



Supplementary Product Disclosure Statement

Why have you received this?

Principled Mortgage Investments Ltd is issuing this Supplementary Product Disclosure Statement (SPDS) dated 3 September 2019, which is supplementary to the Product Disclosure Statement (PDS) dated 27 June 2016. The PDS should be read together with this SPDS and every member of the Principled Mortgage Fund must receive a copy.

Background

The Common Mortgages Option (CMO) may invest in a portion of loans that we offer as an investments so that we can:

- Increase the rate of return for the CMO;
- Maintain flexibility to substitute Investors out when they require their funds urgently;
- Manage partial repayments so that Investors SMO investments are not impacted.

Why have we made changes?

Our Compliance Committee recently recommended that we clarify the disclosures made in the PDS about partial repayments by Borrowers and provide at least annual updates to investors. The changes below will not have any impact on the way your investments have operated to date, but they will mean you are better informed.

What are the changes?

On page 12 and 13 of the Product Disclosure Statement dated 27 June 2016, the section titled "What happens when a Borrower makes a partial repayment?" has been replaced with the box below:

WHAT HAPPENS WHEN A BORROWER MAKES A PARTIAL REPAYMENT?

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

1. When negotiating the terms of a partial repayment, the security position of the Investors remaining in the loan should not be diminished. This means that the overall Loan to Value Ratio that was accepted by Investors when they received their most recent Investment Proposal cannot be increased without receiving the written consent to the new terms from all remaining Investors. If Investors do not consent, Principled Mortgages™ may elect to substitute those non-consenting Investors with other Investors;
2. If the Common Mortgages Option™ has an investment in the loan that is being partially repaid, Principled Mortgages™ can elect to apply the repayment to the redemption of the Common Mortgages Option™ investment first. If Principled Mortgages™ elects to do this, Principled Mortgages™ must provide an Investment Proposal to Select Mortgages Option™ Investors at least once per year that sets out the terms on which the remaining loan is continuing;
3. If Select Mortgage Option™ Investors are to have part of their investment repaid, they will be notified in writing of the negotiated terms of the continuing loan and given the opportunity to withdraw their investment or continue in the loan. A withdrawal at this time will not incur any costs;
4. If insufficient Investors wish to withdraw from the loan to meet the negotiated repayment, Principled Mortgages™ shall, in its absolute discretion, select Investors to be repaid or withdrawn from the investment, which may include a proportionate share of all investors' investment.
5. If there are more applications to withdraw from the loan than the repayment being made, Principled Mortgages™ may, at its discretion:
 - 5.1 withdraw a proportionate share of all Investors' investments who have applied to withdraw from this loan; or
 - 5.2 withdraw a proportionate share of all Investors' investments.

What do you need to do now?

You do not need to do anything. Your investments in Principled Mortgage Investments Ltd will continue to operate as they have in the past, but these higher standards for partial repayments will now apply to us.