- enforcement proceedings may commence in accordance with the following process:
  - the mortgagee may become a 'mortgagee in possession' or appoint a suitably qualified administrator;
  - a new valuation of the secured property may be sought; and
  - the underlying security may be placed on the market for sale or, depending on the nature of the security and where it is deemed to be in the best interests of the Trust, appointing parties to complete the development or construction of the property, prior to such sale process commencing.

The Lending Committee will monitor the progress of the enforcement proceedings and any other action taken by Trilogy Funds in connection with the default or arrears.

The Current RG 45 Report (available via the Trilogy Funds website www.trilogyfunds.com.au) states the position on Loans which are in default or arrears as at 31 January 2024.

5.13 Maximum Loan amount

The Trust may not lend more than $40 million in any one Loan. If the Borrower requires more than $40 million in total then the Trust may lend in conjunction with another lender, provided Trilogy Funds' Loan assessment criteria has been met and only if Trilogy Funds considers that the legal documentation and security are acceptable. See Section 5.18 for further details on co-lending.

5.14 Maximum Loan term

The maximum Loan term is 24 months at the time of approval. All Loans may be extended subject to the approval of the Trilogy Funds' Lending Committee.

5.15 Interest rates

The interest rates charged to a particular Borrower at any time reflect a balancing of economic conditions, interest rates charged by other mortgage providers, and the risks associated with the Borrower or the nature of the security provided. In accordance with its policy, Trilogy Funds does not hedge any interest rates.

5.16 Credit contract loans

Trilogy Funds is not licensed to provide, and the Trust does not make loans that are in the nature of, credit contracts regulated by the National Consumer Credit Protection Act.

5.17 Dealing with Mortgage Investments

The Trust may acquire a Mortgage Investment from another lender by way of transfer or assignment, provided that the Mortgage Investment meets the lending criteria of the Trust. The lender assigning or transferring the Mortgage Investment may be a related party of Trilogy Funds, including a managed investment scheme of which Trilogy Funds is the responsible entity or trustee. Similarly, the Trust may also dispose of a Mortgage Investment by way of transfer to another person or entity, if this is in the best interest of the Investors. The transferee may be a related party of Trilogy Funds, including a registered managed investment scheme of which Trilogy Funds is the responsible entity or trustee.

5.18 Co-lending by the Trust

The Responsible Entity may from time to time lend to a Borrower as a co-mortgagee with another lender, such as a registered or unregistered managed investment scheme, including one of which Trilogy Funds is the responsible entity or trustee. Any such Loan must meet the general lending criteria of the Trust and the aggregate of the amounts advanced by the Trust and the co-lender must not exceed the LVR limit that would apply to the loan if Trilogy Funds (as responsible entity of the Trust) was lending the whole of the Loan amount. Each of the co-mortgagees will be entitled to be registered as the mortgagees (or their respective custodians, if applicable) and matters such as the management and enforcement of the Mortgage Investment and the holding of the documents of title will be as agreed between the co-lenders.

5.19 Other assets of the Trust

(Further information on non-Loan assets of the Trust is in the Current RG 45 Report – Benchmark 3 and Disclosure Principle 3 – Loan portfolio and diversification)

As part of the Trust's portfolio diversification, the Trust may also invest in other related and unrelated registered managed investment schemes and/or receive investments from other managed investments schemes. As at the date of this PDS, the Trust holds an investment in the Trilogy Enhanced Income Fund, a registered managed investment scheme that is operated by Trilogy Funds in its capacity as responsible entity, as well as investments in other non-related managed funds that may invest in bonds, fixed or floating rate debt securities, loan notes as well as income securities. Other investments may be held by the Trust directly or indirectly through listed or unlisted managed investment schemes, or other investment vehicles or portfolio arrangements. These investments are intended to provide a return on the cash component of the Trust.

5.20 Borrowing strategy of the Trust

a. Liquidity management

The Responsible Entity may in the future seek to arrange a loan facility to allow short term borrowings for the purpose of providing short term liquidity. If so, the lender may be a related party of Trilogy Funds and the facility would be limited to amounts of up to 15% of the total value of the Trust's assets (at the time of the drawdown). It is expected that the lender would be provided security over the assets of the Trust to support the facility, i.e., security over the pool of first mortgages (and any other assets) held at the time.

The intention of such a facility would strictly be to assist with liquidity management, in order to provide the Trust immediate access to cash. Holding a high proportion of cash has the potential to dilute returns to investors because cash held at bank only earns bank interest.

The facility would be paid down from the repayment of Loans and/or new applications for investment.

b. Bank guarantee

In addition, Trilogy Funds may, from time to time, be approached by borrowers requesting that the Trust seek a bank guarantee to pay an infrastructure bond to an urban utility. In turn, the bank will generally require the Trust to deposit an amount equivalent to the guarantee with it and then borrow the amount back as security for the guarantee.

Section 6.
Fees and Costs

6.1 Consumer advisory warnings

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

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).

You should consider whether features such as superior investment performance or the provision of better member services, justify higher fees and costs.

You may be able to negotiate to pay lower fees. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** Moneysmart website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

The above warning is prescribed for inclusion in product disclosure statements and aims to alert Investors to the importance of value for money; and the compounding value of fees and other costs as well as their impact over time on ultimate benefits. The example given is not intended to represent an investment in this Fund. For a description of the fees and other costs charged by this Fund, please read this section in full.

6.2 Fee and Other Costs

The 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 assets of the managed investment scheme as a whole.

Information about taxes is set out in Section 8 Taxation.

You should read all the information about fees and costs because it is important to understand their impact on your investment. The following amounts are stated inclusive of GST and net of RITCs.

TYPE OF FEE OR COST (Note 1)	AMOUNT	HOW AND WHEN PAID
ONGOING ANNUAL FEES AND COSTS		
Management fees and costs The fees and costs for managing your investment (Note 2)	4.66% p.a. of total funds under management (**Note 3**)	Management fees and costs consist of the following: **Management fee of 0.96% p.a.** Management fees are calculated and accrued daily and are paid to Trilogy Funds monthly in arrears. Management fees are deducted directly from the assets of the Trust. The amount of this fee can be negotiated. (**Note 4)** **Management costs of 3.70% p.a.** Management costs accrue and are deducted directly from the assets of the Trust as and when they are incurred.
Performance fees Amounts deducted from your investment in relation to the performance of the product.	Nil	Not applicable
Transaction costs The costs incurred by the scheme when buying or selling assets	Nil	Not applicable
MEMBER ACTIVITY RELATED FEES AND COSTS (FEES FOR SERVICES OR WHEN YOUR MONEY MOVES IN OR OUT OF THE PRODUCT)		
Establishment fee The fee to open your investment	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment	Nil	Not applicable
Buy–sell spread An amount deducted from your investment representing costs incurred in transactions by the scheme	Nil	Not applicable
Withdrawal fee (Note 5) The fee on each amount you take out of your investment	Nil	Not applicable
Exit fee The fee to close your investment	Nil	Not applicable
Switching fee The fee for changing investment options	Nil	Not applicable

Note 1: All figures have been rounded to the nearest two decimal places where appropriate.

Note 2: Management fees and costs include the Responsible Entity management fees, borrower fees and costs and the indirect costs referred to in the "Additional explanation of fees and costs". The management fee component of the management fees and costs is described in the "Additional explanation of fees and costs". The figures in this table are based on the indirect costs divided by the average funds under management over the financial year ended 30 June 2023, plus the management fee. Some or all of these fees may be waived in part or in full.

Note 3: No service fees are payable by Investors to the Responsible Entity. This fee may include an amount payable to an adviser, investment referrer or mortgage broker as described in the "Additional explanation of fees and costs"

Note 4: This management fee may be waived or deferred in part or in full. Certain investors, including wholesale investors, may negotiate lower fees by way of a rebate from the Responsible Entity as set out in the "Additional Explanation of Fees and Costs".

Note 5: All transfer fees (which may be payable on the value of the units you transfer to another person) have been waived for the life of this PDS. No withdrawal fees are charged to Investors withdrawing Ordinary Units. For holders of Platform Units, the withdrawal fee of 2.00% has been waived for the life of this PDS.

6.3 Example of annual fees and costs for the Fund

This table gives an example of how the fees and costs of the Fund can affect an investment over a one year period. Investors should use this table to compare an investment in the Fund with other managed investment products.

Fees and costs described are inclusive of GST (less applicable RITCs).

EXAMPLE: TRILOGY MONTHLY INCOME TRUST		BALANCE OF $50,000 WITH A CONTRIBUTION OF $5,000 DURING THE YEAR (NOTE 1)
Contribution fees	0% p.a.	For every additional $5,000 you put in, you will be charged $0.
PLUS Management fees and costs	4.66% p.a. **(Notes 2 and 3)**	**And**, for every $50,000 you have in the Fund, you will be charged or have deducted from your investment each year $2,330. (**Note 3**)
PLUS Performance fees	Nil	Not applicable
PLUS Transaction costs	Nil	Not applicable
EQUALS Costs of the Fund	4.66% p.a. **(Notes 2 and 3)**	If you had an investment of $50, 000 at the beginning of the year and you put in an additional $5,000 during the year, you would be charged $2,330* in fees and costs. (**Note 3**) **What it costs you will depend on the investment option you choose and the fees you negotiate**

*The fees you pay depend on your investor type and, for certain investors, any rebates that might apply. For example, additional fees may apply where Investors choose to pay their advisers an adviser service fee.

