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# **CrowdProperty Retail Investment Trust**

Product Disclosure Statement

**CrowdProperty Retail Investment Trust**

ARSN 660 999 575

**Responsible Entity**

Quay Fund Services Ltd  
ACN 616 465 671 AFSL 494886

**Investment Manager**

CrowdProperty Pty Ltd  
ACN 633 516 195

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## **Important notice**

This product disclosure statement (PDS) is dated 10 February 2023 and relates to the CrowdProperty Retail Investment Trust ARSN 660 999 575 (Fund). It is issued by Quay Fund Services Ltd ACN 616 465 671, Australian Financial Services Licence number 494886 (Quay or Responsible Entity) as responsible entity for the Fund.

The Fund is an Australian managed investment scheme and is registered with the Australian Securities and Investments Commission (ASIC).

The Fund offers you the opportunity to self-select loan investments, through the acquisition of different classes of Loan Interests. To invest in a class of Loan Interest, you must first acquire a Cash Interest.

### ***Management of the Fund***

The Responsible Entity has appointed CrowdProperty Pty Ltd ACN 633 516 195 (CrowdProperty or Investment Manager) as the investment manager and administrator of the Fund pursuant to an investment management agreement dated 2 February 2023 (Investment Management Agreement). CrowdProperty is an authorised representative (no. 001285637) of Quay.

The Responsible Entity has also appointed Certane CT Pty Ltd ACN 106 424 088, Australian Financial Services Licence number 258829 as the custodian of the Fund (Custodian).

### ***This document***

The purpose of this PDS is to provide information to prospective Investors to assist them in deciding whether they wish to invest in Cash Interests in the Fund. This PDS has not been lodged with ASIC and is not required by the Corporations Act to be lodge with ASIC. The Responsible Entity will notify ASIC that this PDS is in use in accordance with section 1015D of the Corporations Act. ASIC takes no responsibility for the contents of this PDS and expresses no view regarding the merits of the investment set out in this PDS.

You should read this PDS in full before deciding whether to invest in the Fund. If you have any doubt as to whether an investment in the Fund is appropriate for you, you should consult your financial adviser or other professional advisers.

### ***Interpretation***

In this PDS, a reference to “we”, “our” and “us” are references to the Responsible Entity, and “you” and “your” are references to a potential (or existing) Investor in the Fund (Investor). Capitalised terms used in this PDS which have been given a specific meaning are defined in the glossary contained in Section 12. Unless otherwise specified or implied, in this PDS references to currency are to Australian currency, references to times are to the relevant time in Sydney, New South Wales, and references to years are to financial years. All data contained in charts, graphs and tables within this PDS are based on information available as at the date of this PDS, unless otherwise stated.

### ***Eligibility to invest***

The Offer made in this PDS is available only to those persons receiving this PDS (electronically or otherwise) within Australia. The Offer is an invitation only.

No action has been taken to register the Offer or otherwise permit a public offering of Interests in any jurisdiction other than Australia. This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make the Offer. The distribution of this PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of this PDS who are not in Australia should seek advice on and observe any such restrictions in relation to the distribution or possession of this PDS.

### ***Not investment advice***

The information contained in this PDS is not financial product advice or a recommendation to invest in the Fund.

The information contained in this PDS is general information only and does not take into account your investment objectives, financial situation and particular needs. It is important you read this PDS in full before deciding whether to invest in Cash Interests in the Fund and take into consideration your investment objectives, financial situation and particular needs. If you have any doubt as to whether an investment in the Fund is appropriate for you, you should consult your financial adviser or other professional advisers.

### ***Forward looking statements***

This PDS contains forward looking statements. Forward looking statements are identified by words such as 'aim', 'anticipate', 'assume', 'believes', 'could', 'expects', 'intends', 'may', 'plan', 'predict', 'potential', 'positioned', 'should', 'target', 'will', 'would', and other similar words that involve risks and uncertainties. Investors should note that these statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements expressed, projected or implied in the statements. Past performance is not a reliable indicator of future performance.

### ***Authorised information***

No person is authorised by the Responsible Entity to give any information or make any representation in connection with the Offer that is not contained in this PDS or any Term Sheet. Any information or representation that is not contained in this PDS or a Term Sheet may not be relied on as having been authorised by the Responsible Entity, its directors or any other person that may have liability for the content of this PDS.

This PDS supersedes all preliminary information and other previous communications in connection with the Fund. All such preliminary information and previous communication should be disregarded.

### ***No guarantee***

An investment in the Fund is not an investment in, or a deposit with or other liability of, the Responsible Entity or any other party and is subject to investment and other risks, including possible delay in repayment and loss of income and capital invested. None of the Responsible Entity, the Investment Manager, the Custodian, other parties referred to in this PDS or any of their directors, officers or associates guarantees the performance or success of the Fund, the repayment of capital or any particular rate of income return from the Fund.

### ***Custodian's disclaimer***

CERTANE has not withdrawn its consent to be named in this PDS as custodian of the Fund in the form and context in which it is named. CERTANE does not make, or purport to make, any statement that is included in this PDS and there is no statement in this PDS which is based on any statement by CERTANE.

To the maximum extent permitted by law, CERTANE expressly disclaims and takes no responsibility for any part of this PDS other than the references to its name. CERTANE does not guarantee the repayment of capital or any particular rate of capital or income return.

### ***Updated information***

Information in this PDS is subject to change from time to time. Information that has changed in relation to the Fund that is not materially adverse but which the Responsible Entity wishes to provide to Investors, will be made available on the website at [www.crowdproperty.com.au](http://www.crowdproperty.com.au).

The Responsible Entity may issue a supplementary product disclosure statement to supplement any relevant information not contained in this PDS, in accordance with its obligations under the Corporations Act. Any supplementary product disclosure statement and updated information should be read together with this PDS. A copy of any supplementary product disclosure statement and other information regarding the Fund will be made available on the Fund's website and a printed copy will be available from the Responsible Entity free of charge upon request.

Each Term Sheet which offers an invitation to apply to invest in a class of Loan Interests will be a supplementary product disclosure statement.

***Continuous disclosure***

It is not expected the Fund will constitute a “disclosing entity”. However, if the Fund becomes a disclosing entity, then, in accordance with ASIC Regulatory Guide 198 Unlisted disclosing entities: Continuous disclosure obligations (Regulatory Guide 198), the Responsible Entity advises that it will meet its continuous disclosure requirements by way of website disclosure which complies with ASIC’s good practice guidance. Investors may access information regarding the Fund via the Fund’s website.

***PDS availability***

This PDS may be viewed online at [www.crowdproperty.com.au](http://www.crowdproperty.com.au). If you access the electronic version of this PDS, then you should ensure that you download and read this PDS in full. A paper copy of this PDS is available free of charge to any person in Australia by emailing us at [hello@crowdproperty.com.au](mailto:hello@crowdproperty.com.au).

***Photographs and diagrams***

Photographs, diagrams, and artists’ renderings contained in this PDS that do not have accompanying descriptions are intended for illustrative purposes only. They should not be interpreted as an endorsement of this PDS or its contents by any person shown in these images nor an indication of the investments that may be made by the Fund.

## 1. Corporate Directory

### Investment Manager

CrowdProperty Pty Ltd  
ACN 633 516 195

50 Yeo Street, Neutral Bay NSW 2089

Phone: 02 7227 7377

Email: [hello@crowdproperty.com.au](mailto:hello@crowdproperty.com.au)

Website: <https://www.crowdproperty.com.au/>

### Custodian

Certane CT Pty Ltd  
ACN 106 424 088

Level 19, 60 Castlereagh Street, Sydney NSW 2000

Email: [ct.unlisted@certane.com](mailto:ct.unlisted@certane.com)

Website: [www.certane.com](http://www.certane.com)

### Responsible Entity

Quay Fund Services Ltd  
ACN 616 465 671

Suite 3701, Level 37, 1 Macquarie Place, Sydney  
NSW 2000

Phone: 1300 114 980

Email: [enquiries@quayfund.com.au](mailto:enquiries@quayfund.com.au)

Website: <https://www.quayfund.com.au/>

## 2. Key Features

The table below is only a summary of the key features of an investment in the Fund. It is not intended to be exhaustive. You must read the PDS in its entirety to obtain more detailed information, and consult your financial adviser or other professional advisers, before making a decision to invest in Cash Interests in the Fund. In addition, to invest in a Loan Interest the Investor will need to read the supplementary product disclosure statement (Term Sheet) for that class of Loan Interest.

