



PRINCIPLED  
MORTGAGE INVESTMENTS®

*Since 1919*

# PRINCIPLED MORTGAGE FUND

PRODUCT DISCLOSURE STATEMENT

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## PRODUCT DISCLOSURE STATEMENT

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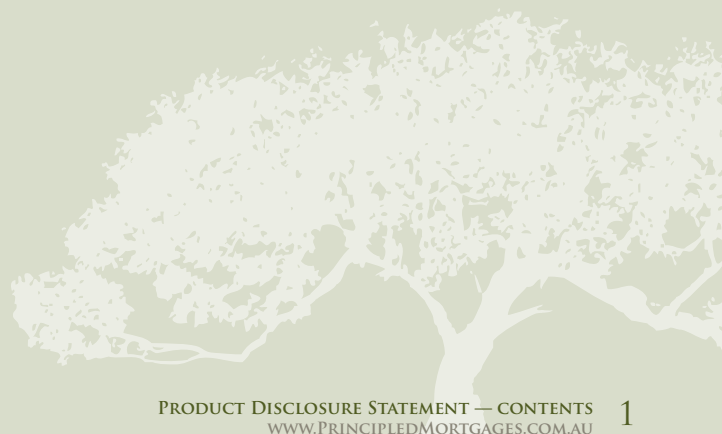
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## SECTION ONE

# PRINCIPLED MORTGAGES™

### **Important Information**

Responsible Entity: Principled Mortgage Investments Limited ("Principled Mortgages™") ACN 089 384 172

This Product Disclosure Statement ("PDS") is dated 27 June 2016. This PDS has been lodged with ASIC, however ASIC takes no responsibility for its contents.

This document can only be used by Investors receiving it (electronically or otherwise) in Australia.

The Principled Mortgage Fund is a disclosing entity, and is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Principled Mortgage Fund may be obtained from, or inspected at, an ASIC office. You may obtain a copy of the most recently lodged Annual Financial Report from ASIC or directly from Principled Mortgages™.

### **Please Note**

This PDS offers two different Investment Options and you must determine which Investment Option is best for you. You should consider the risk you are willing to accept. We recommend you seek independent advice before making any investment or financial decisions.

In preparing this PDS, we have not taken into account your particular circumstances, including your own investment objectives or financial position. Before making a decision to invest, you should read this PDS in its entirety and consider obtaining independent advice about this investment and your own needs. Principled Mortgages™ and its Authorised Representatives do not provide financial product advice.

### **Subject to Change**

Pursuant to ASIC Class Order 03/237, information that is not materially adverse information in this PDS is subject to change and may be updated from time to time on the website or by the issue of a Supplementary PDS by Principled Mortgages™. Where a change is required, all Investors shall be provided at no cost with a copy of the New SPDS. Investors may contact Principled Mortgages™ at the Registered Office (refer to page 25) to obtain this information, or visit [principledmortgages.com.au](http://principledmortgages.com.au).

In 1919, Gordon Rennick established his own legal practice in Melbourne and as part of his practice offered to his clients investments secured by mortgages over real estate.

In 2000 the mortgage practice conducted by the legal firm became Rennick & Gaynor Mortgages Ltd and was licensed by the Australian Securities & Investment Commission ("ASIC") to provide managed investments secured by mortgages over real estate.

The name Rennick & Gaynor Mortgages Ltd was changed to Principled Mortgage Investments Limited ("Principled Mortgages™") in 2007 and manages The Principled Mortgage Fund ("the Fund")

Principled Mortgages continues to build on the vast experience of these beginnings by offering you the opportunity to invest in mortgages and to meet the different needs of investors we offer different Investment Options. You have the opportunity to select the best Option for your needs.

## SECTION TWO

# KEY FEATURES

<b>Product Issuer</b>	Principled Mortgage Investments Limited (“Principled Mortgages™”) ACN 089 384 172 Australian Financial Service Licence No. 233081 See Section 7 for contact details
<b>Investment Options</b>	To invest you will need to become a member of the Principled Mortgage Fund (“the Fund”) and then select one or more of the following two (2) Investment Options:  1. Select Mortgages Option™; 2. Common Mortgages Option™.
<b>Minimum Investment</b>	\$1,000 AUD for Common Mortgages Option™ \$30,000 AUD for Select Mortgages Option™
<b>Capital and Income Protection</b>	Principled Mortgages™ does <b>NOT</b> provide any guarantee of the investment result, the return of capital, or the amounts payable to Investors. For further information regarding the risks associated with this investment, see Section 6.
<b>Application Forms</b>	New Applications to invest must be made by completing the <i>Application Form</i> attached to this PDS. New Investors are now required to provide identification that meets the requirements of the <i>Anti Money Laundering and Counter Terrorism Financing Act</i> .  Further investments should be made by completing a <i>Further Investment Form</i> , available from Principled Mortgages™ or principledmortgages.com.au.
<b>Fund Features</b>	<ul style="list-style-type: none"> <li>• Two (2) Investment Options to choose from, giving you the flexibility to manage your investments to meet your own needs and risk profile;</li> <li>• No investment entry fees;</li> <li>• Interest payable quarterly banked direct to your nominated financial institution account;</li> <li>• Regulated by ASIC and subject to review by a Compliance Committee with independent members, and external financial auditor and an external compliance auditor.</li> </ul>
<b>Risks</b>	You should read Section 6 of this PDS to consider the risks associated with investing in this Fund.
<b>Important Disclosures</b>	ASIC has released Regulatory Guide 45 that requires Principled Mortgages™ to disclose important features of the Fund to you. Principled Mortgages™ has set these disclosures out on page 8 and recommends all readers review this material in detail.  Principled Mortgages™ keeps this information up-to-date by publishing quarterly updates to these disclosures on our website. You should review this updated material before making an investment decision.

The table below sets out the basic information related to each Investment Option. All information is current as at the date of this PDS. **These details are explained more fully in Section 4.**

Feature	Select Mortgages Option™	Common Mortgages Option™
<b>Investment Style</b>	Contributory	Pooled
<b>Investment Objective</b>	The Select Mortgages Option™ is designed to provide the Investor with all the information necessary to make an investment decision on a loan by loan basis	The Common Mortgages Option™ is designed to provide the Investor with a diverse pool of investments that provide a reasonable return for risk
<b>Nature of Investment</b>	Individually selected by Investor	Pooled Option spread over assets of this pool
<b>Type of Security/Assets</b>	Any real property subject to approved criteria	Residential, Commercial, Industrial, Rural, vacant land and development properties (first and second mortgages where approved), Cash, Bank Deposits, Bank Bills and Government Bonds
<b>Interest Payments</b>	Interest paid to the Investor quarterly in arrears unless otherwise specified. Interest payments made by 10th day of March, June, September and December. Payments are made directly to your nominated Financial Institution Account	Interest paid to the Investor quarterly in arrears. Interest payments made by 10th day of March, June, September and December. Payments are made directly to your nominated Financial Institution Account
<b>Minimum Investment</b>	\$30,000.00	\$1,000.00
<b>Investment Term</b>	1 to 5 years	No Fixed Term
<b>Types of Return</b>	Amount and nature disclosed in Investment Proposal	Variable Distribution based on performance of assets in Option
<b>Withdrawals</b>	No right to withdraw, however applications in cases of hardship may be considered	Applications to withdraw subject to 90 days notice and sufficient liquidity in fund. See page 14.
<b>Maximum Permitted LVR %</b>	Amount disclosed in Investment Proposal	80.0%
<b>Anticipated Management/ Administration Fees at date of PDS</b> <i>(subject to Change)</i>	1.50% plus GST	1.20%

## Asset Allocation

Each Investment Option has an Asset Allocation Range that assists Principled Mortgages™ to ensure there is sufficient liquidity in the Options as well as achieving satisfactory rates of return. The following table sets out the Asset Allocation Ranges for each of the Investment Options. Principled Mortgages™ aims to keep the assets of the Investments Options within these Allocation Ranges, however Principled Mortgages™ may operate outside these ranges from time to time and will disclose these details on our website.

Asset Class	Select Mortgages Option™		Common Mortgages Option™	
	Allocation Range	Benchmark	Allocation Range	Benchmark
Cash, including Bank Bills, Term Deposits and Government Bonds	0%	0%	0% - 75%	15%
Mortgage Loans	100%	100%	25%–98%	85%

## Investor Returns

The historical returns provided below are the returns on the Fund since it was established in September 2007 to 1 December 2015. These returns have been influenced by the Directors' decision to maintain a high level of cash in the Common Mortgages Option™ to protect the capital against the changing credit market. Principled Mortgages™ will continue to manage Investors' funds prudently while seeking to provide a reasonable return.