Note 1: This example assumes the contribution of $5,000 during the year is made at the end of the year, and therefore fees and costs have been calculated on the balance of $50,000 only. All figures have been rounded to two decimal places where appropriate.

Note 2: The figures in this table are based on the total management fees and costs charged for the year ended 30 June 2023 divided by the average funds under management over the financial year ended 30 June 2023. They have been calculated based on the actual fees and costs for the financial year ending 30 June 2023 (including indirect costs such as interposed entities and the Borrowers' Fees and costs) that will be payable by Investors as set out in Section 6.4.

Note 3: The management fees and costs stated are gross of fee rebates and any fee waivers and the actual amount charged by the Responsible Entity as the ongoing management fee will depend on your Investor type and, for certain investors, any rebates that apply. The Responsible Entity may also reduce or waive management fees and/or Borrowers Fees at its discretion including to smooth distribution payments to Investors (see Section 4.4) and therefore this amount may vary.

Additional Explanation of Fees and Costs

The following additional information applies to the fees and other costs relating to an investment in the Trust. All fees and costs stated are inclusive of GST and less any available RITCs:

6.4 Management fees and costs

Management fees and costs of the Trust comprise:

- Management fees; and
- Management costs

A. Management Fee

The Responsible Entity is entitled to an ongoing management fee for the work that Trilogy Funds carries out in the proper performance of its duties as the trustee and Responsible Entity of the Trust. The amount of the fee you pay depends on your investor type, as follows:

i. Direct Investors

Direct Investors are generally not eligible to receive a fee rebate. However, Direct Investors who meet the wholesale client test or other criteria outlined further in Section 6.7 may negotiate a rebate.

ii. Platform Investors and Adviser assisted Investors

Investors who have invested indirectly through a platform (Platform Investors) or Investors who receive personal advice from a financial adviser whose dealer group is approved by the Responsible Entity (Adviser assisted Investors) are generally eligible to receive a reduction in the fees they pay via a rebate of a portion of the management fee to which the Responsible Entity is entitled.

From the management fees, Trilogy Funds incurs and pays most of the costs of operating the Trust (see Section 6.4(b)(vi) for further details).

B. Management costs

In addition, Trilogy Funds is required to disclose all management costs, which includes indirect costs. Under the Corporations Act, 'indirect costs' are defined to include amounts that reduce the amount or value of income attributable to an investor's investment, including where the investment is further invested through interposed vehicles. 'Interposed vehicles' for the Trust include the means by which the benefit of the investment is maintained, such as the Trust's investments in other managed investment schemes and term deposits.

The indirect costs included in the management fees and costs have been calculated based on indirect cost amounts paid in the financial year ended 30 June 2023. Indirect costs are not an additional cost to the Trust, but are included because they represent the amount by which the returns to the Trust are reduced.

i. Borrowers' Fees paid to the Responsible Entity

The Responsible Entity is entitled to be paid fees by the Borrower in respect of each Mortgage Investment made by the Trust in relation to the work it carries out in the management and administration of the Loans. These are referred to as 'Borrowers' Fees'. The quantum of these fees, and the circumstances in which they are levied, are dependent on the characteristics of the relevant Loan and prevailing market conditions. The Responsible Entity applies a flexible charging structure to these Borrowers' Fees and the fees and costs examples in the table below are examples of some of the Borrowers' Fees that may be charged. The quantum changes from Loan to Loan, and may be either fixed or change from time to time, generally or in respect of different Borrowers. These Borrowers' Fees are generally capitalised to the Borrowers' Loans and therefore paid by Borrowers to the Trust, and then collected by Trilogy Funds out of the Trust's assets.

TYPE OF FEE OR COST	HOW AND WHEN PAID
Loan Application Fee	The Loan Application Fee is payable to the Responsible Entity from the assets of the Trust upon settlement of the Loan. It is generally capitalised to the Loan.
Loan Administration Fee	The Loan Administration Fee is calculated daily on the drawn or approved value of the Loan (depending on the Loan terms) and is payable monthly in arrears to the Responsible Entity from the assets of the Trust, for its work administering the Loan. It is generally capitalised to the Loan.
Loan Draw Down Fee	Where Loan proceeds are advanced to the Borrower in stages, the Loan Draw-down Fee is payable to the Responsible Entity from the assets of the Trust upon each draw down of funds.
Site Inspection Fee	The site inspection fee is payable to the Responsible Entity from the assets of the Trust on each inspection.
Early Repayment Fee	The Early Repayment Fee may apply if a Loan is repaid before the Loan's maturity date. It is paid to the Responsible Entity from the assets of the Trust and capitalised to the Loan at that time, prior to the repayment or refinancing (if relevant) of the Loan.

ii. Mortgage broker fees

Trilogy Funds may be charged a fee by a mortgage broker or some other person who introduces borrowers to the Trust. The fee may be an up-front fee or commission or a trail commission as arranged with Trilogy Funds payable during the term of the Mortgage Investment. In any case, the fee will usually be calculated as a percentage of the Loan amount.

iii. Adviser fees

If you invest through a financial adviser, then Trilogy Funds may rebate all or a proportion of its management fees to the Investor. Advised-assisted Investors may direct Trilogy Funds to pay amounts from their application money or distributions from the Trust to their financial adviser as an adviser fee.

If your adviser charges you a fee in connection with an investment in the Trust, your adviser must inform you about this fee, including the amount, as well as how and when it is payable by you in accordance with your financial adviser's fee disclosure obligations under the Corporations Act. By completing the relevant section of the Application Form, you instruct us to deduct the fees from your account and pay them to your financial adviser.

iv. Investment referrer fees

You can instruct Trilogy Funds to pay an Investment Referrer an upfront or on going fee in certain circumstances subject to Trilogy Funds' approval.

The upfront fee payable to your Investment Referrer can be paid upon your investment from your application money. When we make these payments, we may provide information about your investments in the Trust to your Investment Referrer.

Please contact Trilogy Funds to instruct us to direct any fee to the Investment Referrer.

v. Inter-fund or related fund investments

The Trust invests in other managed funds which have their own fees and other costs. Generally, these amounts are factored into the unit price that is paid by the Trust to invest in those funds.

vi. Costs and expenses

Costs and expenses include other expenses paid or reimbursed for the benefit of the Trust, which incorporate all relevant expenses and other costs involved in the day-to-day management of the Trust and deriving investment returns. These do not include any abnormal expenses (please see Section 6.4(b)(vii)).

These other costs and expenses include:

- custodian fees;
- legal fees;
- accounting, audit and tax agent fees; and
- Investor communication and reporting, postage and other Trust administration expenses.

During the life of this PDS the Responsible Entity intends to meet these costs and expenses from the management fees it earns and/or from its own funds. However, Investors should be aware that if the Responsible Entity is unable to or refuses to meet these costs and expenses, in whole or in part, the amounts due to any person (other than the Responsible Entity) may still be payable out of the assets of the Trust (pursuant to the Constitution).

vii. Abnormal expenses

The Constitution also provides for the reimbursement or payment of other recoverable expenses that are not incurred on a day-to-day basis, such as the cost of amending the Constitution, the cost of producing the PDS, the cost of Investors' meetings, the cost of litigation, and the like. These abnormal expenses are met from the assets of the Trust and not from the Responsible Entity's own funds. The amount of these costs and expenses varies over time and Trilogy Funds is unable to estimate the amount of abnormal expenses in advance.

6.5 Variation and waiver of fees

Trilogy Funds may waive or defer payment of its fees, in whole or in part. If it does so in relation to fees and costs payable by the Trust, then, generally, the amount available for distribution to unit holders will increase, as set out in Section 4.4.

Trilogy Funds may cease its waiver or deferral of fees to which it is entitled from Investors or Borrowers, either generally or from a Borrower in respect of any particular Mortgage Investment.

For the life of this PDS, Trilogy Funds has waived the following fees and costs:

- any transfer fees for Ordinary Units or Platform Units;
- any withdrawal fees for Platform Units; and
- any fee payable from default interest received from a Borrower (excluding any fee payable by the Borrower to Trilogy Funds upon default that is separate to any default interest received by the Trust).

Trilogy Funds may cease waiving all or some of these fees but will only do so after giving at least 30 days' notice to Investors and by the issue of a supplementary or a new product disclosure statement.

Trilogy Funds may also increase the annual management fee to which it is entitled within the maximum limit provided in the Constitution for the Trust, but, once again, will only do so after giving at least 30 days' notice to Investors and by the issue of a supplementary or a new product disclosure statement. Trilogy Funds may also increase any other fees payable to it within the maximum limits provided in the Constitution of the Trust.

6.6 Maximum fees

The maximum limits provided in the Constitution are as follows:

- the maximum limit for the management fees provided in the Constitution is 5.50% (including GST less RITCs) per annum of the aggregate value of the assets of the Trust;
- default interest fees of 50% of the difference between the higher and lower rates of interest charged and received from a Borrower;
- all of the other fees that a Borrower may be charged;
- an exit fee of 2.20% (including GST less RITCs) of the redemption price of a Platform Unit; and
- a transfer fee of 2.20% (including GST less RITCs) of the value of the units transferred.

6.7 Differential Fees

The Responsible Entity may negotiate special fee arrangements with certain Investors who meet any of the following criteria:

- wholesale clients pursuant to the definition of that term in the Corporations Act;
- members of the Trust who are current full-time or part-time employees, or prescribed family members of current employees, of the Responsible Entity or its related entities and who otherwise meet the eligibility requirements advised by the Responsible Entity from time to time; and/or
- any other criteria provided by ASIC Corporations (Registered Schemes and CCIVs—Differential Fees) Instrument 2017/40, as amended from time to time.