About the Fund		Section
Fund	CrowdProperty Retail Investment Trust ARSN 660 999 575. The Fund is an Australian online marketplace lending platform, registered under the Corporations Act as a managed investment scheme.	5
Responsible Entity	Quay Fund Services Ltd ACN 616 465 671, AFSL 494886.	4.2
Investment Manager	CrowdProperty Pty Ltd ACN 633 516 195 has been appointed as the investment manager of the Fund and will also provide registry services. CrowdProperty is an authorised representative (no. 001285637) of Quay.	4.1
Custodian	Certane CT Pty Ltd ACN 106 424 088, AFSL 258829	4.3
Investment structure	<p>The Fund is an open ended Australian managed investment scheme. The Fund was established in June 2022 and registered with ASIC in July 2022.</p> <p>The Fund is operated by the Responsible Entity, who has appointed CrowdProperty to undertake investment management and administration services for the Fund, which it will do through operating the marketplace lending platform.</p> <p>Investors will first acquire Cash Interests (the terms of which are described in this PDS). Once an Investor holds a Cash Interest, they can self-select the Loans they wish to invest in. The available Loans at any time will be set out in the Investor's dashboard on the Platform and can be invested in by accessing the Term Sheet for that Loan.</p> <p>The Loans will generally be made by acquiring interests in the CrowdProperty Investment Trust (Wholesale Trust). The Wholesale Trust is only available for direct investment by investors who qualify as 'wholesale or professional investors' as defined in the Corporations Act. The Fund has been established to provide access to the Wholesale Trust for retail investors.</p> <p>Investment in the Fund occurs in two stages:</p> <p><b>Stage one – initial and additional investment in Cash Interests</b></p>	5

All initial and additional investments into the Fund are an investment in Cash Interests.

The Fund can issue Cash Interests at any time, even when there is no particular Loan Interest available for investment or pending a particular Investor selecting a Loan Interest in which to invest.

Cash Interests will generally be issued daily.

### **Stage two – investment in Loan Interests**

Each discrete class of Loan Interest offered by the Fund will be issued through its own Term Sheet. The Fund will issue a different class of Loan Interest for each discrete Loan opportunity.

There is no obligation to invest in any Loan Interests, and you have complete discretion over which Loan Interests you participate in, and the level of your participation (subject to any minimum investment requirements that will be set out in the relevant Term Sheet).

More information about how to invest in Loan Interests is contained in the Term Sheets.

On maturity of a Loan, Loan Interests will be redeemed and the realised capital will either be paid to your nominated account or be applied to Cash Interests. You can select how distributions will be paid in the Application Form and can change the method of payment at any time by logging into your Dashboard and making a change to method of distribution of capital and/or interest.

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The Wholesale Trust	The Fund is likely to make most Loans indirectly through the Wholesale Trust. That is, for most Loan Interests, the referable assets will be loan interests issued by the Wholesale Trust.
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The structure and investment mandate of the Wholesale Trust is the same as the Fund. Interests in the Wholesale Trust are issued pursuant to an information memorandum dated 7 May 2021. Quay Wholesale Fund Services Pty Ltd is the trustee of the Wholesale Trust. The Wholesale Trustee is a related party of the Responsible Entity and the Investment Manager is also the investment manager of the Wholesale Trust.

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Investment objective	The investment objective of the Fund is to provide Investors with returns of the Target Income Return on each Loan Interest issued.	6.1
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Investors should note there is no guarantee the Fund will achieve its investment objective.

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Recommended investment timeframe	<p>Up to two (2) years in the Fund, with the recommend investment timeframe for Cash Interests being up to three months and Loan Interests being between a minimum investment term of 6 months up to two (2) years.</p> <p>However, the Fund may be suitable for Investors with shorter or longer investment timeframes. For example, for some Project Loans, Investors may be offered an opportunity to invest in the final three-month funding phase of a six-phase project development. In addition, upon the expiry of a Loan term, the Fund offers Investors the option of reinvesting capital and interest into new Loans which will be continuously added to the Platform.</p>	
Target Returns	<p>The Cash Interests will not generate any returns for Investors.</p> <p>The Target Income Return for each Loan Interest will be set out in the relevant Term Sheet. A benchmark performance metric is not used in respect of income.</p>	6.2
Key Benefits of investing in the Fund	<p>The Investment Manager considers the key benefits of an investment in the Fund to be:</p> <ul style="list-style-type: none"> <li>○ Investors can initially invest a minimum of \$2,500 and make additional investments of a minimum of \$500</li> <li>○ Generally short to medium term investment periods – terms between 6 to 18 months</li> <li>○ Investors can diversify their investments across a number of selected Loans, borrowers and geographic locations</li> <li>○ All Loans will be professionally managed by the Investment Manager</li> <li>○ All loans are filtered through the Investment Manager’s 57-step appraisal process</li> <li>○ The option of reinvesting capital and interest into new Loans which will be continuously added to the Platform over time</li> <li>○ The Fund may be suitable for those seeking income and capital preservation because the capital value of the Fund is expected to remain constant because of the first mortgage securities taken of the Loans and the arrears and default management procedures adopted by the Investment Manager.</li> </ul>	
ASIC Benchmarks and Disclosure Principles	<p>ASIC has developed 8 Benchmarks and Disclosure Principles to provide investors with key information about investing in mortgage funds as set out in Regulatory Guide 45: Mortgage Schemes: Improving disclosures for retail investors. The Disclosure Principles cover liquidity, fund borrowing, loan</p>	3

About the Fund		Section
	portfolio and diversification, related party transactions, valuations, lending principles, distributions and withdrawals.	
Minimum Application	<p>The minimum initial investment for Cash Interests is \$2,500, and then additional investments in increments of \$500. The Responsible Entity may exercise its discretion to accept a lower amount of initial investment or additional investment.</p> <p>The minimum investment for a class of Loan Interests will be set out in the corresponding Term Sheet.</p>	9.1
Distributions	<p>Investors of Cash Interests will not receive any income distributions.</p> <p>Distributions payable in respect of Loan Interests will be set out in the Term Sheets.</p> <p>You can select how distributions will be paid in the Application Form and can change the method of payment at any time by logging into your Dashboard and making a change to method of distribution of capital and/or interest.</p>	9.5
Fees and expenses	<p>The ongoing fees and expenses payable by the Fund are outlined in detail in Section 7, and include:</p> <ul style="list-style-type: none"> <li>○ A Responsible Entity Fee (RE Fee)</li> <li>○ A Custodian Fee</li> <li>○ An Interest Return Margin payable to the Investment Manager of any income above the Target Income Returns (net of fund fees and expenses) offered on each Loan. This amount is applicable to Loan Interests only.</li> </ul> <p>The Responsible Entity is also entitled to a Fund Establishment Fee and Termination Fee paid by the Fund.</p> <p>All expenses of the Fund will be paid by fees paid by the Borrowers or from the interest received by the Fund from the Borrower prior to the Investment Manager being paid an Interest Return Margin.</p> <p>In addition, the Investment Manager is entitled to a Loan Establishment Fee paid to it by each Borrower. These payments are made outside the Fund.</p>	8
Risks of investing in the Fund	<p>Like any investment of this type, there are risks associated with investing in the Fund. It is important that you read and consider the risks associated with the investment in the Fund before deciding whether to invest. You should also consider the extent that an investment in the Fund fits your financial objectives and</p>	7

goals, your risk appetite and the risks that other investment opportunities have.

There is no guarantee the Fund will achieve its investment objective. The return of capital and payment of income distributions are not guaranteed.

Some key risks of an investment in the Fund include, but are not limited to:

- Borrower default
- Reduction in mortgaged property values
- Low liquidity of the Fund
- Project construction delivery, increasing costs, supply chain issues, and completion risk for the underlying Loans and repayment to the Fund’s Investors
- Inaccurate valuations
- Unforeseeable economic factors

For further information about the specific risks associated with the Fund, see Section 7.

Tax Information	Before investing in the Fund, you should obtain your own independent tax advice, which takes into account your own circumstances. Some general information is included in Section 10.	10
Reporting	Investors will receive via their Dashboard: <ul style="list-style-type: none"> <li>• A confirmation of investments made</li> <li>• Regular updates on each Loan</li> <li>• A monthly newsletter which will contain information regarding the Fund’s current investments and Loans being made available on the Platform).</li> <li>• Annual management reports (including audited financial statements).</li> <li>• An annual taxation statement.</li> </ul>	11.4
Borrowing	The Fund will not borrow.	
Withdrawals	Cash Interests can be withdrawn in full or in part at any time by providing a withdrawal request to the Responsible Entity. The	9.4

withdrawal request is to be lodged through the Investor's dashboard on the Platform. Unless the Responsible Entity otherwise notifies an Investor, a withdrawal request in respect of a Cash Interest will be satisfied within 5 Business Days of the Responsible Entity receiving a properly completed withdrawal request.