Past performance does not necessarily provide a guide to future performance. The actual returns in the Common Mortgages Option™ are variable and may change each quarter.

Asset Class	Select Mortgages Option™	Common Mortgages Option™
3 Month Return	Returns determined at time of investment and disclosed in Investment Proposal	1.67%
1 Year Return	Returns determined at time of investment and disclosed in Investment Proposal	1.97%
3 Year Return	Returns determined at time of investment and disclosed in Investment Proposal	2.38%



## SECTION THREE

# HOW DOES THE FUND WORK?

Principled Mortgages™ is committed to conducting its operations in accordance with the highest standards of compliance. There are a variety of internal and external rules with which Principled Mortgages™ complies.

Principled Mortgages™ does not take account of labour standards, environmental, social and ethical considerations in the selection, retention and/or realisation of investments.

### The Australian Financial Services Licence

Principled Mortgages™ is the Responsible Entity and holds an Australian Financial Services Licence (number 233081) issued by ASIC. This enables Principled Mortgages™ to operate the PRINCIPLED MORTGAGE FUND (Australian Registered Scheme Number 124 674 433) (“the Fund”).

### The Constitution

The Constitution of the Fund is legally enforceable between the Investors and Principled Mortgages™.

Principled Mortgages™ will provide a copy of the Constitution, free of charge to a member of the Fund who asks for it. A copy is available from the registered office of Principled Mortgages™.

### Cooling off

You should note that no “cooling off” period applies to investments made in the Fund. You do not have the right to withdraw from the Investment Option after you return the completed Investment Proposal (in the case of the Select Mortgages Option™) or after you have returned your Application Form and investment money (in the case of the Common Mortgages Option™).

Principled Mortgages™ recommends that you seek independent, professional advice before investing to ensure that a mortgage investment in the Fund is appropriate in light of your particular investment needs, objectives and financial circumstances.

### How do I become a member of the Fund?

To invest in the Principled Mortgage Fund, you must become a member of the Fund. To do this, you:

1. must obtain and read a copy of the PDS, which is this document; and
2. must complete the *Application Form* attached to this PDS and send it to Principled Mortgages™. Principled Mortgages™ may then approve the Application. The Application must be approved before the information in the Application is entered in the Members Register; and
3. may choose to forward your investment money immediately upon making your Application, or you may wait until you have been registered as a member. You will begin to earn any income after the investment money is cleared through the banking system.

Existing members of the Principled Mortgage Fund can obtain forms on our website at [principledmortgages.com.au](http://principledmortgages.com.au) to:

- add further investments
- change their invest instructions (to switch their investment from one option to another)
- change their banking details


### Can I Transfer My Interest?

The Constitution provides that Investors may transfer their interest to another person or entity, provided the transfer is in accordance with the Corporations Act and is done with the consent of the parties involved. The transferee must be or become a member of the Fund (see above).

### Loan Assessment Criteria

In addition to the specific details set out in each of the Investment Options in the following pages, Principled Mortgages™ will adopt the following criteria:

- Consideration of adopting LVRs that are lower than the maximum levels set above for different property types.
- Valuers must be certified practising valuers and be members of the Australian Property Institute and must hold a minimum level of professional indemnity insurance;
- Valuers are instructed by Principled Mortgages™ and are asked to provide a valuation based on the existing condition of the property;
- The constitution of the Fund prohibits loans to related parties of Principled Mortgages™;
- Assessment of the creditworthiness of Borrowers is performed by Credit & Investment Committee after

A hand is shown from the top right, holding a watering can and pouring water onto a small, young plant with three leaves. The background is a soft, out-of-focus landscape with more plants. The overall tone is warm and nurturing.

reviewing Borrower material which may include a statement of Assets and Liabilities, credit checks, bankruptcy checks and/or a personal interview;

- The Mortgagee must insure all buildings and improvements on security properties to the level determined by the valuer and must note Principled Mortgages™ as the mortgagee on the insurance policy;
- At the end of each term, Principled Mortgages™ will consider extending the term of the loan if requested by the Borrower subject to a review of the payment history of the current loan, further title, credit, bankruptcy and company searches. A new valuation will be required if the last valuation is more than five years old and any other checks considered prudent by the Principled Mortgages™ Credit & Investment Committee.

### Interest Assured™

Principled Mortgages™ has access to a facility called Interest Assured™, which is provided by Principled Mortgages™ or its related parties. In the event that an individual Borrower has not made the required interest payments to Principled Mortgages™ pursuant to the loan agreement, Principled Mortgages™ may at its discretion use Interest Assured™ to advance the interest due to Investors. If this occurs, Investors will receive their interest payments in the usual manner described in this PDS.

When Interest Assured™ is used, Principled Mortgages™ may be entitled to charge the Borrower a higher rate of interest under the mortgage agreement and Principled Mortgages™ is entitled to retain this higher rate only to the extent of the interest payments funded under the Interest Assured™ facility.

Interest Assured™ is not a guarantee and you do not have the right to influence the decision of when Principled Mortgages™ will use this facility. If a default occurs and the Interest Assured™ facility is used, you will still be notified of the default in the manner set out in this PDS.

If the Interest Assured™ facility is not used and the Borrower is charged the higher rate of interest under the mortgage, the Investor is entitled to receive the higher rate of interest.

When funds are recovered from the Borrower, Principled Mortgages™ may apply the funds recovered to repay up to the amount advanced under Interest Assured™ before making any distributions to investors. Investors must receive their full entitlements prior to any additional interest being distributed pursuant to the Interest Assured™ facility described above.



## ASIC Benchmarks

In May 2012, ASIC released eight Benchmarks that it requires mortgage schemes to disclose against. These Benchmarks are set out below, together with details of how Principled Mortgages™ performs against each Benchmark as at the date of this PDS.

Principled Mortgages™ keeps details of its current performance against these Benchmarks, together with updates of other disclosures set out in this PDS, on its website at [principledmortgages.com.au](http://principledmortgages.com.au). Investors may request a copy of these updated disclosures free of charge by contacting Principled Mortgages™.

Benchmark	Principled Mortgages™ performance
<p><b>Benchmark 1: Liquidity</b></p> <p>For a pooled mortgage scheme, the responsible entity has cash flow estimates for the scheme that:</p> <ul style="list-style-type: none"> <li>(a) Demonstrates the Fund's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months</li> <li>(b) Are updated at least every three months and reflect any material changes</li> <li>(c) Are approved by the directors of the responsible entity at least every three months.</li> </ul>	<p><b>Principled Mortgages™ meet this Benchmark.</b></p> <p>We maintain regular updated cash flow projections to meet this Benchmark, which are reviewed and approved by the Directors quarterly.</p>
<p><b>Benchmark 2: Scheme borrowing</b></p> <p>The responsible entity for the scheme does not have current borrowings and does not intend to borrow on behalf of the scheme</p>	<p><b>Principled Mortgages™ meet this Benchmark.</b></p> <p>The Fund does not leverage the scheme assets..</p>
<p><b>Benchmark 3: Loan portfolio and diversification</b></p> <p>For a pooled mortgage schemes:</p> <ul style="list-style-type: none"> <li>(a) The scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region.</li> <li>(b) The scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets;</li> <li>(c) The scheme has no single borrower who exceeds 5% of the scheme assets; and</li> <li>(d) All loans made by the scheme are secured by first mortgages over real property (including registered leasehold title)</li> </ul>	<p><b>Principled Mortgages™ do not meet this Benchmark.</b></p> <p>The Common Mortgages Option is able to invest in a broad range of registered Mortgages, however second mortgages are limited to 20% of this Option's assets.</p> <p>Details of the Common Mortgages Option portfolio diversification are set out in the following table.</p>
<p><b>Benchmark 4: Related party transactions</b></p> <p>The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.</p>	<p><b>Principled Mortgages™ meet this Benchmark.</b></p> <p>The Fund is prohibited from advancing money to a related party of the responsible entity.</p>