Where an Investor meets one of the above criteria, the Responsible Entity may reduce, rebate or waive certain fees to those Investors. Such special fee arrangements will not adversely impact upon the fees that are paid by other Investors as set out in this section. For further information as to whether to you meet any of the criteria above, please contact the Responsible Entity.

6.8 GST and Reduced Input Tax Credits (RITCs)

In accordance with *A New Tax System (Goods and Services Tax) Act 1999* (Cth) (GST Act), the Trust is defined as a financial supply provider (FSP) as it makes input taxed financial supplies in carrying out its operations. This affects the Trust's ability to claim input tax credits on its acquisitions (an FSP may be entitled to a RITC on its acquisitions in limited circumstances).


HYDRANT
BOOSTER

Section 7. Risks

7.1 Introduction

All potential Investors should be aware that subscribing for an investment in the Trust involves various risks. There are a number of risk factors that could affect the performance of the Trust and the repayment of your capital. Many risk factors fall outside of the Responsible Entity's control and cannot be completely mitigated.

This section identifies some of the major risks associated with an investment in the Trust and in Mortgage Investments generally. Prospective Investors should read the whole of this PDS in order to fully understand such risks.

The key risks, in the Responsible Entity's view, include:

- general investment risks;
- mortgage investment risks; and
- specific Trust risks.

The above risks are detailed further below. These comments are intended as a guide only and are not exhaustive. Investors should read this PDS in full, the latest TMD and the Current RG 45 Report before investing in the Trust to understand more fully the risks of investing in the Trust. The Responsible Entity recommends you seek professional advice from professional adviser prior to investing in the Trust to ensure you understand the risks. Distributions and the return of capital are not guaranteed, either in terms of timing or amount.

7.2 General investment risks

The risks below are general in nature and relevant to most investments.

a. Legal and regulatory risk

Changes to the regulatory environment relating to financial services, taxation and other regimes affecting the Trust's operations may affect the portfolio and the Trust's performance.

b. Economic and market conditions

Changes in the economy and market conditions may affect asset returns and values which, in turn, may result in a decrease in the portfolio's value or the Trust's returns. These changes may include movements in interest rates, exchange rates, securities markets, inflation, consumer spending, employment and the performance of the economy. Government policies can affect the Trust in a number of ways that could be detrimental or beneficial to investors in the Trust. Similarly, changes in the health or social environment can impact the Trust and cause short- term or long-term market disruption to investments made by the Trust that would be detrimental to investors in the Trust. Borrowers can be susceptible to such economic and market risks and therefore the Trust may also be more sensitive to these economic conditions.

There can be no guarantee that investor confidence in property, cash-style or mortgage investments will not change in a manner adverse to investors in the Trust. The general economic, health, social and political climates in which the Trust operates or other like events are outside the control of the Responsible Entity.

c. Counterparties

The Trust may enter into legal agreements regarding aspects of the Trust's operations with counterparties who may fail to perform adequately.

d. Litigation

The Trust may be involved in disputes or possible litigation. It is possible that a material dispute could affect the value of the assets or expected income of the Trust.

For example, there is the risk that if the Responsible Entity takes legal action to enforce a Mortgage Investment by the sale of the security property that the Borrower may defend the enforcement proceedings successfully, in whole or in part, in light of judicial interpretation of the borrowing and enforcement arrangements, which may vary over time. In addition, courts are vested with wide discretionary powers, and these may be exercised in favour of the borrower. It should be noted that Trilogy Funds is under no obligation to pursue further recovery action after the security is sold.

e. Taxation

Changes to taxation laws or policies that the Responsible Entity or the Trust is, or later becomes, subject to may impact Investors' returns from the Trust. The Responsible Entity recommends that you seek professional advice prior to investing in the Trust to ensure you understand the risks.

7.3 Mortgage investment risks

a. Property market risks

Property market risk is the risk that negative movements in the property market may impact on the Trust and its capacity to fully recover the amount owing on a mortgage. Trilogy Funds manages this risk by strictly complying with its lending guidelines, LVR policies, compliance program, and collections procedures. It is Trilogy Funds' current policy that LVRs be less than 70% at the time of approval and to try to manage the Loan book in such a way as to not exceed the LVR of 70% at any time during the life of the Loan.

In the case of a property development or construction Loan, the valuation is generally calculated on an 'as if complete' basis and in the case of other Loans, is calculated on the 'as is' or 'project related site value', whichever is the more appropriate for the security property.

However, it is possible that defaults may occur, and in the event of a default, then the LVR of 70% may be exceeded and in some circumstances further money may be advanced to a Borrower (for example, to complete a development or to market a property for sale). Mortgage Investments are reviewed on an ongoing basis with updated valuations obtained in accordance with the valuation policy for the Trust.

Risks associated with a decrease in the value of a property offered as security in the Trust, may include:

- Investors may be charged negative income and may suffer a capital loss;
- a valuation that does not accurately reflect the real value of the property at the time it was valued. If the Borrower subsequently defaults on the Loan then the capital repaid to Investors may be diminished;
- a fall in the value of the property during the term of the Loan which may diminish capital repaid to Investors in the event that a Borrower defaults; and
- a movement in the property market either nationally or locally which results in a decrease in demand for a proposed development, making it difficult for the Borrower to achieve the expected sale value of the property.

All the above may lead to an increase in the LVR, which would then exceed the prudent LVR limits described in Section 5.6.

b. Valuation basis risk

i. 'As if complete' valuation risk

In some construction and development Loans, the Trust may lend on a Loan to an LVR of up to 70% of the value of the development 'as if it is completed'. For example, a property may be valued by an independent valuer at $150,000 on an 'as is' or 'project related site value' (see Note 1 in Section 5.7) basis. However, the valuer may prospectively value the completed development at $400,000 with a cost to complete of $200,000. In such circumstances, the Trust may approve a loan of up to $280,000 (70% of $400,000) to assist in the purchase and development of the property. In these circumstances, the Trust will make progress payments to enable the development to be completed.

Risks in this type of lending include the risk that:

- the property will decline in value during the development period;
- the cost of the development will be greater than budgeted;
- delays in the development may add to interest and other costs;
- there may be insufficient materials or expertise available to complete the development; or
- there may be insufficient funds to complete the development.

ii. 'Project related site value' valuation

In some circumstances where the Loan is either a property development Loan or a non-property development Loan, valuation reports may contain a 'project related site value' valuation. This value may be a better measure of value of the proposed site if the developer, for example, has received development approval to build or construct on the land and has procured an agreement to lease with a tenant. In this circumstance, the 'project related site value' may be considerably higher than the 'as is' value. Risks involved in using this value include that the development approval may lapse or a potential tenant may not fill the tenancy due to a change in circumstances. Trilogy Funds' Lending Committee will assess the risk of using this form of valuation when approving a potential Loan's LVR covenants.

c. Diversification risk

(Refer to Current RG 45 Report – Benchmark 3 and Disclosure Principle 3 – Loan portfolio and diversification)

Risk may also arise where size of a Loan, number of Borrowers, class of Borrower activity or geographical region diversification is not high. The more diversified a Loan portfolio is, the lower the risk generally that an adverse event affecting one Borrower or one type of Loan will simultaneously affect the majority of Borrowers, and therefore put the overall portfolio at risk.

d. General construction risks

In a construction and development Loan, the Trust is exposed to all the risks relating to building construction and property development. This may include risks of increases in costs of materials and/or labour during the life of the project, and delays such as those caused by building contractors and trades, council development and town planning approvals, costs associated with latent conditions underlying or adjacent to the development site or abnormal weather events. These factors can increase costs beyond the contingency amount normally allowed in a construction agreement and at worst, the Borrower may not have adequate funds to complete the project works.

Additionally, the risk of failure to complete a project may arise because the appointed contractors and trades may become insolvent. In this case the Borrower (and/or Trilogy Funds) will have to source other contractors or trades to complete works which may result in an increase in costs of the project.

e. Borrower default risk

Defaults by a Borrower may occur for a wide range of reasons including changes in:

- a Borrowers' circumstances;
- the general state of the economy in Australia or other places in which the Borrower does business;
- conditions of the particular market in which the Borrowers' primary business operates; or
- property market conditions.

Default may result in the delay/non-repayment of the Loan amount by the Borrower and its failure to meet interest (where it is not capitalised) and fees from its own resources.

f. Market risk

Markets can go up and down. Market conditions are influenced by a variety of factors including economic, technological, social, political, taxation, legal or regulatory factors, as well as general changes in market sentiment. These may have a negative impact on returns.

g. Illiquid nature of underlying asset

As the underlying asset of the Trust is predominantly real property, which is relatively illiquid, delays could occur between a Loan going into default and sale of the security property. These delays could affect interest accruing, but not paid. In these circumstances, interest accruing would not be available for distribution to Investors and the amount owing plus accrued interest and costs may exceed the amount realised from the sale of the property.

h. Repayment delays

Repayment of Loans may be delayed beyond the agreed maturity date. This can occur for a wide variety of reasons including the risk that construction or development does not proceed on schedule.

7.4 Specific Trust risks

a. Credit risk – individual investments

This is the risk that the value of an individual investment made by the Trust directly may change or become more volatile, potentially causing a reduction in the value of the Trust and increasing its volatility.