If an Investor requests a withdrawal which exceeds the value of their Cash Interest, then the Responsible Entity will treat that request as being for the value of the Investor's Cash Interest.

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Cooling-off

As the Fund is not 'Liquid' (as defined in the Corporations Act), no cooling-off period applies to investments in the Fund.

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### 3. ASIC Benchmarks and Disclosure Principles

ASIC has developed eight benchmarks and eight disclosure principles for unlisted mortgage schemes that can help retail investors understand the risk, assess the rewards being offered and decide whether these investments are suitable for them. The benchmarks and disclosure principles are contained in Regulatory Guide 45: *Mortgage schemes: Improving disclosure for retail investors* (Regulatory Guide 45).

As the Fund is an unlisted mortgage scheme, the Responsible Entity is required to disclose against the benchmarks and apply the disclosure principles contained in Regulatory Guide 45.

Benchmark	Statement	Explanation	Reference
<b>Benchmark 1: Liquidity</b>			
For a pooled mortgage scheme, the responsible entity has cash flow estimates for the scheme that:	Not applicable	The Fund is <b>not</b> a pooled mortgage scheme so this benchmark is not applicable.	
(a) demonstrate the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months;			
(b) are updated at least every three months and reflect any material changes; and			
(c) are approved by the directors of the responsible entity at least every three months.			
<b>Benchmark 2: Scheme borrowing</b>			
The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.	The benchmark is met.	The Fund does not have any current borrowings and does not intend to borrow.	Refer to section 9.6.
<b>Benchmark 3: Loan portfolio and diversification</b>			
For a pooled mortgage scheme:	Not applicable	The Fund is <b>not</b> a pooled mortgage scheme so this benchmark is not applicable.	
(a) the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region;			
(b) the scheme has no single asset in the scheme portfolio			

that exceeds 5% of the total scheme assets;

(c) the scheme has no single borrower who exceeds 5% of the scheme assets; and

(d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).

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**Benchmark 4: Related party transactions**

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The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.

This benchmark is met.

The key assets of the Fund will be loans made through the Wholesale Trust. Whilst the Wholesale Trustee and the Responsible Entity are related parties and the Investment Manager is also the investment manager of the Wholesale Trust, the Wholesale Trust will not make loans to related parties of the Responsible Entity or the Investment Manager.

Refer to section 11.6 for further disclosure.

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**Benchmark 5: Valuation policy**

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In relation to valuations for the scheme's mortgage assets and their security property, the board of the responsible entity requires:

This benchmark is met.

Refer to section 6.5 for further disclosure.

(a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;

(b) a valuer to be independent;

(c) procedures to be followed for dealing with any conflict of interest;

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- (d) the rotation and diversity of valuers;
- (e) in relation to security property for a loan, an independent valuation to be obtained:
  - (i) before the issue of a loan and on renewal:
    - (A) for development property, on both an 'as is' and 'as if complete' basis; and
    - (B) for all other property, on an 'as is' basis; and
  - (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.

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**Benchmark 6: Lending principles—Loan-to-valuation ratios**

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If the scheme directly holds mortgage assets:	Not applicable	This benchmark does not apply as the Fund does not directly hold mortgage assets. All Loans are made through the Wholesale Trust.	Refer to section 5 for further disclosure.
(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;			
(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			
(c) in all other cases—the scheme does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.			

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**Benchmark 7: Distribution practices**

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The responsible entity will not pay current distributions from scheme borrowings.	This benchmark is met.	The Responsible Entity will not pay distributions from borrowings.	Refer to section 9.5 for further disclosure.
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**Benchmark 8: Withdrawal arrangements**

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***Liquid schemes***

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For liquid schemes:	Not applicable.
(a) the maximum period allowed for in the constitution for the payment of withdrawal requests is 90 days or less;	
(b) the responsible entity will pay withdrawal requests within the period allowed for in the constitution; and	
(c) the responsible entity only permits members to withdraw at any time on request if at least 80% (by value) of the scheme property is:	
(i) money in an account or on deposit with a bank and is available for withdrawal immediately, or otherwise on expiry of a fixed term not exceeding 90 days, during the normal business hours of the bank; or	
(ii) assets that the responsible entity can reasonably expect to realise for market value within 10 business days.	

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***Non-liquid schemes***

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For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.	This benchmark is not met.	The Responsible Entity intend to allow Cash Interests to be withdrawn in part or	Refer to section 9.4 for further disclosure.
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full at any time upon  
request.

There is no right to  
withdraw from Loan  
Interests during their  
term.

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## 4. Management of the Fund

### 4.1 *About the Investment Manager*

The Investment Manager, CrowdProperty Pty Ltd, has been delegated responsibility for the management, operation and administration of the Fund. The Investment Manager's investment team has many years of experience in the investment and property industries. All decisions to approve a loan for a property project is made by the Investment Manager's Investment Team (acting in their capacity as investment manager of the Wholesale Trust), which is shown in the table below.



The CrowdProperty Australia Investment Credit Committee comprises three senior executives with the support of members of UK Property team and Investment Committee, as shown in the diagram above.

### 4.2 *About Responsible Entity (RE)*

Quay Fund Services Limited (ABN 84 616 465 671) ('Responsible Entity', 'Quay', 'we', 'our', 'us') is the responsible entity of the CrowdProperty Retail Investment Trust ('the Fund'). Quay has been established as an independent provider of responsible entity and trustee services to fund managers. Quay's principals have extensive experience in operating registered managed investment schemes.

John Ballhausen - Chairman

John was the former managing director of Rimcorp Property Limited (ABN 64 100 029 776) which was the responsible entity for three registered schemes with over \$100 million in funds under management. He has been a key person and/or a responsible manager on several Australian financial services licences.

Simon Lindsay - Managing Director

Simon was the former managing director of Aurora Funds Management (ABN 69 092 626 885) which was the responsible entity for five registered schemes with over \$600 million in funds under management. He has also been a key person and/or a responsible manager on several Australian financial services licences.

Further biographical details are available on Quay's website [www.quayfund.com.au](http://www.quayfund.com.au).

Quay's responsibilities and obligations as the Fund's responsible entity are governed by the Fund's constitution ('Constitution'), the Corporations Act and general trust law. As responsible entity, Quay is responsible for the management of the Fund and is required to act in the best interest of Investors. Quay has appointed CrowdProperty to act as the Investment Manager of the Fund.

The Responsible Entity holds Australian Financial Services License number 494886 issued by ASIC, which authorises it to operate the Fund.

The Responsible Entity is bound by the Constitution and the Corporations Act. The Responsible Entity has lodged a compliance plan with ASIC which sets out the key measures which the Responsible Entity will apply to comply with the Constitution and the Corporations Act. The Responsible Entity has established a Compliance Committee with a majority of external members. The compliance plan is overseen by the Compliance Committee and is audited annually with the audit report being lodged with ASIC.

The Responsible Entity has the power to delegate certain aspects of its duties. The Responsible Entity has appointed CrowdProperty Pty Ltd as the investment manager of the Fund. There are no unusual or materially onerous terms in the agreement under which the Investment Manager has been appointed. The Responsible Entity is able to terminate the Investment Manager's appointment under the Investment Management Agreement at any time in certain circumstances, including but not limited to:

- fraud, misconduct, dishonesty or gross negligence on the part of the Investment Manager;
- where the Investment Manager enters into receivership, liquidation, ceases to conduct business sells the business or is legally unable to operate as an Investment Manager; or
- where the Investment Manager is in breach of any representations or warranties to the Responsible Entity.

Termination in these circumstances is without payment of any penalty.

The Responsible Entity has appointed CERTANE CT Pty Ltd as Custodian. The Responsible Entity has appointed CrowdProperty to manage the assets of the Fund.

Neither the Responsible Entity nor the Investment Manager guarantees the performance of the Fund or the return of capital or income. Your investment in the Fund is subject to investment risk. This could involve delays in repayment and loss of income or the principal invested. As responsible entity, Quay Fund Services Limited is responsible for overseeing the operations of the Fund. As the investment manager, CrowdProperty is responsible for selecting and managing the assets of the Fund. For more information on the Fund's investments, see 'Investment Strategy' in section 3.

#### **4.3 *The Custodian***

The Responsible Entity has appointed an independent custodian to hold the assets of the Fund.

CERTANE CT Pty Ltd (CERTANE) is a wholly owned subsidiary of Certane Group, who provides financial institutions and entrepreneurs with the technology and infrastructure they need to successfully build and grow investment funds. Operating across Australia, CERTANE's powerful combination of modern technology, financial licenses and industry experts navigate regulatory complexity, security and compliance so our clients can focus on what matters most: building a better future.