<p><b>Benchmark 5: Valuation policy</b></p> <p>In relation to valuations for the scheme’s mortgage assets and their security property, the board of the responsible entity requires:</p> <ul style="list-style-type: none"> <li>(a) A valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;</li> <li>(b) A valuer to be independent;</li> <li>(c) Procedures to be followed for dealing with any conflict of interest;</li> <li>(d) The rotation and diversity of valuers;</li> <li>(e) In relation to security property for a loan, an independent valuation to be obtained: <ul style="list-style-type: none"> <li>(i) Before the issue of a loan and on renewal: <ul style="list-style-type: none"> <li>(A) For development property, on both an ‘as is’ and ‘as if complete’ basis; and</li> <li>(B) For all other property, on an ‘as is’ basis; and</li> </ul> </li> <li>(ii) Within two months after the directors form a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.</li> </ul> </li> </ul>	<p><b>Principled Mortgages™ do not meet this Benchmark.</b></p> <p>All parts of this Benchmark are met by the Fund with the exception of rotation and diversity of valuers.</p> <p>Our policy is to engage valuers with specific knowledge and experience regarding the type of property being assessed. This will mean that the same types of property may always be assessed by the same valuer. We believe this reliance on proven expertise provides better risk management protection for investors.</p>
<p><b>Benchmark 6: Lending principles – Loan-to-valuation ratios</b></p> <p>If the scheme directly holds mortgage assets:</p> <ul style="list-style-type: none"> <li>(a) Where the loan relates to property development - funds are provided to the borrower in stages based on independent evidence of the progress of the development;</li> <li>(b) Where the loan relates to property development - the scheme does not lend more than 70% on the basis of the latest ‘as if complete’ valuation of property over which security is provided; and</li> <li>(c) In all other cases – the scheme does not lend more than 80% on the basis of the latest market valuation of property</li> </ul>	<p><b>Principled Mortgages™ meet this Benchmark.</b></p> <p>The Loan to Value Ratios (LVRs) adopted by the Board vary from time to time, however at the time of this PDS, all LVRs were significantly under those set in this benchmark.</p>
<p><b>Benchmark 7: Distribution practices</b></p> <p>The responsible entity will not pay current distributions from scheme borrowings</p>	<p><b>Principled Mortgages™ meet this Benchmark.</b></p> <p>The scheme does not accept borrowings. All distributions are paid from Fund earnings.</p>
<p><b>Benchmark 8: Withdrawal arrangements</b> <i>Non-liquid schemes</i></p> <p>For non-liquid schemes, the RE intends to make withdrawal offers to investors at least quarterly.</p>	<p><b>Principled Mortgages™ meet this Benchmark.</b></p> <p>Details of the withdrawal rights for Investors are slightly different for each Investment Option. These rights are set out in detail for each Investment Option in Section 4.</p> <p>If you require assistance, you may contact our office on 03 8803 6120</p>

## Portfolio Diversity

The following table sets out the details to meet the requirements of Benchmark 3 as at the date of this PDS. Principled Mortgages™ maintains this information on an updated basis on its website at [principledmortgages.com.au](http://principledmortgages.com.au).

Items	Common Mortgages Option™		
	Percentage	Number	Value
<b>Loans by class</b>			
Residential		4	63,649
Commercial		2	12,064
Industrial		0	0
Development		0	0
Vacant Land		2	163,582
Rural		0	0
<b>Geographic Region</b>			
Victoria		8	239,295
New South Wales		0	0
South Australia		0	0
Queensland		0	0
West Australia		0	0
Tasmania		0	0
<b>Loans In Default<sup>1</sup></b>		0	0
<b>Priority of Loans</b>			
First Mortgage		8	239,295
Second Mortgage		0	0
<b>Significant Loans</b>			
Largest investment	2.12%		
Ten largest investments	5.08%		
<b>Approved Loans that have not yet been fully drawn</b> (value shows amount undrawn)		0	0
<b>Maturity Profile</b>			
0 to 1 year		6	75,713
1 to 2 years		1	63,582
2 to 3 years		1	100,000
3 to 4 years		0	0
4 to 5 years		0	0

<sup>1</sup> For the purposes of these disclosures, a default is defined as a mortgage in arrears by more than 60 days

<b>Loan to Value Ratios</b>			
0% to 25%		0	0
25.01% to 50%		4	127,103
50.01% to 60%		3	112,064
60.01% to 70%		1	128
<b>Interest Rates</b>			
Below 6.0%		0	0
6% to 8%		3	115,443
8% to 10%		5	123852
10% +		0	0
<b>Loans where interest has been capitalised</b>		1	63,582
<b>Are Derivatives used</b>	No derivatives are held by any Investment Option in the Fund		
<b>Non loan assets of the Investment Option</b>	The only non-loan assets of this Investment Option are cash accounts held in the National Australia Bank and BankWest.		4,473,968



## SECTION FOUR

# NATURE OF THE INVESTMENT

## Select Mortgages Option™

This Option is a traditional selective or contributory mortgage investment. Investors in this Option will be provided with details of specific properties over which Principled Mortgages™ has taken a mortgage to secure a specific sum. The Investors will be able to choose whether to invest their money in a specific mortgage.

To invest in the Select Mortgages Option™, you must become a member of the Fund, and may then either:

- a. Place money in the Fund to be “held pending a suitable investment” (see below); or
- b. Wait until an investment is available and place money in the Fund when required.

Principled Mortgages™ cannot guarantee the numbers of Investment Proposals available for consideration at any one time. In the event there are insufficient investments for all potential Investors, Investors who have placed money in this Option to be held pending a suitable investment may be given priority to those Investors that do not have their money in this Option.

Your money will not be placed into a single specific mortgage loan until you have received a Supplementary Product Disclosure Statement (SPDS), which we call an “Investment Proposal”, and you have signed and returned the Investment Proposal providing your written consent for the investment to be placed. You need to read both this PDS and the Investment Proposal in order to determine if the investment is acceptable to you.

At the end of the fixed term of the investment, the loan is reviewed by Principled Mortgages™. If the loan is being renewed, Investors in the mortgage will be notified via a new Investment Proposal and will then have an opportunity to elect to withdraw from the mortgage or to continue the investment on its new terms. *If you do not advise Principled Mortgages™ that you wish to withdraw your investment within 14 days of the Renewal Date or the date of the new Investment Proposal (whichever is the later), your investment will automatically be invested on the terms set out in the new Investment Proposal.*

When money is deposited into this Option, or if your investment in a select mortgage is repaid, Investors’ money will be “held pending a suitable investment”.

### ***What does it mean to have my money “held pending a suitable investment”?***

When you choose the Select Mortgages Option™, you may have money invested in the Option that is not invested in

a specific mortgage loan at a particular point in time. This may be because you have just provided your money or your investment in an existing loan has been repaid.

In these circumstances, your funds will be invested in the Common Mortgages Option™ as a quarantined category of the Common Mortgages Option™. You will be entitled to earn the relevant distribution rate from the Common Mortgages Option™ for the time your money is in that Option. Your funds invested in the quarantined category of the Common Mortgages Option™ will be available at call.

If your funds have been “held pending a suitable investment” for a period of more than ninety days, Principled Mortgages™ may automatically transfer your money out of the quarantined category of the Common Mortgages Option™ and invest it as a regular investment in the Common Mortgages Option™. From that time, your investment will be subject to the normal rules of the Common Mortgages Option™. No fee is payable on such an automatic transfer.

### ***What information is in the investment proposal?***

The Investment Proposal will contain the terms and conditions of the investment (sometimes called a “Sub-Scheme”), including the return to the Investors, fees payable by the Borrower to Principled Mortgages™, details of the security, the processes undertaken to assess the loan, what will happen if the loan is repaid early and your rights to withdraw your money at the end of the loan term.

### ***Can I reinvest my interest with the fund?***

Interest from the Select Mortgages Option™ can be reinvested into the Fund, but not directly into the Select Mortgages Option™. You may reinvest your interest into the Common Mortgages Option™. You can do this by indicating your preference on the *Application Form* or the *Further Investment Form* or the *Investment Switching Form* (all of which are available from this office or at [principledmortgages.com.au](http://principledmortgages.com.au)).

### ***What happens when a Borrower makes a partial repayment?***

If a Borrower wants to make a partial repayment of their loan:

1. When negotiating the terms of a partial repayment, the security position of the Investors remaining in the loan should not be diminished;
2. You will be notified in writing of the negotiated terms of the continuing loan and you will be given the opportunity to withdraw your investment or continue in the loan. A



withdrawal at this time will not incur any costs;

3. If insufficient Investors wish to withdraw from the loan to meet the negotiated repayment, Principled Mortgages™ shall exercise its absolute discretion to select Investors to be repaid or withdrawn from the investment.
4. If there are more applications to withdraw from the loan than the repayment being made, Principled Mortgages™ may:
  - 4.1 Repay any amounts contributed by the Common Mortgages Option™
  - 4.2 Withdraw a proportionate share of all Investors who have applied to withdraw from this loan to the amount of the repayment.