This may be because, amongst other things, there are changes in the Government's policies, Trilogy Funds or the investment manager's operations or management, or business environment, or a change in perceptions of the risk of any investment. Various risks may lead to the issuer of the investment defaulting on its obligations and reducing the value of the investment to which the Trust has an exposure. A reduction in the value of an investment may be from a political, social, economic, or a health event such as COVID-19 during which credit markets experienced a degree of dislocation.

b. Operations and investment mandate risk

A managed investment scheme that the Trust invests in will carry the operational risks inherent in that particular scheme. For example, the assets in which the scheme invests in could be assigned credit ratings by independent ratings agencies and in the case where they are downgraded this could significantly reduce the value of an asset in the scheme. Additionally, it is possible that the investment manager of a scheme that the Trust invests in uses derivatives from time to time to manage risks of that scheme as considered appropriate by the relevant investment manager. These carry risks as well, including that the value of a derivative fails to move in line with the underlying assets, the potential liquidity of an asset, potential leverage resulting from the position and counterparty risk. A further example concerns borrowing risk.

A scheme in which the Trust invests has an ability to borrow indirectly in the short term to manage withdrawals and distributions. The risk with borrowing is that it magnifies both good and bad returns. Further, where the scheme invests in income securities, these will carry the risk of volatility that arises from investment in the share market (including any capital gains or losses that may eventuate), which may have an impact on the returns obtained from the Trust.

c. Gearing Risk

The Trust may use a finance facility to allow borrowings for the purpose of providing short term liquidity. This is intended to account for no more than 15% of the Trust's assets at the time of the first drawdown of the facility. The effect of this may increase any capital loss for Investors if the value of the Trust falls, as the financier must be repaid the principal amount outstanding on the loan and outstanding interest or costs before distributions are made to the Investors.

If there are not sufficient funds to meet interest payments on the finance facility, the financier may want to enforce its security, which is likely to be the assets of the Trust. However, the financier will not require Investors to contribute any more cash than their original total investment.

d. Consultancy services

Trilogy Funds, as responsible entity of the Trust, is dependent upon its consultants (e.g. an independent qualified valuer) to provide consultancy services of the quality and at the times required by it. The ability of the consultants to do this and the accuracy of their advice cannot be guaranteed by Trilogy Funds and may be affected by factors completely outside its control.

e. Documentation risk

There is a risk of deficiency in the accuracy of documentation, including the mortgage documentation entered into for the Trust that could, in certain circumstances, adversely affect the recoverability of money invested by the Trust and reduce the value of the investment.

f. Insurance risk

There is a risk that a Borrower from the Trust may fail to effect property insurance over a secured property, or indeed may cancel such a policy once obtained, without prior notification to Trilogy Funds. Additionally, property insurance obtained may be inadequate, not cover the manner in which the damage or destruction was caused or could be denied due to a number of circumstances, including the failure of the borrower to make proper disclosure to its insurer.

There is also a risk that the insurer may not be able to meet its financial obligations under the insurance policy.

g. Negative income risk

The Trust maintains a unit value of $1.00 per unit. The net value of the Trust at any time is derived from the amount of the cash and non-mortgage investments held, the Loans that have been made, plus the income that is received less the expenses that are payable from the Trust. The unit value is determined by dividing the net value of the Trust by the total number of units on issue at the relevant time. The net value (and thence the unit value) must be determined as at the end of each quarter. If, in any quarter, there is insufficient income to meet expenses or to compensate for any reduction in the value of mortgage or other assets of the Trust, the unit value may be less than $1.00 per unit.

In such a case the Constitution provides a mechanism under which a sufficient number of units will be compulsorily redeemed to make up that shortfall and maintain the value of the remaining units at $1.00 per unit. Units will be redeemed pro rata from all unit holders. For example, if the Trust had negative income in a particular quarter that reduced the unit value to $0.98, 2% of the units on issue would be redeemed at a nil unit value and cancelled. This would leave the remaining 98% of units on issue re-valued at $1.00 per unit.

Units in the Trust cannot be withdrawn during the period commencing on the date the unit value is determined to be less than $1.00 per unit and the date the compulsory redemption is complete. As at the date of this PDS, no units have ever been compulsorily redeemed under this mechanism during the term of the Trust. However, Investors must be aware that past events are not indicative of future events and there is no guarantee that compulsory redemption may not be required at some future time.

h. Operations risk

Operational risk relevant to the Trust and Trilogy Funds includes system failures, the risk of errors, fraud or other criminal activity, and events that might disrupt the normal course of operating the Trust and may lead to delays, or at worst, failures in respect of functions that investors rely on. This includes any such failures by Trilogy Funds in its capacity as the Responsible Entity, its related service providers and third parties. This includes the risk associated with Trilogy Funds' reliance on the effective operation and security of a number of computing and systems processes. It manages these risks by having appropriate systems and controls in place and by utilising experienced external service providers.

i. Cyber risk

There is a risk of fraud, data loss, business disruption or damage to the information of the Trust or to Investors' personal information as a result of a threat or failure to protect the information or personal data stored within the Trust's IT systems and networks and those of service providers to the Trust.

j. Assumptions risk

The Responsible Entity relies on prospective information including certain assumptions from time to time in managing the Trust, for example, to assist it in managing the Trust's liquidity requirements, for stress testing purposes and to calculate the indirect costs ratio including for this PDS. There may be a risk that assumptions used to determine the financial information may be or become incorrect, may not eventuate, or may produce a different outcome.

k. Transfer of units

There is no established external secondary market for the sale of units in the Trust. Investors may arrange for their own private sale with the approval of Trilogy Funds. There is no right for Investors to require these units to be purchased either by Trilogy Funds or by any other person, or to have their units redeemed. Trilogy Funds has a discretion as to whether to accept and register a transfer of units.

l. Structure of underlying managed investment scheme, mandate of investment manager or other income earning investments

At any time, excess cash may be invested in the Trilogy Enhanced Income Fund (TEIF) or other income earning investments. Other income earning investments may include other unlisted managed funds, index funds, income securities and fixed or floating rate debt securities that may be held directly or indirectly. While TEIF invests indirectly in mortgages, through the Trust, it also invests in cash, cash style and other financial assets. Where TEIF invests in another managed investment scheme, it carries the risk that there could be a change of that fund's responsible entity, or investment manager, loss of key personnel, the responsible entity, or investment manager may not meet their obligations or perform as expected, assets may be lost, inaccurately recorded or misappropriated, fees and charges may change, systems may fail and insurance may be inadequate or insurers not pay at all.

Any changes in the economic or regulatory environment that impacts upon the performance of the scheme's responsible entity or trustee, or the investment manager engaged by Trilogy Funds may have an effect upon the returns obtained from TEIF.

m. Responsible Entity risk

Trilogy Funds is the responsible entity of the Trust. In this capacity, there is the risk that Trilogy Funds may be removed as the responsible entity of the Trust or that a change of key personnel may adversely affect the way in which the Trust and the Mortgage Investments are managed.

n. Related party risk

Trilogy Funds may, from time to time, enter into transactions relating to the Trust with related parties, including engaging related parties as service providers. There are risks associated with the engagement of related parties as service providers, including that such engagements may be more difficult to enforce than where those services are provided by external parties.

Related party transactions and conflicts of interest risk are addressed by Trilogy Funds in accordance with its Conflicts of Interest Policy and Related Party Transactions Policy.

o. Liquidity risk

A delay in processing an Investor's withdrawal request is possible where there are a significant number of withdrawals at the same time, which absorb the cash reserves of the Trust, or if assets of the Trust are not sufficiently liquid. Trilogy Funds is required by the Constitution to satisfy withdrawal requests within 15 months. In certain circumstances Trilogy Funds may be entitled to suspend withdrawals due to a lack of liquidity.

Liquidity may also be adversely affected in the case of construction or development Loans where there may be insufficient funds available to meet drawn down requests by a Borrower. In the case of a failure to meet a draw down request, this could have the effect that the Trust is in breach of its lending terms to the Borrower and in turn could delay construction or development of the loan project or cause the Borrower to be in breach of its agreements with contractors engaged to perform works.

Withdrawals will also be suspended by Trilogy Funds from the point in time it determines there has been negative income in a period until the date a compulsory redemption of units is completed.

p. Interest capitalisation risk

Loans made from the Trust may require the interest to be paid periodically during the term of the Loan or in the case of a construction and development Loan a provision for interest may be built into the facility within the approved LVR. As a risk management measure, this provision for interest is built into the

Loan facility along with the contingency. This enables Trilogy Funds to control the interest payments and ensure that they are within the approved LVR limit.

There is a risk that interest payments may not be recoverable because of:

- changed circumstances of the borrower;
- changed circumstances of the security property; or
- other economic conditions.

Where this occurs, there may be insufficient cash flow in the Trust to meet income distributions or withdrawal requests.

q. National Consumer Credit Protection Act (NCCP Act) – Regulated loans

Trilogy Funds is not, and has no present intention to be in the future, licensed to make loans that are regulated under the NCCP Act. Nevertheless, a court may for some reason hold that a Loan made by the Trust is so regulated. In general terms, there are limits on the amount of default interest that may be charged and the actions that Trilogy Funds may have to take in enforcing a mortgage regulated by the NCCP Act are more demanding and may take longer to implement.