Today, Certane Group is powering over \$40 billion of assets with over 100 employees across 2 offices in Australia and offer a range of leading and technology-enabled trustee, custodian and supervision solutions. With a diversified portfolio of financial licenses and modern technology, CERTANE can also enable APAC market entry for global institutions and enable start-ups and FinTech businesses to launch new funds and financial products.

The Responsible Entity has appointed CERTANE under a Custodian Agreement. The Custodian's role is to hold the assets in its name and act on the direction of the Responsible Entity to effect cash and investment transactions.

CERTANE has no supervisory role in relation to the operation of the Fund and has no liability or responsibility to a unit holder for any act done or omission made in accordance with the Custodian Agreement.

CERTANE's role as Custodian is limited to holding the assets of the Fund.

#### **4.4 *Monitoring the Fund's key service providers***

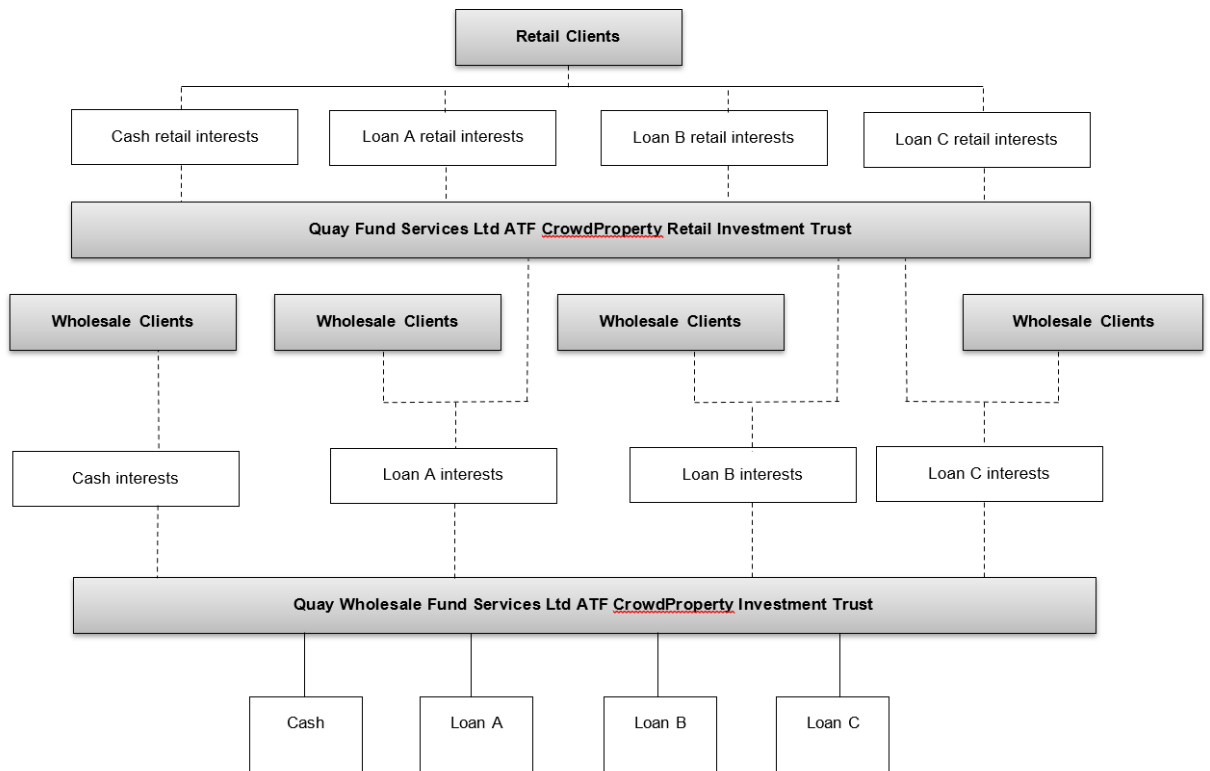
The service providers engaged by the Responsible Entity may change without notice to Investors. Risks relating to the use of third-party service providers and the investment structure of the Fund are outlined in Section 7. The relevant fees and costs of the Fund are outlined in Section 8.

The Responsible Entity has entered into service agreements with the service providers and will, with the assistance of the Investment Manager, regularly monitor the performance of the service providers against service standards set out in the relevant agreements. All of the service agreements with service providers are reasonably considered by the Responsible Entity to be on arm's length terms.

## 5. Fund structure

The Fund is a registered managed investment scheme. The Fund is structured as a contributory mortgage scheme, operated as a marketplace lending platform, and intends to provide investors with an opportunity to indirectly invest in different property developments through investment in the Loans.

The Fund will predominately invest indirectly through the acquisition of interests in the Wholesale Trust.



The Wholesale Trust is an unlisted unregistered managed investment scheme. The Wholesale Trustee will enter into loan agreements with the borrowers (Borrowers) on behalf of its investors (which include the Fund) who have been issued loan interests in the Wholesale Trust referable to that Loan.

Interest and principal received from the Borrowers will be distributed to investors that have a Loan Interest referable to a Loan, net of the fees and expenses of the Wholesale Trust.

The Responsible Entity operates a Member Account in relation to each Cash Interest issued in the Fund. The Member Account is where an Investor's money is held either:

- prior to "pledging" to invest in a Loan;
- After pledging to a Loan and immediately prior to funds being made available to the Borrower; or
- if choosing the re-investment option, upon repayment of the Loan pending their decision to pledge further money to a different Loan.

***The value of an Investor's Cash Interest will be equal to the value of the Investor's Member Account.***

## **6. Investment strategy and Loan management**

### **6.1 *Investment objective of the Fund***

The investment objective of the Fund is to provide Investors the opportunity to invest in a selection of Loans and deliver the Target Income Return on each Loan Interest issued.

Investors should note that there is no guarantee the Fund will achieve its investment objective.

### **6.2 *Investment strategy***

The Investment Manager will pursue the investment strategy offering a full suite of property project funding solutions, including:

- Development finance
- Bridging finance
- Development exit finance
- Special situations finance

The Fund will offer blended financing and customised funding based on the specific needs of a Borrower, including in respect of finance solutions for:

- New builds
- Conversions
- Commercial to residential conversions
- House-in-multiple occupations / boarding house developments
- Services accommodation developments
- Co-living developments
- Landowner joint ventures
- Modular constructions.

The Loans issues will generally be made through the Wholesale Trust.

### **6.3 *The Platform***

The Platform enables investors to manage their investment in the Fund. By investing in the Fund, Investors will have access to an “Investor Dashboard” on the Platform which will include all their investment details, such as the balance of each of the Loan in which they have invested. It is through the Dashboard that Investors will be able to select the Loans in which they wish to invest (through acquiring Loan Interests referable to that Loan (which will likely be made through the Wholesale Trust)).

Any updates regarding the status of a Loan will also be communicated to Investors via their Dashboard.

Developed off its success in the UK market, the Platform has been developed as a leading, scalable proprietary solution facilitating customer activities alongside operational decision making, workflow management, loan management and reporting.

#### Borrower-Side

- Funding application
- KYB/background checks
- Document management
- Appraisal management and analytics
- Customer relationship management
- Account management
- Platform listing



#### Internal Operations

- Analytical data flows
- Appraisal management
- Loan management
- Loan data hub
- Workflow management
- Moneyflows
- Banking integration
- Dashboard & reporting

#### Investor-Side

- Registration
- Wholesale clients only
- Investor Dashboard
- KYC/AML
- SMSF pledging and account management
- Institutional account management
- Account and payments security
- Project updates

There is a risk that the platform may fail and Investors will not be able to access their investment information.

CrowdProperty has implemented appropriate technical and organisational measures designed to protect the security, confidentiality and integrity of Investor's personal information in the event of failure of the Platform. These measures may include:

- Cloud manage and remotely monitor any intrusion attempts
- Backups of the Platform (including transactions, sign-ups, pledges, user and project data) performed every 6 hours
- Recovery of the Amazon Web Services (AWS) based systems built in and in the event of an AWS Asia Pacific (Sydney) region-wide failure, the backed-up image of the server will be reinstated in line with our Service Level Agreements (SLAs)\_with Amazon
- Multiple redundancies built into the AWS hosting and a one hour SLA to receive direct support to bring the platform back into working order
- AWS systems scalability allows us to manage increased requests and loads quickly
- The Platform is cloud hosted across multiple locations, ensuring that if one location was to fail, the CrowdProperty domain would not experience any down time
- CrowdProperty would work on material recovery of the site, creating an independent Metabase instance configured with a dashboard for Administration users to search for Investors and be able to respond to Investor enquiries within two hours of a fault being identified.

#### 6.4 **Investment policy and target projects**

The Fund (generally through the Wholesale Trust) will provide construction finance to experienced small scale property developers who meet its lending policies.