### ***Can I withdraw my Investment?***

Before you accept an Investment Proposal, your funds are available as set out above. Once an Investor has accepted an investment in the Select Mortgages Option™ by returning a signed Investment Proposal Consent Form, you do not have the right to withdraw from a loan before the Sub-Scheme's review date. You should be aware of the term of the loan, as your funds are committed until the end of the term.

Investors should note that, if a loan is in default, no Investor will be allowed to withdraw their investment until the default is resolved, including after the repayment date.

However, Principled Mortgages™ will consider requests for early withdrawal and may grant such applications in unforeseen and exceptional circumstances. The costs associated with meeting such requests must be borne by the Investor seeking early withdrawal (see section 5). Investors who wish to make a request for an early withdrawal must complete a *Withdrawal Application Form* (available from our office or at [principledmortgages.com.au](http://principledmortgages.com.au)) and send it to our office.

### ***What are the benefits of investing in this option?***

*Individual Selection* — When you invest in this Option you will receive an Investment Proposal prior to your money being invested in a Mortgage Loan. You are required to consider this PDS and the Investment Proposal together and decide if you want to participate in the particular loan. If you decide the loan is not acceptable to you, you do not have to return the Investment Proposal Consent Form.

*Certainty of Terms* — The Investment Proposal provides you with complete details of the arrangements for that particular

loan, including the interest amounts payable, the term of the loan, what will happen if the Borrower repays early, what the security for the loan is, and brief details of the Borrower.

*Interest Payments* — Interest will generally be paid to you quarterly on set dates (unless otherwise disclosed), and will be paid into your bank account directly. A fee is payable if you wish to have interest paid by cheque (see Section 5).

### ***What are the authorised investments for this option?***

As you receive an Investment Proposal with the specific details of the loan, Principled Mortgages™ can offer you an investment opportunity in a loan on any terms negotiated between Principled Mortgages™ and the Borrower. This may include higher than average Loan to Value Ratios, unusual loan terms or unusual security arrangements.

Each loan will be assessed according to the standard procedures of the Fund. If there are any departures from those procedures, those departures will be fully disclosed in the Investment Proposal with a clear warning of the different risks for that loan.

### ***Maturity matching policy***

The maturity of your investment in a loan is matched precisely to the repayment date of the loan. Principled Mortgages™ will endeavour to ensure that there are sufficient alternative Investors available to allow your investment to be returned at the repayment date (if we decide to offer the Borrower a further term), however there may be a delay in processing such requests. The length of such a delay is unable to be estimated.

The only time an Investor will not receive the full amount of the principal they invest is if the specific loan they invested in is in default and Principled Mortgages™ is unable to recover the amounts owed from the Borrower and from the security provided for the loan.



# Common Mortgages Option™

The Common Mortgages Option™ is a Pooled Option that will give you access to a wider range of security properties underlying the mortgage investments that are included in the pool's assets. Examples of the types of security properties that the Common Mortgages Option™ may invest in include residential, commercial, industrial, vacant land, rural and development properties.

To invest in the Common Mortgages Option™, you must become a member of the Fund and select this Option on your Application Form. The amount to be invested in this Option will be placed when the money received by Principled Mortgages™ has cleared the banking system.

This Option does not provide you with an Investment Proposal, and you do not have a choice about the specific investments of this pool. Rather, the investments that qualify for this Option are restricted to those set out in the Authorised Investments section below.

Investors in this Option will be paid a distribution quarterly. The distribution will be calculated by multiplying your investment by the distribution rate for the quarter (applied to the number of days you held your investment during that quarter).

The distribution rate is the investment income of the Common Mortgages Option™ (interest from all of the investments less any losses incurred) less the Administration Fee charged by Principled Mortgages™ and the Expense Recoveries (if applicable), divided by the weighted average of the total investments in the Common Mortgages Option™.

As this is a Pooled Option, you will not have to wait for an “acceptable investment”. Your funds are invested in the Option within one business day of receipt, and you will commence earning the distribution rate upon the funds clearing.

The Asset Allocation table in Section 2 indicates the ranges for each assets class that is intended to be held by this Option. The maturity of the loan assets in this pool are monitored regularly against the cash flow projections. If the amount of cash required under those projections is inconsistent with the Asset Allocation table, we will take a conservative approach and hold more cash as we think is required. See below regarding withdrawing your investment.

## Can I reinvest my distributions with the fund?

Distributions from the Common Mortgages Option™ can be reinvested into the Fund, but not directly into the Select Mortgages Option™. You may reinvest your interest into the Common Mortgages Option™. You can do this by indicating your preference on the *Application Form* or the *Further Investment Form* or the *Investment Switching Form* (all of which are available from this office or at [principledmortgages.com.au](http://principledmortgages.com.au)).

## How can I withdraw my investment?

There is no fixed term for investment in the Common Mortgages Option™. If you do not make a written request for your investment to be returned, it will remain in place (unless the Common Mortgages Option™ is closed).

You are able to apply to withdraw from the Common Mortgages Option™ by giving Principled Mortgages™ 90 (ninety) days notice. If you wish to withdraw all or part of your investment in this Option, Principled Mortgages™ will follow the procedure set out below:

1. You must complete a **Withdrawal Application Form** (available from our office or at [principledmortgages.com.au](http://principledmortgages.com.au)) and send it to our office;
2. Principled Mortgages™ will register the withdrawal request and will calculate any fees payable and notify you of those fees (if applicable — see Section 5);
3. If there is sufficient liquidity in the Common Mortgages Option™ to pay all of the withdrawal requests that have been made in a particular month, Principled Mortgages™ will arrange for your funds to be paid directly to your account (or as directed in the Withdrawal Application Form) 90 days after Principled Mortgages™ has registered the request;
4. If there is insufficient liquidity in the Common Mortgages Option™ to pay all of the withdrawal requests that have been made in a particular month, Principled Mortgages™ is required by the Constitution of the Fund to split the requests made each month into “Withdrawal Groups”, and to pay each Withdrawal Group according to the following formula:

$$\text{Amount of money available} \times \frac{\text{Amount member requested to withdraw}}{\text{Total amount of Withdrawal Group}}$$

Each Withdrawal Group must be satisfied in full before a subsequent Withdrawal Group can be partially paid.

## What are the benefits of investing in this option?

*Risk diversification* — Your investment is spread over a wider range of mortgages, so you are not as highly exposed to a single Borrower.

*Less paperwork* — The investments made by Principled Mortgages™ in this Option are made without the need to provide you with ongoing Investment Proposals at the start of each loan and each time the loan matures. It is intended that funds are available for return to you on 90 days notice.

*Broad Asset Allocation* — This Option has been set up to allow you to obtain the benefits of risk diversification while exposing



you to a broader range of security properties for the mortgage investments. This broader range of security properties may provide higher returns on selected individual assets, potentially increasing the distribution rate for the Common Mortgages Option™.

### ***What are the authorised investments for this option?***

The following is the complete list of acceptable investments for this Option:

1. A loan to or guaranteed by the government of the Commonwealth or of a State or Territory or a local government authority;
2. Money on deposit with, or invested in, an Australian Bank or its subsidiary which has an approved Short Term Rating, Australian bank accepted or endorsed bills of exchange, a building society or a credit union as defined in the Financial Institutions (Victoria) Code or corresponding State or Territory law which has an approved Short Term Rating, a cash management trust or a cash common fund under the Trustee Companies Act 1984 (Vic) or a corresponding State or Territory law, and bonds, stocks or other securities issued by or guaranteed by the government of the Commonwealth or of a State or Territory or a local government authority;
3. A deposit with, a loan to, or the purchase of bills of exchange, promissory notes, certificates of deposit or other negotiable instruments which are accepted, drawn or endorsed by a Victoria statutory authority at the time of the deposit, loan or purchase which has an approved Short Term Rating;
4. Mortgage Investments that comply with all of the following criteria:
  - 4.1 The Primary Security is located in Australia and is secured by a mortgage registered on the Title to that property;
  - 4.2 Loan to Value Ratio is less than or equal to 80% of Primary Security value at the time the loan is advanced;
  - 4.3 Second registered mortgages on the Primary Security may make up no more than 20% of the total assets of the Option. All other mortgage investments shall be secured by first mortgages over the Primary Security;
  - 4.4 Development and Construction loans may make up no more than 20% of the total assets of the Option.