In addition, the terms of the loan may be changed if the Borrower is having or will have trouble making payments by reason of financial hardship caused by illness, unemployment or other reasonable cause.

r. External dispute resolution risk

Trilogy Funds is a member of the Australian Financial Complaints Authority (AFCA), in accordance with its obligations in respect of the Investors. AFCA, in addition to considering complaints by Investors, may also form the view that it is entitled to consider any complaint that is lodged by a Borrower from the Trust, even if the Borrower does not have a NCCP Act regulated Loan. There is now the additional risk that either during the course of a Loan, or more typically when Trilogy Funds seeks to enforce the Loan, the Borrower lodges a complaint with AFCA that has the effect of 'freezing' any enforcement action that is being taken or delaying any enforcement action that may be taken, while the EDR scheme considers the complaint.

s. Capital risk

Unit holder investments in the Trust are not capital guaranteed. Should the Trust suffer a capital loss Investors may be charged negative income and may suffer a capital loss.

t. Income distribution rate risk

This risk relates to the volatility of income distributions to Investors. Income distributions to Investors in the Trust depend upon the return that the Trust receives from its investments.

Trilogy Funds seeks to minimise fluctuations in the Investor income distribution rate by ensuring Mortgage Investments utilise a combination of fixed interest rate lending and short lending terms (up to a maximum of 24 months).

There is a risk that delays in making Mortgage Loans from the Trust to Borrowers may dilute returns to investors because the portfolio's cash holdings may contribute to lower overall returns.

7.5 Conclusion

The preceding list of risk factors is not to be taken as being comprehensive or inclusive of all of the risks that may be attributable to an investment in the Trust. These risks, as well as other risks, which have not been specifically identified, may in the future affect the financial performance of the Trust.

Consequently, there is no guarantee as to the amount or timing of the payment of capital, distributions or the value of the units held in the Trust. You should seek your own financial advice from a licensed adviser before investing.

Section 8. Taxation

The information in this section is in relation to the Australian income tax and capital gains tax implications of holding units in the Trust. The additional implications for New Zealand resident Investors are considered in Section 9.12.

The information in this section does not constitute tax advice on investments in the Trust or in relation to withdrawals from the Trust. Investing in a managed fund such as the Trust is likely to have taxation consequences. Australian tax laws are complex and subject to change. The tax comments below are only in respect of Australian tax and are based on the current law in Australia that has been enacted as at the date of this PDS. The comments do not take into account any changes in the tax law or future judicial interpretations of the law after this time.

The tax comments in this section are only relevant for Australian resident Investors that hold their interests in the Trust only on capital account, but do not take into account the specific circumstances of the Investor. In particular, they may not be relevant to Investors that are subject to special tax rules such as banks, insurance companies, managed investment trusts, tax exempt organisations and dealers in securities. Trilogy Funds advises you to seek professional tax advice on your proposed investment in the Trust before making a decision to invest.

The Trust or the trustee of the Trust should not be subject to tax on the net (tax) income of the Trust for the relevant year. Rather, the Investors in the Trust should be assessed on their share of the net (tax) income of the Trust for the relevant year. The share is determined based on the attribution of the different income characters by the Trust to the Investors. This is the case even where cash distributions are reinvested into the Trust, where no cash distributions are made by the Trust to its Investors, or where the income distributions differ to the aggregate attribution of the different characters from the Trust.

Any net tax losses or net capital losses made by the Trust cannot be distributed to Investors. Rather, the net tax losses and net capital losses are carried forward and may be utilised by the Trust against its assessable income and capital gains respectively, in future income years. The use of carried forward tax losses is subject to satisfying any loss utilisation rules that may be applicable for the relevant period.

The Trust currently qualifies as a Managed Investment Trust (**MIT**) as defined in the income tax law, and a choice has been made by the Trust to elect into the Attribution Managed Investment Trust (**AMIT**) taxation regime. The AMIT regime will apply to you as an Investor in the Trust for a particular income year if the Trust satisfies the requirements to qualify as an AMIT for that year. It is intended for the Trust to continue to qualify as a MIT and an AMIT each year.

If the AMIT regime applies to the Trust for an income year, then the tax outcomes for Investors should be as follows:

- The net (tax) income of the Trust for an income year will be attributed to the Investors in the Trust on a fair and reasonable basis each year and this attribution will be based on the Trust's Constitution and this PDS.
- The amounts attributed to Investors from the Trust each year will be disclosed in an AMIT Member Annual Statement (**AMMA Statement**). This statement will be provided to Investors no later than three months after the end of the relevant income year.
- The amounts attributed to Investors from the Trust as disclosed in the AMMA Statement should be taken into account in their taxable income calculation for the relevant year of income.
- The amounts attributed to Investors from the Trust should retain the character they had in the Trust for income tax purposes.
- Subject to certain limitations, the Investors and the Trust can rely on specific legislative provisions that allow for an adjustment in calculating the net (tax) income of the Trust for a previous income year to be carried forward and dealt with in the year that the adjustment is discovered.
- Investors will be subject to a tax cost base adjustment mechanism, which may result in increases or decreases to the tax cost base of their units in the Trust, broadly where there is a difference between the cash amount distributed by the Trust and the taxable amounts attributed to Investors for an income year. Details of these tax cost base adjustments will be shown in the AMMA Statement.
- Australian withholding tax, if applicable, will be levied on the amounts attributed to a non-resident Investor from the Trust, which may be different to the cash that is actually distributed by the Trust for the relevant year.
- Taxable amounts may be attributed to Investors by the Trust at the time of any redemption or cancellation of units in the Trust on a fair and reasonable basis.

If the AMIT regime is not applicable to the Trust for a particular income year (because the qualification requirements for that year were not satisfied), then Investors should be subject to tax on their proportionate share of the net (tax) income of the Trust for that year, based on their present entitlement to the income of the Trust for that year.

It is recommended that investors obtain independent tax advice on the application of the AMIT regime to them in respect of their investment in the Trust.

Assessable components distributed or attributed from the Trust should primarily be in the form of interest income and revenue gains from financial arrangements. Such income and gains should be determined in accordance with the Taxation of Financial Arrangement rules. Where temporary differences exist, non-assessable components may also be distributed or attributed by the Trust.

Non-assessable components distributed or attributed will broadly arise where the aggregate of the assessable components of the Trust are lower than the cash distribution amount (e.g. due to tax timing differences). Such non-assessable components are not immediately assessable to Investors when received but are applied to reduce the tax cost base of each unit on which the distribution is made. This should impact on the calculation of any capital gain or capital loss made on the disposal, redemption or cancellation of the relevant unit (refer below). Further, where the non-assessable distribution received on a unit in the Trust is greater than the tax cost base of that unit, the tax cost base of the unit is reduced to nil, and the amount by which the non-assessable distribution exceeds the tax cost base of the unit should be regarded as a discountable capital gain made by the holder of that unit.

Investors should be able to identify the assessable and non-assessable components of distributions from the AMMA Statement or annual tax statement, which will be issued by Trilogy Funds each year to assist Investors in preparing their annual income tax returns.

For an Australian resident Investor, the redemption, disposal or cancellation of any unit in the Trust may give rise to a capital gain or capital loss that should be included in the net capital gain calculation of that Investor for the relevant income year. A capital gain is made where the capital proceeds from the redemption, disposal or cancellation exceed the cost base of the relevant unit. A capital loss is made from the redemption, disposal or cancellation where the capital proceeds from the redemption, disposal or cancellation of the unit are less than the reduced cost base of the unit. In order to determine their capital gain or capital loss position from the redemption, disposal or cancellation of any unit, Investors will need to adjust the tax cost base of each unit in the Trust for any non-assessable distributions or distribution shortfall amounts in respect of that unit. Note, a discount may be available for certain Investors in calculating their net capital gain. Such a discount is available on capital gains made on units in the Trust (after the application of capital losses) where the units have been held for at least 12 months. The discount is 50% for Australian resident individuals and trusts, and 33.33% for complying superannuation funds.

Stamp duty or GST should not apply to any acquisition or transfer of units. However, GST may be applicable on some or all of the fees set out in the PDS. It is recommended that Investors seek the advice of a professional tax adviser in relation to their GST obligations and/or entitlements.

Australian resident Investors will be asked to provide their tax file number (**TFN**) or Australian Business Number (**ABN**) or exemption number in the Application Form. If this information is not provided, the Trust is required by law to deduct tax from the taxable component of any distributions at the highest marginal rate plus the Medicare levy (currently 47%).

Section 9. Additional information

This additional information section does not purport to be an exhaustive statement of any or all of the provisions contained in the documents described. In particular, the provisions of the Corporations Act can affect the construction and operation of the Trust and Trilogy Funds' obligations.

9.1 Continuous disclosure

As at the date of this PDS, the Trust is a disclosing entity. Being a disclosing entity means that Trilogy Funds must lodge half-yearly and annual financial reports of the Trust with ASIC, as well as notice of important events as they happen.

All of this information may be inspected at Trilogy Funds' registered office or obtained from ASIC.

If you wish to receive a copy of the latest audited accounts of the Trust in which you are an Investor, please contact the Responsible Entity. Trilogy Funds intends to follow ASIC good practice guidance contained in Regulatory Guide 198 – Unlisted disclosing entities: Continuous disclosure obligations to meet its continuous disclosure obligations. This means that Trilogy Funds has elected to update Investors by posting continuous disclosure notices on its website www.trilogyfunds.com.au.

This information is likely to be:

- information that Investors and their professional advisers reasonably require to make an informed investment decision; and
- information that might reasonably be expected to have a material influence on the investment decision of a reasonable person, as a retail client.

Any updated information about the Trust that is considered not materially adverse to investors will also be made available at www.trilogyfunds.com.au and a hard copy will be sent to you free of charge on request.

9.2 Target Market Determination

The Target Market Determination (**TMD**) for Ordinary Units in the Trust is available on Trilogy Funds' website at www.trilogyfunds.com.au and a hard copy will be sent to you free of charge on request.