The projects will be reviewed by experienced professionals and meet the Fund's strict due diligence requirements which include independent valuations. The Fund's selection criteria includes but is not limited to projects that:

- Are located in east coast major cities (Sydney, Brisbane and Melbourne), Adelaide, Tasmania or regional growth areas with liquid property markets (commuter areas, sea/ tree change destinations)
- The loan amount is required is no greater than 70% of the latest 'as if complete' valuation of the property over which security is provided, unless it is an interest serviced bridging loans in which case the loan to value ratio will be 75% of the 'as if complete' valuation
- Are smaller low-medium density developments
- Have strong sales records
- Have trusted developers and builders
- Include high standard of build and fit-out
- Have completed approvals
- Are ready to build

Each Loan will be progressively drawdown in stages based on progress reports received from the Borrower and verified by the quantity surveyor (QS) and other information and documentation provided by the Borrower to the Investment Manager. A drawdown will not be provided if the drawing would cause the outstanding amount of the Loan to breach the loan to value ratio. The number of stages depends on the project but typically there are 5 drawdowns. Loans reaching maturity are also managed on a weekly basis to mitigate any risks in payback on the loan.

## 6.5 **Valuation policy**

The Responsible Entity has implemented a written valuation policy for the valuation of each property used as security for loans made from the Fund.

The Fund's valuation policy requires that independent valuations of security properties are obtained—

- (a) before the issue of a loan and on renewal:
  - (i) for development property, on both an 'as is' and 'as if complete' basis, and for all other property, on an 'as is' basis
- (b) within two months after the directors of the Responsible Entity 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, and
- (c) at any time where the Responsible Entity considers there is a significant change in construction costs (generally greater than 10%).

As the Fund will invest in loans through the Wholesale Trust, the Wholesale Trust will acquire the valuations. The Wholesale Trustee's valuation policy mirrors that of the Fund.

Additionally, Independent valuers must be rotated such that the same independent valuer cannot value an asset for more than three times consecutively.

The RE will maintain a panel of valuers who are independent, experienced and qualified to perform valuations on property of the nature and type in which the Fund will invest or take security over.

In order to be considered for inclusion on the panel, a valuer must:

- Be suitably qualified to carry out a valuation



- Be authorised under the Law of the State or Territory where the valuation takes place to practice as a valuer (if applicable)
- Be a member of the Australian Property Institute (API), or Royal Institution of Chartered Surveyors (RICS) and is categorised as a Certified Practising Valuer by that institute
- Have professional indemnity insurance cover of at least \$2m from a reputable and creditworthy insurer
- Be independent of the RE and the Investment Manager, and have no pecuniary interest or other conflict of interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of the market value or that could conflict with a valuation of the property

The panel of independent valuers must be rotated such that the same independent valuer cannot value an asset for more than three times consecutively, unless the valuer has a particular specialisation such as valuing co-living developments.

Each property subject to any development will be valued prior to loan settlement and progress monitored by independent qualified person at the project milestones throughout the development process

The report must be signed by API or RICS registered valuer and must be the person that inspected the property. A second signature is required by an Approving Officer.

To obtain a copy of the Responsible Entity's valuation policy, please contact the Responsible Entity on 1300 114 980.

## 6.6 ***Proprietary project appraisal process***

The Investment Manager has developed a detailed inhouse appraisal process to assess the viability and economics of each project and the loan terms and conditions for each project.

The appraisal is conducted by the Investment Manager's property experts and takes a number of data points and provides analysis for the Investment Manager to make informed decisions. This information is then used to create a summary report for the Credit Investment Committee. This report contains the following metrics split by suburb:

<b>Metric</b>	<b>Rational</b>
Sales Price and \$/sqM Price	Assessing borrower GRV and additional verification the independent Valuation
Value / \$/sqM Growth	Used as a proxy for health of market
Transaction Volume and Change year on year (YoY)	Used as a proxy for liquidity of the market
Days on Market and Change YoY	Assessing the health of a quick exit strategy if borrower intends to sell

Socioeconomic Factors - Mean Income, Mortgage Affordability	Assessing suitability of planned development in the area
Total Population, Dwellings and Occupancy Level	Assessing size of market to be accessed by the development
Renters to Buyers Ratio	To verify a rental/owner-occupier market available for specific exit strategy of borrower
Resilience Data	To show the impact for the specific suburb in the 2008/09 financial crisis (and other market declines)

The detailed appraisal is presented to the Credit Investment Committee for approval and agreement on the loan terms and conditions prior to a final offer being made to a property developer, subject to funding through the Platform.

The Investment Manager also conducts independent ID verification, Know Your Client (KYC) check background and credit checks, and AML/CTF checks of all Borrowers. The Investment Manager's assessment of the creditworthiness of a Borrower is only an opinion and creditworthiness may change after the Loan is made.

The Investment Manager generally maintains a maximum Loan to Valuation Ratio (LVR) of 75% for all Loans offered through the Platform to Investors. The maximum LVR of a Loan will be provided in the Term Sheet for that Loan.

The Investment Manager is highly selective in which projects are approved for funding through the Platform.

The investment objective is to ensure the repayment of capital invested plus interest within the agreed term of each Loan.

#### **6.7 Arrears and default management**

Investors' capital and return in respect of any Loan may be affected if a Borrower defaults on its payment obligations. Management of defaults will be dealt at the Wholesale Trust level. The Investment Manager will administer the arrears and default management procedures in the event of late payment by a Borrower and according to the Investment Manager's loan management policies. This will be done in consultation with the Responsible Entity.

In most cases, the Investment Manager will give the Borrower a reasonable period to demonstrate their ability to correct the default by way of open discussion with the Investment Manager, but this is dependent on the scale of the default and remainder of the term of the Loan. The Investment Manager expects the most common breaches will be failure to meet payment obligations, particularly late repayment of the Loan.

It is the Investment Manager's policy to work with a Borrower and assist in returning the monies and interest within a reasonable period post loan end date. This includes allowing an

extension of time for repayment or giving the Borrower the ability to sell the property within a given period after expiry of the Loan.

On expiry of the agreed extension of time, the Investment Manager can, in certain circumstances look to enforce the Loan according to the enforcement procedures specified in the relevant loan agreement and security documents. The enforcement procedure can involve significant costs, including legal costs and receiver's fees. These costs will be funded at the Wholesale Trust level.

**Investors should note that there can be no guarantee that the Fund will achieve its investment objective.**

## 7. Risks

### 7.1 Overview

As with any investment, investing in the Fund involves risk. Many risks are outside the control of the Responsible Entity and the Investment Manager and cannot be completely mitigated. If these risks eventuate, returns to Investors may not be as expected and distributions may be reduced or suspended and the capital value of the Fund may be reduced. Distributions are not guaranteed and neither is the return of your capital.

Whilst the Responsible Entity and Investment Manager have taken steps to ensure that the information presented in this PDS is correct, it is possible that due to factors such as the passage of time or the uncertainty in forecast details that the information contained in this PDS may be inaccurate at the date of release of this PDS or at a later time.

Please read this PDS in full and consider your attitude towards risk before deciding to invest in the Fund. You should also assess, in consultation with your professional advisers, how an investment in the Fund fits in to your overall investment portfolio having regard to your individual circumstances, including investment objectives, level of borrowings, financial situation and individual needs.

The risks in this section are not an exhaustive list.

**Neither the Responsible Entity nor Investment Manager guarantees the repayment of investments or the performance of the Fund. The Responsible Entity strongly recommend that Investors obtain independent financial advice before investing in the Fund.**

### 7.2 Wholesale Trust risks

Given the Fund is ultimately exposed to the risks faced by and associated with the Wholesale Trust, those risks are highlighted below. Any of these risks could lead to loss or an adverse impact on the Wholesale Trust, which in turn could adversely affect the Fund and your investment in it.

(a) General investment risk

The Loans in which the Wholesale Trust invest and finance are subject to normal market fluctuations and other risks inherent in investing in such Loans. There can be no assurance that the Wholesale Trust will achieve its investment objective, that interest income will be received and distributed or that the Fund will get back the amount invested in the Wholesale Trust upon redemption.

(b) Construction and development risk

The Fund's investments in the Wholesale Trust will be lent to a Borrower for use in property development projects. There are specific risks associated with these types of projects, including:

- Construction or development costs can exceed budgeted costs and the borrower may be unable to complete a project unless the borrower can obtain further funds;
- Loan funds kept in reserve by the Investment Manager (as manager of the Wholesale Trust) to complete a project being insufficient to meet the cost of completion; and

- A change in market conditions could result in a project's value on completion being worth less than anticipated, or in lower sale rates and prices than expected.