### ***Who will manage the mortgage investments?***

The Common Mortgages Option™ may invest in loans managed by Principled Mortgages™, either as the sole lender of the money required for that individual loan, or as one of the Investors in a Select Mortgages Option™ loan (but subject to the criteria above).

The Common Mortgages Option™ may also invest in a mortgage managed by an Alternative Responsible Entity (“ARE”) on the following basis:

1. The ARE holds an Australian Financial Services Licence with similar conditions to those of Principled Mortgages™, and is the responsible entity for a managed investment scheme that is authorised to manage mortgage investments;
2. The ARE has allowed Principled Mortgages™ to undertake a due diligence review of its systems, procedures and processes in order to satisfy Principled Mortgages™ that it will manage the mortgage investments in a manner that meets Principled Mortgages™ requirements;
3. The ARE will agree to provide Principled Mortgages™ with access to the assessment file of the mortgage investments when requested in order for Principled Mortgages™ to assess whether the individual mortgage investment is acceptable to it;
4. Principled Mortgages™ shall only select mortgage investments that meet the criteria of an Authorised Investment for this Option set out above.

As at the date of this PDS, Principled Mortgages™ has appointed two ARE.

### ***Maturity balancing policy***

Principled Mortgages™ monitors the maturity of the assets in this Option to ensure there is a spread of assets maturing at different times to provide liquidity to meet projected cash needs. This material is then taken into account when preparing the cash flow estimates required under the Liquidity Benchmark set by ASIC.

No asset is permitted to have a maturity of greater than 5 years. Part of the selection criteria for assets in this pool are that they enhance the maturity profile of the Option at the time they are acquired.



## SECTION FIVE

# FEES AND OTHER COSTS

### Consumer advisory warning

The Corporations Act regulations require the following Consumer Advisory Warning to be inserted here. You should ensure you read all information regarding the Fees and Costs to understand their impact on your investment.

#### *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 fund 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 contribution fees and management costs where applicable. 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) website ([www.moneySMART.gov.au](http://www.moneySMART.gov.au)) has a managed investment fee calculator to help you check out different fee options.

## Fee disclosure table

This table shows the fees and costs that you may be charged. These fees and costs may be paid as outlined in the “How and When Paid” section of the table.

Type of Fee or Cost	Select Mortgages Option™	Common Mortgages Option™	How and When Paid
<b>Establishment Fee</b> Fee to set up your investment	Nil	Nil	–
<b>Contribution Fee</b> Fee for each deposit	Nil	Nil	–
<b>Withdrawal Fee</b>	If withdrawn at maturity, Nil If prior to maturity, 2% of Investment (minimum \$500), plus GST, plus an economic cost calculated as the excess between the rate published at the time by the National Australia Bank Business Finance Benchmark Rate and the return on the investment being withdrawn (if any), discounted to present value.	If Investor gives 90 days notice, Nil If Investor requires withdrawal within 90 days of request, maximum of 2% of Investment (minimum \$500), plus GST	Upon withdrawal if applicable. The fee will be deducted from the amount withdrawn.  Please note that Principled Mortgages™ may pay the economic cost to the Investor who replaces you upon your withdrawal.  Please also note that withdrawals are subject to the liquidity levels in the Option (see Section 4)
<b>Termination Fee</b> Fee to close account	Nil	Nil	–
<b>Switching Fee</b> Charged when you switch between Investment Options offered by the fund	Nil	Nil	–
<b>Adviser Referral Fee<sup>3</sup></b> Commissions paid to external bodies upon contribution of your investment	We may pay a commission to your licensed financial advisor if you have consented to the fee in writing with your advisor. This fee is limited to a maximum of 2.0% of the investment amount.	We may pay a commission to your licensed financial advisor if you have consented to the fee in writing with your advisor. This fee is limited to a maximum of 2.0% of the investment amount.	If Principled Mortgages™ chooses to charge this fee, it will be deducted from your capital amount invested upon receipt.
<b>Service Fee</b>	Nil	Nil	–

<sup>3</sup> See “Adviser Remuneration” in the Important Additional Information section on page 21.

Ongoing fees	Select Mortgages Option™	Common Mortgages Option™	How & when paid
<b>Administration Fee</b> General administration of Fund	Nil	A fee of up to 2% of the gross assets of the Common Mortgages Option™ fund, plus applicable GST	Deducted from the income of the Option in which the Investor has their funds invested on a monthly basis.
<b>Management Fee</b> During Loan investment	Nil – Charged to Borrower	Nil	–
<b>Expense Recoveries</b> Dishonoured Cheque Fee (inclusive of bank fees) for each cheque received from you that is banked but not honored by your bank	\$60.00 plus GST	\$60.00 plus GST	Invoiced at the time the dishonour occurs.
<b>Cheque payment fee</b> For any payment requested by you to be made by cheque	\$30.00 plus GST	\$30.00 plus GST	Deducted from the payment being made to you by cheque.
<b>Document Issuance Fee</b> For statements or other correspondence issued to you at your request after an original has already been provided to you	\$40.00 plus GST plus an administrative charge for the preparation of this material charged at \$66/hour	\$40.00 plus GST plus an administrative charge for the preparation of this material charged at \$66/hour	Invoiced prior to the time the correspondence is sent.

The preceding fees do not include fees and costs which Principled Mortgages™ is entitled to receive from the Borrower on the establishment of and during the term of a Loan. These fees and costs are paid directly by a Borrower and are not an additional cost to Investors or the Principled Mortgage Fund.

## Important Additional Information

Schedule 10 of the Corporations Regulations 2001 requires a Dollar Fee Example to be provided as set out in example 1 below. We have also provided example 2 and 3 to assist Investors to clearly understand how the Fund operates.

### Dollar Fee Examples

**Example 1:** This table gives an example of how the fees and costs for the Fund can effect your investment over a one year period. You should use this information to compare this produce with other managed investments products.

EXAMPLE — Investment in the Prime Mortgages Option™ Balance of \$50,000 with a contribution of \$5,000 during the year		
<b>Contribution Fees</b>	Nil	For every \$5,000 you put in, you will be charged \$0
<b>PLUS Management Costs</b>	1.2%	AND, for every \$50,000 you have invested in the Prime Mortgages Option™, you will be charged \$600.
<b>EQUALS Cost of Funds</b>		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees from:  <b>\$600 to \$660</b> <b>What it costs you will depend on the investment option you choose and the fees you negotiate with your fund or financial advisor</b>

<sup>4</sup> See “Adviser Remuneration” in the Important Additional Information section on page 21.

**Example 2: Select Mortgages Option™ withdrawal fee** — An Investor elects to invest \$30,000.00 in the Select Mortgages Option™ with a fixed term of 2 years and interest rate to the Investor fixed at 6.00% p.a.<sup>3</sup>. After 12 months the Investor makes an application to withdraw the investment for personal reasons and Principled Mortgages™ agrees to allow the early withdrawal. The National Australia Bank's most recently published rate is 7.25%<sup>4</sup>, making a difference in interest rate of 1.25% p.a.

<b>Investment</b>	\$30,000.00 for 2 years. Interest rate 6.00% p.a.
<b>Fee paid to Principled Mortgages™</b>	\$660.00 (2% of \$30,000.00 plus GST)
<b>Economic Cost</b>	\$375.00 (1.25% of \$30,000.00 for the balance of the term, namely 12 months). Please note that Principled Mortgages™ may pay this economic cost to the Investor that replaces you.
<b>Payment to Investor</b>	\$28,965.00 plus any interest due to the date of withdrawal
<b>How and when paid</b>	Balance of investment monies is paid on the date of the withdrawal to the Investor's nominated bank account.  Any interest due to the date of withdrawal is paid with the next quarterly interest distribution.

**Example 3: Common Mortgages Option** — If an Investor elects to invest \$20,000.00 in the Common Mortgages Option™, assuming the Investor makes no other transactions during a 90 day term and the Common Mortgages Option™ paid a net distribution of 2.50% p.a. for the 90 days<sup>5</sup>, the Investor would receive a return of \$123.29.

The actual fee charged is set at different times by Principled Mortgages™ with a maximum fee of 2%. The following example assumes an Administration Fee of 1.20%.

<b>Investment</b>	\$20,000.00 for 90 days. Distribution rate 2.50% p.a.
<b>Payment to Investor</b>	Interest paid for the 90 days: \$123.29.
<b>Fee paid to Principled Mortgages™</b>	\$59.18 $(\frac{1.20\% \times \$20,000.00 \times 90}{365})$
<b>How and when paid</b>	Fees are paid quarterly in arrears. They are deducted from the Common Mortgages Option™ prior to the declaration of the distribution rate.