9.3 Privacy

Trilogy Funds is committed to protecting the privacy of its Investors. We are bound by the Privacy Act 1988 (Cth) as amended from time to time (**Privacy Act**) and the principles and procedures to be adopted under that legislation. The Privacy Act regulates, among other things, the collection, storage and security, quality, management, correction, use and disclosure of and access to personal information. By applying to invest in the Trust, applicants consent to personal information being used by us for the purposes for which it was provided and for other purposes permitted under the Privacy Act.

The Application Form accompanying this PDS require personal information to be provided. Trilogy Funds, and any service providers to Trilogy Funds or to the Trust (including the Custodian) may collect, hold and use your personal information in order to assess your application, service your needs as an Investor, provide facilities and services to you, to the Responsible Entity and to the Trust and for other purposes permitted under the Privacy Act and other legislation, such as the anti-money laundering and counter terrorism financing (**AML/CTF**) laws.

Taxation, AML/CTF and other laws (such as CRS and FATCA) also require some of the information to be collected in connection with your application.

If you do not provide the information requested or provide us with incomplete or inaccurate information, your application may not be able to be processed efficiently, or at all. Trilogy Funds may disclose your information (or parts of it) as follows:

- to government agencies who may lawfully request it, but only when it is required by law to do so;
- to external parties on your behalf, such as your financial adviser (if the adviser's name appears on the Application Form), unless you have instructed Trilogy Funds in writing to do otherwise;
- to our service providers (mailing houses, auditors, etc.) to enable the administration and operation of your investment and the Trust; and
- to assist you with any queries.

You are entitled to access, correct and update all personal information which Trilogy Funds holds about you. The information held may be obtained by contacting Trilogy Funds. You should contact us if you have concerns about the completeness or accuracy of the information we have about you or if you would like to access or amend your personal information held by us or our service providers. Please advise Trilogy Funds of any changes to information you have provided to us using the Change of Details Form as provided on Trilogy Funds' website www.trilogyfunds. com.au. Any complaint you have as to how we have handled your personal information will be dealt with in accordance with our Privacy Policy and Complaints Handling Policy which are available on our website and a paper copy will be sent to you free of charge on request.

9.4 Complaints

Trilogy Funds' complaints handling process is based on the Australian Standard AS ISO 10002-2014 'Customer Satisfaction – Guideline for Complaints Handling in Organisations'. The Trust's Constitution and Compliance Plan also contain provisions governing how complaints must be dealt with. A copy of our Complaints Handling Policy is on Trilogy Funds' website at www.trilogyfunds.com.au and a hard copy will be sent to you free of charge on request.

Investors who are Indirect Investors who are retail clients may lodge complaints in relation to the Trust or the complaints handling process by contacting Trilogy Funds. Contact details are shown in the corporate directory.

On receipt of a complaint, Trilogy Funds acknowledges the complaint by the close of the next business day or as soon as practicable. Trilogy Funds aims to resolve a complaint as quickly as possible, and unless it has been resolved within 5 business days, will provide you with a written "IDR response" setting put the final outcome. Other than in limited circumstances, including where the complaint is particularly complex, Trilogy Funds will provide the IDR response within 30 calendar days after receipt of the complaint. If there is to be a delay, Trilogy Funds will advise you of the reasons for the delay and your further rights.

If an issue has not been resolved to your satisfaction, or if you have not received a response within the above timeframes, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA is an independent external financial services complaint resolution that is free to consumers.

Website:	www.afca.org.au
Email:	info@afca.org.au
Telephone:	1800 931 678 (free call)
In writing to:	Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001.

9.5 Anti-Money Laundering and Counter Terrorism Financing

The Responsible Entity is required to comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (AML/CTF Law). This means that the Responsible Entity will require you to provide personal information and documentation in relation to your identity and that of any beneficial owners when you invest in the Trust. The Responsible Entity may need to obtain additional information and documentation from you to process your application or subsequent transactions or at other times during your investment. The obtaining of information will be pursuant to the AML/CTF program that has been adopted.

The Responsible Entity may need to identify:

- the Investor and each beneficial owner (including all investor types noted on the Application Form) prior to purchasing Units in the Trust. The Responsible Entity will not issue Units to you until all relevant information has been received and your identity and that of any beneficial owner has been satisfactorily verified;
- transferees of interests in the Trust. The Responsible Entity will not register a transfer until all relevant information has been received and you or your transferee's identity or that of its beneficial owners has been satisfactorily verified;
- your estate. If you die while you are the owner of an interest in the Trust, the Responsible Entity may need to identify your legal personal representative prior to transferring ownership or making any payments; and
- anyone acting on your behalf, including under your power of attorney.

In some circumstances, the Responsible Entity may need to re-verify this information and may request additional information.

By applying to invest in the Trust, you also acknowledge that the Responsible Entity may decide to delay or refuse any request or transaction, if it is concerned that the request or transaction may breach any obligation of, or cause the Responsible Entity to commit or participate in an offence under, any AML/CTF Law, and the Responsible Entity or any of its related bodies corporate, affiliates, associates or officers will incur no liability to you if it does so.

9.6 Related party disclosure

(Please refer to Current RG 45 Report – Benchmark 4 and Disclosure Principle 4 – Related party transactions)

Trilogy Funds maintains a policy on related party transactions. The key points of this policy are as follows:

- any transaction involving a related party shall be on terms and conditions no more favourable to the related party than those that it is reasonably expected would be the case if the benefit directly or indirectly was paid to a third party dealing at arm's-length in the same circumstances and on commercial terms;
- before any related party transaction is entered into, Trilogy Funds will satisfy itself that the fees to be paid to the related party are approximately equivalent to what would be paid to a third party at arm's-length for the same goods or services; and
- Trilogy Funds will also satisfy itself, and obtain legal advice if there is any doubt, that all the relevant factors in determining whether the proposed related party transaction falls within the 'arm's length' exception in the Corporations Act, have been taken into account.

9.7 Services provided by related parties

Various related parties provide services to Trilogy Funds including in respect of the Trust. The directors of Trilogy Funds (or entities associated with them) may co-lend to a Borrower and may provide mezzanine funding, provided the legal documentation and security position taken by the Trust is acceptable and their position is not preferred over the position of the Trust in any way. Certain entities in the Trilogy Funds group provide services to the Responsible Entity for which those entities receive fees on normal commercial terms or on terms that the Responsible Entity believes are better than normal terms. For example, group entities provide in-house fund accounting, compliance, risk management, information technology, human resources, communications, marketing and distribution services and advice.

Trilogy Funds engages the services of Mintstone Pty Ltd, an entity owned and operated by a non-executive director, to provide project management and quantity surveying work on projects to which the Loans relate.

The Directors and certain executives of entities in the Trilogy Funds group may hold interests in the entities that earn fees directly or indirectly from the Trust and therefore may be said to benefit from any fees derived by it.

Directors, employees and related parties of entities in the Trilogy Funds group may hold units in the Trust. These units will be acquired and held on the same terms as any other Investor in the Trust.

9.8 Environmental and ethical considerations

While Trilogy Funds intends to conduct its affairs in an ethical and sound manner, its investment criteria do not include giving weight to labour standards, environmental, social or ethical considerations when making, retaining or realising an investment of the Trust.

9.9 FATCA and CRS

The Trust is a Reporting Financial Institution under the Inter-Governmental Agreement between the Australian and US governments in relation to the Foreign Account Tax Compliance Act (**FATCA**), a law which imposes certain due diligence and reporting obligations on non-US financial institutions and other financial intermediaries, to prevent tax evasion by US citizens and US tax residents through the use of non-US domiciled investments or accounts.

The Trust is also a Reporting Financial Institution under the *Tax Laws Amendment (Implementation of the Common Reporting Standard) Act* 2016 (Cth) which implemented the OECD Common Reporting Standard (**CRS**) in Australia, requiring Reporting Financial Institutions in Australia to report to the Australian Taxation Office (**ATO**) details of their foreign investors.

To comply with the above, Trilogy Funds conducts due diligence on prospective investors in the Trust and will require certain information and documentation at the time of an Investor's application for units. Trilogy Funds will report information in respect of certain Investors and their units in the Trust to the ATO.

Broadly, Trilogy Funds will report to the ATO information in respect of Investors who are:

- U.S. citizens or residents;
- certain types of U.S. entities;
- certain types of non-U.S. entities controlled by one or more U.S. citizens or residents (pursuant to the IGA);
- foreign resident individuals;
- certain types of foreign resident entities; and
- certain types of Australian entities that are controlled by one or more foreign residents (pursuant to the CRS).

If you are a new Investor and you do not provide Trilogy Funds with the required information and/or documentation on request, Trilogy Funds may not issue units to you. Alternatively, Trilogy Funds may report information in respect of you and your Units in the Trust to the ATO, or any distributions made to you on your Units in the Trust.

For FATCA purposes, the ATO will share information reported to it by Reporting Financial Institutions with the U.S. Internal Revenue Service. For CRS purposes, the ATO will share information reported to it by Reporting Financial Institutions to tax authorities of jurisdictions that have signed the CRS Competent Authority Agreement.

For further information in relation to how Trilogy Funds' due diligence and reporting obligations may affect you, please consult your tax adviser.

9.10 Summaries of material documents

a. The Constitution for the Trust

The Constitution is the primary document which establishes the structure of the Trust. Some of the provisions of the Constitution are summarised below. Other provisions of the Constitution are outlined in other sections of the PDS and are consequently not included here.