(c) Credit risk

The repayment of capital invested in the Wholesale Trust is not guaranteed. This means that you could lose some or all of your investment in the Fund.

There is a risk that a Borrower may not be able to meet its financial obligations under the Loan Agreement. This may be for a wide range of reasons, including a change in the individual financial or other circumstances of a Borrower or a change in the economic climate generally.

The financial position of the Borrower is influenced by the value of the asset, general economic and specific industry conditions. If a Borrower defaults under their respective contractual arrangements, there can be no guarantee that all of the principal and interest owing by the Borrower will be recovered. This will affect the value of Loan Interest referable to that Loan. The flow on effect is that the Wholesale Trust may be unable to pay distributions to, or repay capital invested by, the Fund in respect of that Loan Interest. The Fund may then be unable to pay distributions or redemptions to Investors holding the Loan Interest class referable to that Loan Interest.

The Wholesale Trustee will assess a Borrower's creditworthiness. This assessment is only an opinion and creditworthiness may change after the Loan is made.

(d) Documentation risk

A deficiency in documentation could, in certain circumstances, adversely affect the return on Loan Interests. This may make it difficult for the Investment Manager (acting in its capacity as manager of the Wholesale Trust) to enforce a Loan and other security in respect of the Loan and may also affect the ability to recover any penalties imposed against the Borrower.

(e) Operational risk

The performance of the Wholesale Trust is highly reliant on the Wholesale Trustee and third party service providers.

The Fund's investment in the Wholesale Trust is subject to the risk of loss arising from the organisational systems and processes, technology, people, external circumstances, regulatory and compliance frameworks and all other potential matters which directly and indirectly impact operations of the Wholesale Trustee and the Wholesale Trust's service providers.

To manage this risk, each of the Wholesale Trustee and the Wholesale Trust service providers have risk and compliance procedures in place to ensure adequate controls are in place for operations, such as technology systems reviews and backups and compliance and review of legal and other regulatory requirements.

(f) Security risk

There is no guarantee that the security provided in support of a Loan will be sufficient or effective to cover any losses incurred as a result of a default by a Borrower. Where such security is insufficient or ineffective, this may result in diminished investment returns to Investors holding Loan Interests referable to that Loan.

(g) Tax risk

Australia is a relatively high tax jurisdiction with complex tax laws. An investment in the Wholesale Trust may give rise to a variety of complex tax issues for the Fund, some of which may relate to special rules applicable to certain types of investors.

Prospective Investors are urged to consult their own tax advisers with specific reference to their own situations concerning an investment in the Fund.

Specifically, there could be uncertainty whether loan interest received by the Wholesale Trust from Borrowers should be recognised on a cash or accruals basis. To mitigate that uncertainty, the Investment Manager (in its capacity as manager of the Wholesale Trust) has received advice from its tax advisors, based on private rulings of the ATO, on how interest income should be recognised.

Changes in tax laws or their interpretation could adversely affect the tax treatment of the Wholesale Trust, its investments and the Fund's investment in the Wholesale Trust. In the event of an adverse tax change, the Investment Manager (acting in its capacity as manager of the Wholesale Trust) reserves the right to change investments of the Wholesale Trust, restructure the Wholesale Trust, or compulsorily redeem investments in the Wholesale Trust in accordance with the Wholesale Trust Deed to limit or prevent any adverse effects.

(h) Regulatory and legal risk

There may be changes in laws, regulations, government policies, taxation laws, generally accepted accounting policies or changes in their interpretation. These changes may adversely impact the Wholesale Trust, Loans, Loan Interests, the Fund's investment in the Wholesale Trust or Investors.

The Wholesale Trustee and the Investment Manager (acting in its capacity as manager of the Wholesale Trust) reserve the right to take steps to limit or prevent any adverse effects of such changes, including altering its investments or, if possible, restructuring the Wholesale Trust.

(i) Wholesale Trustee, Manager and key person risk

There is no guarantee that the Investment Manager (acting in its capacity as manager of the Wholesale Trust) will achieve its performance objectives, produce returns that are positive, or compare favourably against its peers.

The Investment Manager may change its investment strategies for the Wholesale Trust over time, and there is no guarantee that such changes would produce favourable outcomes.

Similarly, the Loan Interests in the Wholesale Trust are issued by the Wholesale Trustee, and the return of the Fund's investment in the Wholesale Trust is dependent on the performance of the Wholesale Trustee and its ability to meet its obligations.

If the Wholesale Trustee or Investment Manager is wound up, becomes insolvent or is otherwise unable to meet its obligations, the performance of an investment in the Wholesale Trust may be negatively impacted.

Key individuals involved in the management of the Wholesale Trust may change, which may affect the future performance of the Wholesale Trust, the Wholesale Trust's ability

to achieve its investment objectives and ultimately the Fund's investment in the Wholesale Trust.

### 7.3 Fund Risks

(a) Fund risk

These are risks specific to the Fund. These risks include that the Fund could terminate, the fees and expenses of the Fund could change, Quay Fund Services Ltd may be replaced as responsible entity, CrowdProperty Pty Ltd may be replaced as investment manager and the investment team may change. There is also a risk that investing in the Fund may lead to a different result than investing in the market personally because of income or capital gains accrued in the Fund and the consequences of investment by and withdrawal of other investors. If any of these risks are realised, the returns an investor receives from the Fund may be reduced.

(b) Manager risk

The Investment Manager is responsible for providing investment management services to the Fund and for managing the Fund's investments on a day-to-day basis. If the Investment Manager fails to do so effectively, then this could negatively affect the Fund's performance. In particular, there is a risk that the Investment Manager may fail to anticipate movements in the market, fail to manage the investment risks appropriately or fail to properly execute the Fund's investment strategy. These factors could have an adverse impact on the financial position and performance of the Fund.

(c) Key Person risk

This is the risk that key individuals are no longer able to fulfil their obligations in respect of the investment or administration of the Fund. The performance of the Fund may be dependent on the management skill of one or more individuals. If key personnel are no longer able to fulfil their obligations there is a risk that the Responsible Entity, the Investment Manager or other service providers may not be able to find suitably qualified replacement personnel and the performance of the Fund may suffer as a result.

(d) Regulatory and taxation risk

Legal, tax, regulatory and government policy changes, as well as changes in generally accepted accounting policies or valuation methods, in the Australian and international investment environment may occur during the term of investment in the Fund. These changes may have negative impacts on the way in which the Fund is regulated and/or impacting income and capital returns from an investment. Changes in political situations and changes to foreign tax positions can also impact on the Wholesale Trust (which in turn, impact the Fund). The Australian taxation consequences of an investment in the Fund, detailed in Section 10, have been based on taxation legislation as at the date of this PDS. Future changes in Australian tax legislation or in the interpretation of that legislation may adversely affect the tax treatment of the Fund, or of the investors or the tax treatment of a specific investment of the Fund. To the extent the Wholesale Trust invests in international equities, then future changes in non-Australian tax legislation may affect the tax treatment of the Wholesale Trust, its investments and the distributions of profits. Such changes may have an impact on the value of your investment in the Fund.

(e) Fund structure and classes of Interests

There will be two main classes of Interests issued in the Fund: Cash Interests and Loan Interests. Whilst all reasonable efforts have been made to ensure that the separate classes of Interests issued in the Fund do not affect the other, there can be no guarantee that this will be the case.

By way of example, if litigation is commenced against the Responsible Entity in relation to one of the classes of Interests, then this could have an adverse impact on Investors in the other classes of Interests. In addition, if external administrators were appointed over the Responsible Entity in relation to one of the classes of Interests, then this could also impact Investors in the other classes of Interests. Finally, if there was a significant tax liability levied on the Responsible Entity in relation to the investments of one of the classes of Interests and there were insufficient assets in that class of Interests to pay for that liability, then the Responsible Entity may be forced to utilise the assets of other classes of Interests to meet that liability.

(f) Investment return

Neither the performance of this investment nor the repayment of Investor contributions subscribed is guaranteed.

You may be required to pay tax on income from the Fund even though you have not received that income from the Fund. Investors should seek their own independent taxation advice before deciding to invest in the Fund.

(g) Concentration risk

The Fund is not a pooled managed investment scheme and your investment will be influenced by the Project Loans you select. Generally, the more diversified a portfolio, the lower the impact that an adverse event affecting one investment will have on the income or capital value of the portfolio. The Fund's investments are not diversified by asset class or exposure to different asset sectors. There is a risk that returns will not be achieved and capital may be lost. The diversification of your investment across Loans will also depend on the selections you make.

(h) Cyber Risk

There is a risk of fraud, data loss, business disruption or damage to the information of the Fund or to an investor's personal information because of a threat or failure to protect the information or personal data stored within the Responsible Entity's, Custodian's and the Investment Manager's IT systems and networks or the IT systems and networks of our service providers.