## Advisor Remuneration

Where the law permits, if an Investor is referred to the Principled Mortgage Fund by a licensed financial advisor, then Principled Mortgages™ may pay from its own funds a referral fee of up to 2.0% of the amount invested if the Investor has consented to the fee in writing. Principled Mortgages™ may charge the Advisor Referral Fee to the Investor if such a referral fee is paid to recover that cost.

Similarly, Principled Mortgages™ may also pay from its own funds an ongoing commission of up to 0.25% of the amount invested if the Investor has consented to the fee in writing. Principled Mortgages™ may charge the Advisor Service Fee to the Investor if such a commission is paid to recover that cost. A payment to a financial advisor can only be made where you have provided written consent for such a payment.

## Actual fees charged

The fees disclosed above represent the maximum amounts Principled Mortgages™ can charge subject to changes (see below). The actual amounts Principled Mortgages™ will charge may be lower than the amounts disclosed above at the absolute discretion of Principled Mortgages™. Investors may obtain details of the actual amounts Principled Mortgages™ is charging by contacting it at the registered office. The Principled Mortgage Fund Constitution specifies the nature of the fees Principled Mortgages™ is entitled to charge the Investors of the Fund. The fees disclosed in this PDS may be increased after all Investors have been provided with 30 days notice of the changes.

<sup>3</sup> This is not a forecast as interest rates vary for each select mortgage investment.

<sup>4</sup> This is not a forecast. The National Australia Bank rate may be greater or lesser.

<sup>5</sup> This is not a forecast as interest may be greater or lesser.



## SECTION SIX

# RISKS

Principled Mortgages™ aims to provide a safe investment whilst offering competitive returns. Principled Mortgages™ have developed a range of systems and procedures to manage risk. These Risk Management strategies have been designed using the Australian Standard on Risk Management and have been used by Principled Mortgages™ since it was incorporated. However risk is inherent in making any investment and should be carefully considered prior to deciding to invest.

Principled Mortgages™ encourages Investors to seek professional advice from a licensed financial advisor to discuss their particular circumstances and their individual tolerance for risk.

The risks for the Select Mortgages Option™ are different from the Common Mortgages Option™. There are also risks that are related to all Options.

Investment specific risk		
Option	Risk	Explanation
Select Mortgages Option™	Risk to capital	Principled Mortgages™ does not guarantee the repayment of capital sums invested. If a loan falls into default, the Investors in that particular investment could suffer a loss of their invested capital. Default can arise because of a variety of reasons such as poor economic condition, ill health, death, changes to a local property market or the local conditions affecting a borrowers business.
	Risk to income	Principled Mortgages™ does not guarantee the interest due on a sum invested. A default may affect the ability of Principled Mortgages™ to be able to recover all amounts due under each individual mortgage loan.
	Withdrawal risk	At the end of the term of a loan, Principled Mortgages™ may offer the Borrower the right to continue the loan for a further term. If you elect to withdraw your investment, Principled Mortgages™ will be required to find an alternative investor to be substituted into the loan on your behalf. This process may take some time to complete.
Common Mortgages Option™	Risk to capital	The Investors are not allocated to a single mortgage loan and therefore Investors have the benefit of diversification. This means that by investing in the Common Mortgages Option™, Investors have a share in many mortgages and cash assets and the risk to an Investor if an individual borrower defaults is diluted as they retain their proportionate share of the remaining assets of the Option. If a loan in the Common Mortgages Option™ defaults and Principled Mortgages™ is unable to recover all of the money invested in that loan, this may affect the unit price available to investors upon withdrawal.
	Risk to income	Principled Mortgages™ does not guarantee the interest due on a sum invested. A default may affect the ability of Principled Mortgages™ to be able to recover all amounts due under each individual mortgage loan. The impact of a loss of income from any individual mortgage affects each Investor in this Option, but is diluted by the other assets of the Option pool. The performance of this Option is therefore affected by any under-performing mortgage loan.  The Common Mortgages Option™ may also experience lower income returns if the investments in the Option are too heavily weighted to cash or similar cash-based assets.
	Liquidity Risk	The Common Mortgages Option™ will hold an amount of assets in cash or assets easily converted to cash to provide liquidity for anticipated levels of Investor redemptions. If the level of investor Redemptions is higher than the budgeted amounts, the level of liquid assets may be insufficient to meet redemption requests.

All Investment Options	Development & Construction Loans	If you invest in a Development or Construction Loan (see Section 4), these loans will be considered to have a greater level of risk and corresponding return. Risks beyond the control of Principled Mortgages™ include “pure” building risk and greater uncertainty of the value of the security property. In addition, “as if complete” valuations are used to set facility limits but a potential sale may not realise enough to recover the funds advanced.
	Liquidity Risk Generally	As investors’ funds are predominately placed into mortgages over real estate, these assets are relatively illiquid. Investors may not be able to receive their investment monies immediately upon being entitled because the assets may be unable to be sold or converted into cash, despite the underlying value being unaffected.
All Investment Options <i>continued</i>	Valuation Risk	Valuations, which are a fundamental part of the risk management strategy of the Fund and are a key part of determining how much is advanced to a Borrower, may be inaccurate and the sale of properties may not realise enough to repay the loan.
	Insurance Risk	All security properties that have improvements are required to hold building insurance up to the amount specified by the valuer. This insurance policy may either lapse or be insufficient in the event of material damage to the security property.
	Environmental risk	Such as termite infestation, chemical residue below the surface or asbestos.

General risks		
Nature	Risk	Explanation
Portfolio Risk	Document risk	Principled Mortgages™ engage suitably qualified solicitors to prepare the security documentation (such as mortgage documents and contracts). A deficiency in documentation could impede the ability of Responsible Entity to recover all monies advanced to the Borrower.
	Asset risk	If the Fund holds a significant proportion of an individual Investment Option’s assets in a similar industry or in a similar geographic region which suffered material financial difficulties, this could impact on the ability of the Responsible Entity to meet its obligations to investors.
Market risk	General economic conditions	Changes to the overall economy or general changes in the funding industry or even changes to a particular sector of the property market can affect the Fund. Similar changes to taxation, interest rates and monetary policy exchange rates, property markets and business cycles may affect the ability of borrowers to meet their obligations.
	Inflation	There is a risk that the payments from Principled Mortgages™ may not keep pace with inflation.
Regulatory risk	Licensing	Changes to the regulatory environment, such as governmental policies, regulations and taxation laws can impact on the manner in which the Fund is conducted. If Principled Mortgages™ was unable to retain its Australian Financial Services licence, this could have a negative impact on the performance of the Fund.
	Taxation	Changes to the Australian taxation laws may affect Investors. Principled Mortgages™ is not responsible for tax liabilities of Investors. Investors should consult their own taxation adviser to ascertain the tax implications of their investment.

## Default management

Defaults on the loans managed by Principled Mortgages™ (as defined under the terms of the mortgage documentation for each loan) are managed by:

- Monthly interest payments required from the borrowers;
- Monthly review of all insurance renewals on secured property;
- If a default occurs, the loan is reviewed and the borrower is contacted to discuss the matter;
- If the default is not rectified within 30 days, Principled Mortgages™ may instruct its solicitors to call up the loan. In the case of the Select Mortgages Option™, Principled Mortgages™ will notify the investors in that loan of the default at this time;
- Principled Mortgages™ may arrange for a meeting with the borrower to discuss how they will either rectify the default or sell the property;
- If no cooperation is provided, Principled Mortgages™ may then instruct its solicitors to enforce its rights under the mortgage documentation.

## What are the taxation implications of my investment?

Principled Mortgages™ does not give advice in relation to the tax implications of investment in the Fund. Prior to making any investment, it is recommended that independent investment and taxation advice be sought

Principled Mortgages™ will issue personalised Annual Tax Statements after 30 June each year. These statements will set out the distributions applicable to the relevant financial year. Subsequent copies will be available upon request for a fee.

## SECTION SEVEN

# OTHER INFORMATION

### How can I obtain further information?

#### Information available on request

Principled Mortgages™ provides Investors with regular information updates and also provides this information on its website at [principledmortgages.com.au](http://principledmortgages.com.au). Investors may request information regarding their investments and about the Fund generally. Investors may obtain copies of the Compliance Plan or Constitution, as well as any information relating to the resolution of complaints.