If necessary, Investors should seek independent professional advice in relation to the terms of the Constitution.

Units in the Trust

The beneficial interest in the Trust is divided into units. Each Investor, irrespective of the class of units held, has a beneficial interest in the assets as a whole in the proportion that the number of units held bear to the total number of units on issue.

The role of Trilogy Funds

Trilogy Funds is responsible for managing the Trust and may only deal with the assets of the Trust in accordance with the Constitution, the Corporations Act and the PDS. It may appoint agents or other parties to do anything that it is authorised to do in connection with the Trust.

Termination of the Trust

The Trust will terminate:

- if Trilogy Funds considers that the Trust's investment strategy cannot be accomplished;
- by resolution of the Investors in the Trust; or
- otherwise as provided in the Constitution or under the law.

Retirement/removal of Trilogy Funds

Trilogy Funds may retire as responsible entity of the Trust by calling a meeting of Investors in the Trust explaining the reason it wants to retire, therefore, enabling Investors to vote for a new responsible entity.

Investors may remove Trilogy Funds as responsible entity of the Trust at a meeting of Investors of the Trust where Investors holding at least 50% of the units in the Trust vote for the removal. Trilogy Funds is entitled to be reimbursed for all expenses relating to the termination of the Trust and the retirement or removal of the responsible entity and the appointment of a replacement.

Liabilities of Investors

Investors are not liable to Trilogy Funds or any creditor of Trilogy Funds in excess of the amounts subscribed or to be subscribed for units. However, the question of the ultimate liability of a beneficiary for claims against a responsible entity or other trustee in an arrangement such as this has not been finally determined by a court.

Trilogy Funds' right of indemnity and limitation of liability

Trilogy Funds has a right of indemnity out of the assets of the Trust for all expenses and costs incurred in the proper performance of its duties under the Constitution and the law. This indemnity does not apply to those expenses incurred by Trilogy Funds where it does not incur the expenses in the proper performance of its duties. Trilogy Funds is not liable for any loss to any person (including an Investor) arising out of any matter unless it failed to exercise due care and diligence. In particular it is not liable where:

- in good faith it relied on advice from a professionally qualified consultant;
- it is hindered, prevented or forbidden to do an act or thing by any law; or
- in respect of any Application Form or notice, it relied in good faith on a forged signature or inaccurate details.

Registers

Trilogy Funds or its appointed agent will keep and maintain a register of Investors of the Trust and any other register required by the Corporations Act. Trilogy Funds must cause the register to be altered when informed by an Investor of any change of name or address.

Changing the Constitution

The Constitution may be amended by

- a special resolution of the Investors in the Trust; or
- Trilogy Funds, if it reasonably believes the change will not adversely affect Investors' rights.

Meetings of Investors

Trilogy Funds may convene a meeting of Investors in the Trust at any time and when required to do so by the Corporations Act.

Trilogy Funds must convene a meeting of Investors in the Trust if requisitioned by the lesser of at least 100 Investors or Investors who hold at least 5% of the units on issue in the Trust.

Each Investor is entitled to attend and vote at meetings of Investors. Meetings must be conducted in accordance with Part 2G.4 of the Corporations Act, except as modified by the Constitution.

Accounts, audit and compliance

Trilogy Funds must keep accounts of the Trust and report to Investors concerning Trust affairs according to the Australian equivalent of the International Financial Reporting Standards and the provisions of the Corporations Act.

Trilogy Funds must appoint an auditor to audit the accounts and the Compliance Plan for the Trust. The audits must be conducted in accordance with the provisions of the Corporations Act.

b. Compliance plan for the Trust

Trilogy Funds has adopted a Compliance Plan for the Trust. The Compliance Plan addresses issues such as compliance with laws and Trilogy Funds' ethical standards and comprises structural and operational maintenance elements.

The Compliance Plan includes provisions that set out the procedures to be adopted for:

- appointment of agents;
- management of the Trust;
- custody of the assets of the Trust;
- valuations;
- methods for the handling of application money, Trust assets, income and payments;
- complaints handling and dispute resolution;
- audits;
- conflict of interests;
- monitoring, resolving and reporting suspected breaches of the Corporations Act; and
- formation and operation of the Compliance Committee.

c. Loan agreements

A Loan agreement will be entered into between the Custodian and the Borrower in respect to each Mortgage Investment. This agreement contains provisions as to the terms on which the particular Loan constituting the Mortgage Investment is to be made.

It contains specific terms with respect to (amongst other things) the calculation of interest and the Loan monitoring fee, method of repayment and right of early repayment.

d. Mortgage and collateral security documents

The terms of the mortgage documentation used by Trilogy Funds are comprehensive and are similar to those used by other lenders including banks and financial institutions generally. The terms address such issues as the rights and powers given to the mortgagee in the event of default. Other documents can include general security agreements or mortgage debentures over the borrowing entity and guarantees from various individuals, for example, directors of the borrowing entity. All security documents are prepared by experienced lawyers selected by Trilogy Funds.

e. Custody deed

Trilogy Funds and the Custodian have entered into a custody deed. Under the deed, the Custodian will hold the assets of the Trust in compliance with the Corporations Act, regulatory requirements and ASIC policy.

The responsibilities of the Custodian include acquiring and disposing of assets of the Trust and dispensing money on behalf of Trilogy Funds. The liability of the Custodian is limited. The Custodian acts on instruction from Trilogy Funds. The deed may be terminated by either party giving not less than 90 days' written notice to the other.

9.11 The Custodian and the Custodian's disclaimer

The Trust Company (Australia) Limited ACN 000 000 993 is the Custodian for the Trust. The role of the Custodian is to hold the assets of the Trust and title documents as agent for Trilogy Funds in relation to the conduct of the Trust. It is not the role of the Custodian to protect the rights and interests of the Investors. The Trust Company (Australia) Limited has given and has not withdrawn its consent to be named in this PDS as the Custodian to the Trust in the form and context in which it is named. It has not authorised or caused the issue of this PDS and takes no responsibility for any part of the PDS other than the references to its name. The Custodian has relied upon Trilogy Funds and its advisers for the truth and accuracy of the contents, and is not to be taken to have authorised or caused the issue of this PDS. The Custodian does not guarantee the return of any investment, any tax deduction availability or the performance of the Trust.

The Custodian has no interest in relation to the Trust other than the remuneration it is entitled to receive under the custody deed by way of custodian fees.

9.12 New Zealand Investors

If you are a New Zealand Investor:

- you must read the "Warning Statement for New Zealand Investors";
- all minimum and additional investments must be made in Australian dollars, not New Zealand dollars;
- all distributions and withdrawal payments will be made to you in Australian dollars, not New Zealand dollars;
- any fees and charges that you (as distinct from the Trust) may be required to pay such as transfer fees will be payable in Australian dollars, not New Zealand dollars; and
- all exchange risks and fees and charges for or relating to the conversion of one currency to another are payable by you

New Zealand Investors should contact us on the following phone numbers:

Free call: +800 5510 1230
Phone: +617 3039 2828
Fax: +617 3039 2829

All references to time are to Australian Eastern Standard Time (AEST).

a. Warning statement for New Zealand Investors

This section contains information that is required under the Financial Markets Conduct Regulations 2014.

i. This offer to New Zealand Investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the *Corporations Act 2001* (Cth) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.
ii. This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the *Corporations Act 2001* (Cth) and the regulations made under that Act set out how the offer must be made.
iii. There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.
iv. The rights, remedies, and compensation arrangements available to New Zealand Investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.
v. Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.
vi. The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

vii. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

viii. The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

ix. If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand dollars.

x. The dispute resolution process described in this offer document is only available in Australia and is not available in New Zealand.

b. Taxation

Australian tax considerations

The Trust currently qualifies as a withholding MIT for Australian tax purposes. Further, it is intended that the Trust will continue to qualify as a withholding MIT each year. If the Trust qualifies as a withholding MIT, then the Responsible Entity of the Trust may be required to deduct withholding tax from any assessable component distributed or attributed by the Trust to its Investors in New Zealand.

The rate of withholding tax is dependent on the character of the distribution. If the nature of the distribution is regarded as interest, the withholding tax rate will be 10%. If the Trust is a withholding MIT and the distribution is a 'fund payment' the withholding tax rate will be 15%. Any non-assessable components distributed or attributed by the Trust should not be subject to Australian withholding tax.

The withholding tax on interest payments and fund payments is a final Australian tax imposed on distributions to foreign residents from Australian MITs. Interest payments and fund payments that are subject to withholding tax are non-assessable non-exempt income for Australian income tax purposes in the hands of the non-resident Investors. The amounts withheld will be disclosed in the annual AMMA statements provided to Investors.

If the Trust does not qualify as a MIT for an income year, then to the extent that the distribution is not interest or dividends, a non-final tax at a rate of 30% will be deducted from the assessable component of the distribution to the extent it is from an Australian source. Such tax may be able to be claimed as a refundable offset upon lodgement of an Australian income tax return by the non-resident Investor and the payment of tax by the Trust. Note, in such a circumstance, the Trust is required to provide a distribution summary to non-resident Investors which sets out the amount of tax applied on the assessable component of distributions from that Trust. We recommend that you seek independent taxation advice in this regard. For completeness, we note that any interest distributions from the Trust when it does not qualify as a MIT, should continue to be subject to final withholding tax at a rate of 10%.

Stamp duty or GST should not apply to any acquisition or transfer of units. However, GST may be applicable on some or all of the fees set out in the PDS. It is recommended that Investors seek the advice of a professional tax adviser in relation to their GST obligations and/or entitlements.