(i) Operational risk

There is a risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Adverse impacts may arise internally through human error, technology, or infrastructure changes, or through external events such as third-party failures or crisis events. The Responsible Entity has procedures in place to manage these risks and, as much as possible, monitor the controls within these procedures to ensure operational risks are adequately managed.



## 7.4 General risk factors

In addition to the specific risks identified above, general risks can affect the value of an investment in the Fund. These include the following:

(a) Investment Liquidity Risk

An investment in the Fund (and subsequently, the Wholesale Trust) is designed to be held for a fixed period depending on the Loan Interest and corresponding Loan(s) selected by an Investor. Once an Investor has pledged money to a specific Loan Interest, the money invested cannot be redeemed unless the Responsible Entity, in its absolute discretion, determines otherwise in accordance with the terms of the Constitution.

Before investing, Investors should therefore carefully consider the fixed term nature of an investment in the Fund on the basis that their investment in Loan Interests will not generally be available for redemption until the end of the investment term of their selected Loan Interest.

(b) Related Party Transactions risk

The Responsible Entity may from time to time face conflicts between its duties to the Fund as trustee and its duties to other trusts which it manages or its own interests. The Responsible Entity will manage any conflicts in accordance with its conflicts of interest policy, the Constitution, ASIC policies and the law.

The Investment Manager is not a related party of the Responsible Entity. The contractual arrangements between the Responsible Entity and the Investment Manager are negotiated at arm's length between the parties. The Trustee may from time-to-time enter into transactions with related entities.

By investing in the Fund, Investors acknowledge that the Investment Manager is responsible for making investment decisions for the Fund and that they have made their own independent investigations to satisfy themselves of the benefit of becoming an Investor in the Fund.

Enforcement action procedures, if required, in the event of default of a Loan will be managed by the Investment Manager, in consultation with the Responsible Entity.

(c) Operating History risk

The Fund has no operating history upon which Investors may base an evaluation of its likely performance. The success of the Fund's investment activities will depend almost entirely on the Investment Manager's ability to carry out the proposed investment strategy successfully.

While the principals of the Investment Manager have previous experience making and managing investments of the type contemplated by the Fund, a number of the targeted investment types could be considered to require detailed market and industry knowledge, and there can be no assurance that the investment objective will be met.

(d) Pandemic risk

Pandemics, such as COVID-19, and any associated Government response, can have significant disruption to society and the economy and can prevent businesses from normal operations. It is unknown how long the impact of the current COVID-19 pandemic will continue. The revenue of the Fund and the value of the Interests may

therefore be negatively impacted as a result of the pandemic and the Government response. Many of the other risks in this section may also be exacerbated by the pandemic and the consequential disruption.

It is important to note that not all risks can be foreseen. It is therefore not possible for the Investment Manager to protect the value of the Fund's investment from all risks.

(e) Indemnity risk

The Fund will indemnify the Responsible Entity against claims, liabilities, costs and expenses incurred by it by reason of its activities on behalf of the Fund or the Investors, save in respect of any matter resulting from the Responsible Entity's fraud, negligence, or breach of trust in relation to the Fund.

(f) External Factors

Prospective Investors should be aware that the investment may be influenced by various factors external to the Responsible Entity and Investment manager's control, including but not limited to:

- Changes in the Australia and international economic outlook
- Changes in the government fiscal and regulatory policies
- Changes in interest rates and inflation
- Changes in the general level of prices on local direct property markets and general investor sentiment in these markets.

**The performance of this investment, the repayment of capital or of any particular rate of return, is not guaranteed by the Responsible Entity, the Investment Manager, their directors or their associates.**

## 8. Fees and other costs

### 8.1 *Consumer advisory warning*

#### **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 investment 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)** website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

### 8.2 *Fees and costs summary*

This 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 Fund as a whole.

Taxes are set out in Section 10.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Fees and costs summary

<b>CrowdProperty Retail Investment Trust</b>		
<b>Type of fee or cost</b>	<b>Amount</b>	<b>How and when paid</b>
<b>Ongoing annual fees and costs</b>		
<p><b>Management fees and costs</b></p> <p>The fees and costs for managing your investment<sup>1</sup></p>	<p>Estimated to be 1.05% per annum of the Fund's net assets. Applicable to both Loan Interests and Cash Interests.<sup>1</sup></p>	<p>Fees are calculated and accrue daily and paid monthly in arrears. Costs including indirect costs are payable as and when incurred.</p> <p>Paid from fees received by the Investment Manager from the Borrowers or from interest payments received by the Fund from the Borrower.</p>
<p><b>Performance fees</b></p> <p>Amounts deducted from your investment in relation to the performance of the product</p>	<p>Estimated to be 0.75% of the Fund's net assets. Applicable to Loan Interests only.<sup>1</sup></p>	<p>Paid to the Investment Manager upon the repayment of each Loan or more frequently e.g. quarterly interest payments, after the Target Income Return has been paid to Investors holding the Loan Interests referable to the Loan and all fees and costs of the Fund have been paid.</p>
<p><b>Transaction costs</b></p> <p>The costs incurred by the scheme when buying or selling assets</p>	<p>Nil</p>	<p>Not applicable</p>
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the scheme)</b>		
<p><b>Establishment fee</b></p> <p>The fee to open your investment</p>	<p>Nil</p>	<p>Not applicable.</p>
<p><b>Contribution fee</b></p>	<p>Nil</p>	<p>Not applicable.</p>

**CrowdProperty Retail Investment Trust**

Type of fee or cost	Amount	How and when paid
The fee on each amount contributed to your investment		
<p><b>Buy-sell spread</b></p> <p>An amount deducted from your investment representing costs incurred in transactions by the scheme</p>	Nil	Not applicable.
<p><b>Withdrawal fee</b></p> <p>The fee on each amount you take out of your investment</p>	Nil	Not applicable.
<p><b>Exit fee</b></p> <p>The fee to close your investment</p>	Nil	Not applicable.
<p><b>Switching fee</b></p> <p>The fee for changing investment options</p>	Nil	Not applicable.

1. The management fees and costs consist of the Fund establishment fee, Responsible Entity fee, custody fee, indirect costs and Fund expenses. These amounts are applicable to both Loan Interests and Cash Interests. The performance fee consists of the Interest Return Margin payable to the Investment Manager and is applicable to Loan Interests only. All amounts are shown inclusive of GST, net of reduced input tax credits ('RITCs'). As the Fund is newly established, the management fees and costs and the performance fee quoted reflect the Responsible Entity's reasonable estimate as at the date of this PDS of the amounts that will apply for the current financial year (adjusted to reflect a 12-month period) assuming net assets of \$16.29m (based on the assets of the Wholesale Trust, the current pipeline of Loans, including estimated loan amounts and expected number of retail investors in the 12 month period to December 2023). Actual amounts may vary from those stated, in which case an update will be provided to Investors. A retirement fee may also be payable to the Responsible Entity. Please see Section 8.5(a) for further information.

**8.3 Example of annual fees and costs for Loan Interests**

This table gives an example of how the ongoing annual fees and costs for Loan Interests can affect your investment over a one-year period. You should use this table to compare this product with other products offered by managed investment schemes.

<b>EXAMPLE—LOAN INTERESTS</b>		<b>BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR</b>
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0.
<b>PLUS</b> Management fees and costs	1.05%pa <sup>1</sup>	<b>And</b> , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment <b>\$523.47</b> each year.
<b>PLUS</b> Performance fees	0.75% <sup>1</sup>	<b>And</b> , you will be charged or have deducted from your investment <b>\$380.60</b> in performance fees each year. <sup>2</sup>
<b>PLUS</b> Transaction costs	Nil <sup>1</sup>	<b>And</b> , you will be charged or have deducted from your investment <b>\$0</b> in transaction costs.
<b>EQUALS</b> Cost of Loan Interests		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 of:  <b>\$900 to \$990<sup>3</sup></b>  <b>What it costs you will depend on the investment option you choose and the fees you negotiate.</b>

1. This amount is based on a reasonable estimate at the date of this PDS of the amounts that will apply for the current financial year (adjusted to reflect a 12-month period) assuming net assets of \$16.29m.

2. This fee is only payable after all fees and costs of the Fund have been paid and all Investors holding the relevant class of Loan Interests have received the Target Income Return.

3. Additional fees may apply:

A retirement fee may be payable to the Responsible Entity if it is asked to retire before the third anniversary of the date of this PDS. Please see Section 8.4 for further information.