General inquiries regarding your investment can be made directly to Principled Mortgages™ registered place of business. Contact details can be found below.

#### Compulsory disclosure

Principled Mortgages™ will comply with all disclosures required of it under the Corporations Act or by ASIC or the *Anti Money Laundering and Counter Terrorism Financing Act* or any other valid authority, including disclosure of personal information related to Investors. Each Investor consents to these disclosures.

#### Privacy policy

Principled Mortgages™ will maintain the privacy of all clients in a manner consistent with the Privacy Act and its own Privacy Policy. You may obtain a copy of the Privacy Policy by contacting our registered office.

Investors in the Select Mortgages Option™ may be provided with personal information of Borrowers and their related parties. The Constitution of the Principled Mortgage Fund, which is an enforceable contractual document, requires that members of the Principled Mortgage Fund must not distribute or otherwise disseminate the information provided by Principled Mortgages™ without written authority from Principled Mortgages™.

#### What dispute resolution systems operate?

Complaints should be directed in the first instance to Principled Mortgages™ at its office (see below).

If the outcome of the referral is not resolved within 45 days, you can seek assistance from the Financial Ombudsman Service (“FOS”) which was established to deal with disputes and complaints against its members. Details can be obtained from Principled Mortgages™ or by contacting FOS directly at:

G.P.O. Box 3, Melbourne, VIC 3001

**Telephone:** 1300 78 08 08  
**Facsimile:** 03 9613 6399  
**Email:** [enquiries@fos.org.au](mailto:enquiries@fos.org.au)  
**Website:** [www.fos.org.au](http://www.fos.org.au)

### Consultants’ consents

#### Consents and responsibilities statement

Kidmans Partners has given and has not withdrawn its written consent to be named as Accountants for Principled Mortgages™ in the form and context in which they are so named. Kidmans Partners has consented to but neither authorised nor caused the issue of this PDS.

Douglas Cameron is a Registered Company Auditor and is the Fund Compliance Plan Auditor. He has given and has not withdrawn his written consent to be named as such. He has consented to but neither authorised nor caused the issue of this PDS.

Heinz Mai from Kidmans Partners is a Registered Company Auditor and is the Fund Financial Auditor. He has given and has not withdrawn his written consent to be named as such. He has consented to but neither authorised nor caused the issue of this PDS.

Rennick & Gaynor has given and has not withdrawn its written consent to be named as Solicitors for Principled Mortgages™ in the form and context in which they are so named. Rennick & Gaynor has consented to but neither authorised nor caused the issue of this PDS.

#### Place of business and registered office:

Suite 502, 685 Burke Road, Camberwell, VIC, 3124

**Postal:** PO Box 1347, Camberwell, VIC, 3124  
**Telephone:** 03 8803 6120  
**Facsimile:** 03 8803 6121  
**Email:** [Investors@principled.com.au](mailto:Investors@principled.com.au)

#### Company directors

David Anthony Rush  
Geofery Leslie Rowles  
James Douglas Christie



## External Advisors

### Financial Auditors and Independent Accountants

Heinz Mai, Partner  
Harmon Partners  
Ground Floor, 613 Canterbury Road, Surrey Hills, VIC 3127

### Compliance Plan Auditors

Douglas Cameron  
W Marshall & Associates  
64 Jolimont Street  
East Melbourne VIC 3002

### Solicitors

Rennick & Gaynor  
431 Riversdale Road, Hawthorn East VIC 3123



## Directors Consent

Signed on behalf of the Directors of Principled Mortgage Investments Limited, all of whom have consented to the issue of this PDS.

A handwritten signature in black ink, appearing to read 'Geofery Leslie Rowles', written in a cursive style.

Geofery Leslie Rowles  
Managing Director

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## SECTION EIGHT

# GLOSSARY

**Applicant** — A person who has applied to become an Investor by completing the Application Form accompanying this PDS.

**Application Form** — An application by the Applicant for an interest in Principled Mortgages™ in the Form attached to this PDS.

**ASIC** — Australian Securities and Investments Commission.

**Benchmarks** — The eight benchmarks developed by ASIC for unlisted mortgage schemes that are designed to improve disclosure and ASIC requires to be disclosed in this PDS. These are set out in ASIC Regulatory Guide 45.

**Borrower** — Person or entity identified in the mortgage security as the recipient of a mortgage loan.

**Business day** — A day other than a Saturday or Sunday on which banks are open for general banking business in Melbourne.

**Common Mortgages Option™** — A Pooled Option offered by Principled Mortgages™ as set out in Section 4 of this PDS.

**Compliance Plan** — The Principled Mortgages™ Compliance Plan.

**Constitution** — The Principled Mortgages™ Constitution.

**Corporations Act 2001** — Corporations Act 2001 (Cth) as amended from time to time.

**Corporations Regulations 2001** — Corporations Regulations 2001 (Cth) as amended from time to time.

**Directors** — Directors of Principled Mortgages™.

**Fund** — Principled Mortgage Fund (ARSN 124 674 433).

**GST** — Goods and services tax which has the meaning given to that expression in the *Goods and Services Tax Act 1999* (Cth).

**Investment** — An investment in the Fund.

**Investment Option** — Any one or more of the Select Mortgages Option™ or Common Mortgages Option™.

**Investment Proposals** — An SPDS provided to a Member who elects to invest in the Select Mortgages Option™ and contains all details of the mortgage security, including the LVR, valuation and personal details of the Borrower.

**Investor** — Any person wishing to become a Member for the purpose of investing in the Fund.

**Lending Policy** — The Responsible Entity's policy for approving and monitoring loans.

**LVR** — Loan to Valuation Ratio being the amount of the loan expressed as a percentage of the market valuation of the security.

**Member** — Person whose signed Application Form has been approved by the Responsible Entity.

**PDS** — This document containing the Product Disclosure Statement and Application Form.

**Pooled Option** — Common Mortgages Option™.

**Power of Attorney** — The power of attorney given by the Member to the Responsible Entity under the terms of the PDS authorised by their signature on the Application.

**Responsible Entity** — Principled Mortgages™ who manages the fund.

**Select Mortgages Option™** — An Investment Option offered by Principled Mortgages™ as set out in Section 4 of this PDS.

**SPDS** — Supplementary Product Disclosure Statement prepared by the Responsible Entity.



# GUIDE TO COMPLETING THE APPLICATION FORM

## PRINCIPLED MORTGAGE FUND — ARSN 124 674 433

This Application Form is for new Investors of the Principled Mortgage Fund only. If you wish to contribute additional monies to your existing investments with the Principled Mortgage Fund, please complete the *Further Investment Form* (available from our office or at [principledmortgages.com.au](http://principledmortgages.com.au)).

Please complete all relevant sections of this Application Form using BLOCK LETTERS and follow this guide to ensure your Application is complete and correct.

### Account Name

If you are investing in the name of a Company, Trust or Superannuation Fund you should complete the full name of the Company, Trust or Superannuation Fund in this section (in accordance with the Correct Form of Registrable Title as shown in the table below).

### Applicant 1 and 2

Record your name and address details here. Please refer to the table below for the correct form of registrable title. Applications using the wrong form of name may be rejected.

#### Individual

Write the full name you wish to appear on the statement of investment.

#### Joint

Up to two joint Applicants may register. Write the full names you wish to appear on the statement of investment.

#### Date of Birth

The date of birth of each Applicant must be provided.

#### Company/Trust/Superannuation Fund

If you have completed the "Account Name" section above, you are required to write the Trustee's and/or Director's full names in this section under Applicant 1 and 2.

### Mailing Address and Contact Details

Please enter your postal address for all correspondence. All correspondence to you will be mailed to the first person and address

### Correct Form of Registrable Title

Please note that only legal entities are allowed to hold investments. Applications must be in the names of a natural person(s), companies or other legal entities acceptable to Principled Mortgages™. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
<i>Individual:</i> Use given names in full, not initials	Mr John Alfred Smith	J A Smith
<i>Minor (person under the age of 18):</i> Use the name of a responsible adult, do not use the name of the minor	John Alfred Smith <Peter Smith>	Peter Smith
<i>Company:</i> Use company title, not abbreviations	ABC Pty Ltd	ABC P/L, ABC Co
<i>Trusts:</i> Use trustee(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
<i>Deceased Estates:</i> Use executor(s) personal name (s), do not use the name of the deceased	Ms Jane Smith <Est John Smith>	Estate of late John Smith
<i>Partnerships:</i> Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son
<i>Clubs/Unincorporated Bodies/Business Names:</i> Use office bearer(s) personal name(s), do not use the name of the club etc.	Mr Michael Smith <ABC Tennis Association A/C>	ABC Tennis Association
<i>Superannuation Funds:</i> Use the name of the trustee of the fund, do not use the name of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

shown. For Joint Applicants, only one address can be entered.