The redemption, cancellation or disposal of any units in the Trust should not give rise to any taxable capital gain in Australia, on the basis that the units in the Trust do not constitute taxable Australian property.

New Zealand tax considerations

The following comments are general in nature and are based on current New Zealand tax law. Tax law changes frequently and its application is fact specific, so Investors should not rely on these general comments but seek tax advice specific to their circumstances. The comments apply to Investors who are a tax resident in New Zealand and who are portfolio investors (in effect, they hold an interest of less than 10% in the Trust) and hold their interest on "capital account" (rather than, for example, as a share trader or dealer).

The comments apply to direct Investors only. Indirect Investors will need to consider the nature of the intermediary through which they invest.

Investors will need to account for their interest in the Trust under either the foreign investment fund (FIF) rules or, where the FIF rules do not apply, under the general income tax rules (including those relating to foreign dividends).

The Investor will need to account for their units as an attributing interest in a FIF, unless an exemption applies. The Australian unit trust exemption may be relevant for an interest in the Trust – this requires certain criteria to be satisfied, including for there to be a 'resident withholding tax proxy' in place at all times in a given year when the Trust makes a distribution to investors, and for the Trust to meet a minimum share turnover test or a minimum distribution test. If that exemption does not apply, then the Investor will need to calculate the FIF income from the units unless:

a. the Investor is either a natural person and not acting as a trustee, or is the trustee of a very limited range of trusts; and

b. the total cost of all attributing interests in FIFs that the Investor holds (including the units) does not exceed NZ$50,000 at any time in the year.

If the Investor is required to calculate FIF income, they will be liable to tax on attributed income calculated pursuant to a prescribed method.

Generally:

- The fair dividend rate method (**FDR**) will apply, although FDR cannot be used for certain "non-ordinary shares" in a foreign company for which the comparative value method must be used (or the deemed rate of return method if the comparative value method is not available).

- FDR calculates FIF income as: 5% multiplied by the opening market value of all FDR interests held at the start of the income year, adjusted (using a prescribed formula) for any interests bought and sold within that income year. A variation on FDR applies to certain managed funds and unit valuing funds.
- A variation on FDR is permitted to natural persons (and some family trusts) where the 'total return' (i.e. the realised and unrealised return (on all FDR interests)) is less than the amount of income calculated under FDR – the 'total return', being the FIF income, is calculated using a comparative value approach. In simple terms, under the comparative value method, the FIF income or loss is (closing value + gains) – (opening value + costs). If a total loss arises under the comparative value method from all the Investor's FIF interests, the loss is limited to zero.

The same FIF method must be used for all FIFs of the same class (unless a method is not available for a FIF). Dividends are not taxed separately under FDR and FDR does not give rise to any FIF losses.

Investors should seek advice on the application of the FIF rules, including as to the application of the $50,000 de minimis threshold and the exemption for Australian unit trusts. No specific determination has been sought as to the applicable method to apply to units in the Trust and so the general FIF methods must be considered.

If the Investor is not subject to tax under the FIF rules, the Investor will be liable to tax on a dividends basis (which includes reinvested distributions, and any deemed dividend amounts arising, for example on a withdrawal or repurchase of units in certain circumstances). In general terms, Investors will need to include the distributions (including any Australian withholding tax deducted) in their New Zealand income tax return and will be taxed at their marginal tax rate.

Where Australian withholding tax has been deducted from the total distribution received a tax credit generally may be claimed up to the amount of the New Zealand tax payable on the distribution (net of any expenses).

Investors should seek professional advice, having regard to their particular circumstances, and satisfy themselves as to the tax implications, both in Australia and New Zealand, of investing in the Trust.

Further information on how FIF tax is calculated is located in a document on Trilogy Funds' website www.trilogyfunds.com.au titled Extra Information for New Zealand Investors.

c. Service in New Zealand

The address for service in New Zealand is:

Trilogy Funds Management Limited,
C/O DLA Piper New Zealand
Level 4, 20 Customhouse Quay
Wellington Central, Wellington 6011
New Zealand


Trilogy Funds

Section 10. Glossary

'ADI' means an Australian deposit taking institution, such as a bank.

'AEST' means Australian Eastern Standard Time.

'AML/CTF' means anti-money laundering and counter terrorism financing.

'AML/CTF Law' means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and the associated rules.

'AMIT' means Attribution Managed Investment Trust regime.

'AMMA Statement' means AMIT Member Annual Statement to be provided to you (while the AMIT rules apply to the Trust) no later than three months after the end of the relevant income year, disclosing the amounts attributed to you from the Trust each year.

'Application Form' means the form, attached to or accompanying the PDS, to be used by persons wishing to apply to and be accepted as a member of the Trust.

'as is' valuation means an estimate of the market value of a property as at a specific date and may be inclusive of GST.

'as if complete' valuation means an estimate of the market value of a property assuming certain specified improvements are made and may be made on a gross realisation basis and may be inclusive of GST.

'ASIC' means the Australian Securities and Investments Commission.

'assets' means the cash, Loans and other assets of the Trust from time to time.

'Borrower' means a person to whom the Trust makes a Loan.

'Compliance Committee' means the compliance committee established by Trilogy Funds Management Limited under the Compliance Plan.

'Compliance Plan' means the compliance plan for the Trust.

'Constitution' means the constitution of the Trilogy First Mortgage Income Trust dated 1 September 2006 as amended from time to time.

'Corporations Act' means the Corporations Act 2001 (Cth).

'CRS' means the OECD Common Reporting Standard which has been implemented in Australia commencing from 1 July 2017 and imposes certain due diligence and reporting obligations on financial institutions and other financial intermediaries, including the Trust, in respect of foreign investors from participating jurisdictions.

'Current RG 45 Report' means the RG 45 Report or the current update of that report on the website at https://www.trilogyfunds. com.au/investing/trilogy- monthly-income-trust/important- information at the applicable time.

'Custodian' means The Trust Company (Australia) Limited ACN 000 000 993.

'FATCA' means the Foreign Account Tax Compliance Act which is a United States tax law imposing certain due diligence and reporting obligations on foreign (non-US) financial institutions and other financial intermediaries, including the Trust, to prevent tax evasion by US citizens and US tax residents through the use of non-US domiciled investments or accounts.

'GST' means Goods and Services Tax within the meaning of the GST Act.

'GST Act' means the New Tax System (Goods and Services Tax Act) 1999 (Cth).

'Investor' or **'you'** means an investor or a proposed investor in the Trust.

'Investment referrer' means an individual who is acknowledged, via the appropriate form submitted by the Investor or proposed Investor, as having introduced the Investor or proposed Investor to the Trust.

'Loan' means the loan facility made available to a person by the Trust from the application money provided by Investors.

'Mortgage Investment' means the loan facility secured by a registered first mortgage and may include cash retained for prepayment of interest, construction funding or repayment (in full or in part) of the loan facility.

'Ordinary Units' means units in the Trust which have not been switched to or issued as Platform Units or any other class of units.

'PDS' means this product disclosure statement.

'Platform Investor' means the operator of a platform, master trust or wrap account which is an Ordinary Platform Investor, that holds Ordinary Units, or a Platform Unit Investor that holds Platform Units.

'Platform Units' means a class of units that may only be held by the operators of a platform, master trust or wrap account.

'Project related site value' represents a notional value produced through cash flow analysis at which a project developer could commit to the site in the current market.

'Responsible Entity' means Trilogy Funds Management Limited, the party responsible for the management of the Trust as a registered managed investment scheme in accordance with the Corporations Act.

'RITCs' means reduced input tax credits.

'RG 45 Report' means the report as to the ASIC Benchmarks and disclosure principles for the purpose of ASIC Regulatory Guide 45 – Mortgage schemes: Improving disclosure for retail investors, that forms part of this PDS.

'TFN' means Tax File Number.

'Trilogy Funds' or **'Responsible Entity'** or **'we'** or **'us'** means Trilogy Funds Management Limited ACN 080 383 679.

'Trust' means the Trilogy Monthly Income Trust ARSN 121 846 722.

'Units' means the units in the Trust, including Ordinary Units and Platform Units.

'Unit Holder' means the registered owner of units in the Trust.

'Withdrawal Form' means a form that will be made available to an Investor on request which must be completed and signed by an Investor to withdraw any money from the Trust.

Find out more.

Start a conversation with us today.

Call 1800 230 099 or
email investorrelations@trilogyfunds.com.au

QUEENSLAND
Registered office:
Level 26, 10 Eagle Street
Brisbane Qld 4000
GPO Box 1648
Brisbane QLD 4001

NEW SOUTH WALES
Level 25, 56 Pitt Street
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VICTORIA
Level 9, 350 Collins Street
Melbourne VIC 3000

T 1800 230 099
(within Australia)
+61 7 3039 2828

INVESTOR RELATIONS
Free call (within Australia)
1800 230 099

Between 8:30am and 5:00pm weekdays (Australian Eastern Standard Time)

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BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane QLD 4000

AUDITOR OF THE COMPLIANCE PLAN
BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane QLD 4000

TAXATION AGENT OF THE TRUST
OmniTax Professionals Pty Ltd
PO Box 570, Toowong DC
QLD 4066

CUSTODIAN FOR THE TRUST
The Trust Company (Australia) Limited
ACN 000 000 993
Level 18, 123 Pitt Street
Sydney NSW 2000

COMPLAINTS RESOLUTION SCHEME
Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Free call 1800 931 678
Email info@afca.org.au

LEGAL ADVISER
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New Zealand