Please enter your daytime/business hours telephone number(s), area code and contact name in case we need to contact you in relation to your Application or your Investments. If you have an email address please complete it as it would be typed by using both lowercase and capital BLOCK letters.

### Tax File Number and Residency

For individual or joint investments enter your personal tax file number/s or valid exemptions.

For Company, Trust or Superannuation Fund investments enter the TFN for that entity and make sure you do not enter your personal TFN.

If you are a non-resident for taxation purposes, please tick the box and enter your country of residence.

Collection of TFN's is authorised by taxation laws. It is not compulsory to provide your TFN and will not affect your Application, however, we are required by law to deduct tax at the highest marginal rate (plus Medicare levy), should it not be provided.

### Bank Account Details

Please insert the name of your nominated financial institution (bank, building society or credit union), branch location, BSB number, your account number and account name (in full). Proceeds of distributions and redemptions will be electronically credited to the account nominated here. PLEASE COMPLETE THIS SECTION CAREFULLY. If an Applicant provides incorrect information Principled Mortgages™ will not be responsible for any misplaced, lost or unrecoverable funds where it has relied on information provided by the Applicant.

### Investment Authority

Please choose which investment option/s you would like to invest in and how much you would like to initially invest in each of the Options.

Please note that interest and distributions are paid quarterly into the bank account nominated by you on this Form. If you wish to reinvest your interest into the Common Mortgages Option™ please tick the appropriate box under "Reinvestment". You may reinvest your interest if you have invested in the Select Mortgages Option™, however your interest can only be reinvested into the Common Mortgages Option™.

### Identification

You are required by new laws to provide documentary evidence of your identity. This information will be held in accordance with our Privacy Policy which is available on our website. Please note that we cannot commence your investment until all documentary requirements are completed.

### Authorisation and Signing

The *Application Form* must be signed by you personally, or under common seal (if applicable) or by an attorney.

Joint Applications must be signed by each Applicant, Joint Applications will be assumed to be joint tenants unless otherwise specified.

If signed by an attorney, the attorney declares that no notice of revocation of the power of attorney has been received. A certified copy of the Power of Attorney must accompany all new investments.

If signed under the common seal, the director(s) and/or secretary attest that the common seal was affixed in accordance with the company's constitution. Please insert the date of signing and print your name in the space provided.

### Lodgement

Please return your completed application form with cheque(s) to:

**Principled Mortgage Investments Ltd**  
PO Box 1347  
Camberwell, VIC 3124

# Application Form

PRINCIPLED MORTGAGE FUND ARSN 124 674 433

Principled Mortgage Investments Limited AFSL No 233081 | For PDS dated 27 June 2016

Investment Advisor Use Only  
Advisor Stamp

Please refer to the accompanying Guide for assistance in completing the Application Form

## PART 1 — ACCOUNT DETAILS

**Account Name (Trust Name / Super Fund Name / Company Name and ABN) if applicable:**

Account Name

ABN

**Applicant 1 Individual's Name / Trustee's Name / Director's Name:**

Title First Name Middle Name Last Name

Date of Birth

**Applicant 2 Individual's Name / Trustee's Name / Director's Name:**

Title First Name Middle Name Last Name

Date of Birth

**Mailing Address:**

No. & Street / PO Box

Suburb/Town

State

Postcode

**Contact Details:**

Business/Home telephone number

Mobile Phone Number

Contact Name

Email address

**Tax File Number (TFN) & Residency — Enter each TFN (or Exemption Category – refer to Guide):**

TFN for Applicant 1 / Trust / Super Fund / Company

TFN for Applicant 2

I/We confirm that I/We are NON-residents of Australia

**Bank Account Details:**

Bank Name

Branch Location

BSB

Account Number

Account name

## PART 2 — INVESTMENT DETAILS

**Initial Investment Authority: Please indicate how much you wish to invest in each Investment Option:**

I/We wish to invest the following amount into the Common Mortgages Option™ (Min \$1,000.00)

I/We wish to invest the following amount into the Select Mortgages Option (Min \$30,000.00)

**Reinvestment: Please indicate if you want the your interest/distribution to be reinvested (Optional):**

I/We wish to reinvest my/our interest and distributions into the Common Mortgages Option™

Yes

No

**Referral:**

Were you referred to Principled Mortgages™ by someone? If so, who? (Optional)

## PART 3 — IDENTIFICATION

**For the Anti Money Laundering and Counter Terrorism Financing Act**

The following information is required to be collected by Principled Mortgage Investments Ltd to meet its obligations under the *Anti Money Laundering and Counter Terrorism Financing Act*. All financial service providers are required to comply with these laws. We will hold this information in a secure environment and we will only release the information as required by law.

**Please tick if you are either:**

Individual — complete Identification Form Section A

Trustee — complete Identification Form Section B

Company — complete Identification Form Section C

Association — complete Identification Form Section D

Continued overleaf

Office Use Only

Data processed

Ref:

ID Check

Date:

Audit



# Application Form

PRINCIPLED MORTGAGE FUND ARSN 124 674 433

Principled Mortgage Investments Limited AFSL No 233081 | For PDS dated 27 June 2016

Please refer to the accompanying Guide for assistance in completing the Application Form

## SECTION A IDENTIFICATION FORM — INDIVIDUAL *To be completed by each individual investor*

	Investor 1	Investor 2
Investor's Residential Address	<input type="text"/>	<input type="text"/>
Driver's Licence Number	<input type="text"/>	<input type="text"/>
Tick if you are a politically exposed person	<input type="checkbox"/>	<input type="checkbox"/>
Additional material must be provided:	<input type="checkbox"/> A full, clear copy of your drivers licence	<input type="checkbox"/> A full, clear copy of your drivers licence

## SECTION B IDENTIFICATION FORM — TRUSTEE *To be completed by each Trustee investor*

	Trustee 1	Trustee 2
Full Business Name of the Trustee	<input type="text"/>	<input type="text"/>
Type of Trust	<input type="text"/>	<input type="text"/>
Where the Trust was established	<input type="text"/>	<input type="text"/>
Trustee's Residential Address	<input type="text"/>	<input type="text"/>
Full Name of each Beneficiary <i>(provide a schedule if insufficient space)</i>	<input type="text"/>	<input type="text"/>
Additional material must be provided:	<input type="checkbox"/> Copy of Trust Deed <input type="checkbox"/> Trustee must also complete a "Identification Form — Individual" or an "Identification form — Company" (as appropriate)	

## SECTION C IDENTIFICATION FORM — COMPANY *To be completed by each Company investor*

	Director 1	Director 2
Full Name of Company	<input type="text"/>	<input type="text"/>
ACN	<input type="text"/>	<input type="text"/>
Address of Registered Office	<input type="text"/>	<input type="text"/>
Address of Principal Place of Business	<input type="text"/>	<input type="text"/>
Type of Company	<input type="text"/>	<input type="text"/>

## SECTION D IDENTIFICATION FORM — ASSOCIATION *To be completed by each Association investor*

	Director 1	Director 2
Full Name of Association	<input type="text"/>	<input type="text"/>
Association Number (if registered)	<input type="text"/>	<input type="text"/>
Address of Registered Office or Address of Public Officer	<input type="text"/>	<input type="text"/>
Is the Association Incorporated	<input type="text"/>	<input type="text"/>
Provide the Full Name of the President, Secretary and Treasurer <i>(provide a schedule if insufficient space)</i>	<input type="text"/>	<input type="text"/>
Additional material must be provided:	<input type="checkbox"/> A certified copy of the Constitution of the Association <input type="checkbox"/> If the association is unincorporated please also provide the minutes authorising the investment in Principled Mortgages <input type="checkbox"/> A certified copy of a bank statement	

### Authorisation & Signing:

I/We hereby apply to become a member of the Principled Mortgage Fund and acknowledge, agree and understand that:

- I/we have received and fully read and understood the information contained in the Product Disclosure Statement and agree to be bound by it and the Constitution of the Fund;
- I/We declare that the details given in this Form are correct.

Signature of Applicant 1

Signature of Applicant 2

Date of signing



Suite 502, 685 Burke Road  
Camberwell, VIC, Australia 3124

PO Box 1347, Camberwell, VIC, 3124

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