#### **8.4 Cost of product for 1 year—Cash Interests**

The cost of product gives a summary calculation about how ongoing annual fees and costs can affect your investment over a 1-year period for all investment options. It is calculated in the manner shown in the Example of annual fees and costs.

The cost of product assumes a balance of \$50,000 at the beginning of the year with a contribution of \$5,000 during the year.

You should use this figure to help compare this product with other products offered by managed investment schemes.

<b>Investment option</b>	<b>Cost of product</b>
Cash Interests	\$525 to \$577.50 <sup>1</sup>

1. The above is on the basis that the amount is held in Cash Interests for a full 1-year period. This is unlikely to occur and it is more likely that amounts would be held in Cash Interest for an average of two weeks per 12 month period.

## 8.5 **Additional explanation of fees and costs**

### (a) **Management fees and costs**

Management fees and costs represent the total investment and administration related costs of operating a Fund. It includes the following fees and costs:

#### **Establishment fee**

The Responsible Entity is entitled to a one-off establishment fee of \$12,470 for its work in establishing the Fund. This fee is payable upon the establishment of the Fund. The Constitution allows the Responsible Entity to recover the establishment fee from the assets of the Fund. However, the Investment Manager has paid this fee.

#### **Responsible Entity fee**

The Responsible Entity is entitled to receive an annual fee for acting as responsible entity of the Fund, which is the greater of—

- A. \$52,000 per annum (+GST) - paid in monthly instalments, or
- B. 0.09% (+GST) per annum of gross assets – paid in monthly instalments.

This fee is calculated and accrues daily and is paid to the Responsible Entity monthly in arrears. The Constitution allows the Responsible Entity to recover the Responsible Entity fee from the assets of the Fund. However, under usual circumstances the Responsible Entity fee will be paid either by the Investment Manager from fees paid by the Borrowers or from interest paid by the Borrower.

The minimum Responsible Entity fee is subject to an annual increase on each anniversary of the date of this PDS of the higher of 3% and CPI.

#### **Operating costs and expenses**

The Fund's operating costs and expenses include, but are not limited to, the following:

- (ii) ASIC fees.
- (iii) Accounting and audit fees of the Fund.

The expenses included in the management costs does not include expenses not generally incurred during the day-to-day operation of the Fund and not necessarily incurred in any given year. Such expenses may be due to abnormal events and include (but are not limited to) the cost of convening and hosting a meeting of Investors, preparing a new offer document for the Fund, legal expenses incurred to comply with laws or commencing or defending legal proceedings.

The Constitution allows the Responsible Entity to pay all costs and expenses properly incurred from the assets of the Fund. Under usual circumstances all costs and expenses will be paid by the Investment Manager from fees paid by the Borrowers or from interest received by the Fund from the Borrowers.

The Responsible Entity estimates the Fund's operating costs and expenses to be 0.18% of the gross value of the Fund in the first financial year annualised (i.e. \$18.00 out of every \$10,000 of the gross value of the Fund's assets).

### **Indirect costs**

Indirect costs are fees, costs, expenses and other amounts which the Responsible Entity estimates will reduce the Fund's returns that are paid from the Fund's assets or the assets of interposed vehicles, which (directly or indirectly) reduce the return of the Fund. Generally, an interposed vehicle is a body, trust, or partnership in which the Fund's assets are invested. These include management fees and costs charged by the Wholesale Trust in which the Fund invests (i.e. the costs of investing in an interposed vehicle), but do not include transaction costs incurred or performance fees charged by the Wholesale Trust. The Wholesale Trustee and the Investment Manager have agreed to waive all fees and costs usually charged at the Wholesale Trust for all amounts invested by the Fund.

Therefore, the Responsible Entity estimates that the Fund will not have any indirect costs.

### **Responsible Entity's removal fee**

The Responsible Entity is entitled to be paid a removal fee if it is replaced as responsible entity during the period ending three years from the date of this PDS (Initial Term). The removal fee will be equal to 50% of the fee the Responsible Entity would have otherwise received for the remaining period of the Initial Term. For example, if the Responsible Entity is removed (other than for cause) after two years from the date of this PDS and would have otherwise been entitled to the minimum annual Responsible Entity fee of \$52,000 per annum (+GST) (increased by the higher of 3% and CPI each year), then the Responsible Entity would be entitled to a removal fee of this amount for the third year.

The removal fee, if payable, is payable from the assets of the Fund.

### **Referral fees paid on investments**

The Investment Manager may, where permitted by law, pay third parties referral fees out of Management Costs for providing the service of introducing you to the Fund.

We may pay third parties referral fees of up to 0.65%pa of the Project Loan Interest amount for all new investments made by investors introduced to the Fund. This amounts to \$65 per year for every \$10,000 that you have invested.

We may pay an upfront referral fee in lieu of an ongoing fee. These amounts will be paid directly by the Investment Manager.

### **(b) Performance fees**

An Interest Return Margin is payable to the Investment Manager of any income of the Fund above the Target Income Returns (net of fund fees and expenses) offered on each Project Loan. This amount is paid from the interest received from Borrowers to the Investment Manager upon the repayment of each Loan or more frequently e.g. quarterly interest payments in accordance with the relevant Loan agreement. It is only payable after all fees and costs of the Fund have been paid and the Investors of the relevant Loan Interest have received the Target Income Returns.



A fee is payable to the Investment Manager from the Wholesale Trust calculated on the same basis as the Interest Return Margin. However, the Investment Manager has agreed to waive this fee at the Wholesale Trust level in respect of amounts invested by the Fund.

(c) **Loan establishment fees paid by Borrowers**

The Investment Manager is entitled to an upfront Loan establishment fee of between 1% and 3% of the Loan amount paid to it by each Borrower at the time a Loan is established. These payments are made outside the Fund.

These amounts may be used to fund an up-front commission paid to a third party who introduces a project loan to the Fund, usually a finance or mortgage broker. Generally, this fee will be 0.50% of the loan amount.

(d) **Additional payments made by the Investment Manager**

We may make product access payments (flat dollar amounts) to the operators of master trusts and wrap accounts who distribute our Fund on their investment menu. We may also provide certain payments or other non-monetary benefits to dealer groups and other financial services licensees to the extent it is permitted under law. All payments and non-monetary benefits referred to herein are funded by the Investment Manager out of our own resources, and these are not an additional cost to you.

(e) **Waiver or deferral of fees**

We may, in our discretion, accept lower fees and expenses than we are entitled to receive, or may defer payment of those fees and expenses for any time. If payment is deferred, then the fee will accrue until paid.

(f) **Differential fees**

We may charge certain sophisticated or professional investors or wholesale clients fees and costs that differ from the amounts outlined in this Section 8, that apply generally to Investors. These fees will be based on individual negotiation with the sophisticated or professional investor or wholesale client. Such negotiated fees will be entirely at our discretion and will be subject to relevant guidelines issued by ASIC.

Any differential fee arrangement will not adversely affect the fees paid or to be paid by any Investor who is not entitled to participate, and, other than where fees are negotiated with wholesale clients, the differential fee arrangement is applied without discrimination to all Investors who satisfy the criteria necessary to receive the benefit of the arrangement.

(g) **Goods and services tax**

Unless otherwise stated, all fees and costs in this Section are quoted inclusive of any GST and net of any reduced input tax credits (RITCs) that are expected to be available to the Fund. Where RITCs are available the Fund may be able to claim a RITC of at least 55% of the GST paid, depending on the precise nature of the expenses. In the event that legislative amendments to the current GST regime have the effect of reducing the ability of the Fund to claim input tax credits on some of these management fees and costs, management fees may increase. Again, the Responsible Entity will give you at least 30 days' written notice of any change to the fees payable.

## 9. Investing, transferring and redeeming interests

### 9.1 Valuing your Cash Interest and Loan Interests

An Investor can view the balance of their Cash Interest and Loan Interests at any time through their Investor Dashboard on the CrowdProperty Platform.

#### Cash Interests

The value of your Cash Interest will be calculated based on the following:

- The amount of Application money transferred by the Investor and any additional contributions made
- Any amount Pledged to fund a Loan prior to the issue of the Loan Interest referable to that Loan
- The amount of money receipted if electing to reinvest the capital and income (net of fees and expenses) paid upon completion of a Loan
- Any deductions for fees and expenses referable to the Cash Interest (see Section 8 for more detail)

#### Loan Interests

The value of your Loan Interest referable to a Loan will be calculated based on your proportionate share of the following:

- The total amount used to fund a Loan
- The total interest earned on any Loan
- Any deductions for fees and expenses referable to the Loan Interests (see Section 8 for more detail)

The capital value of an Investor's Loan Interest is calculated by dividing the amount the Investor Pledged and was used to settle a Loan by the total amount Pledged and used to fund a Loan.

For example, if Investor A Pledged \$50,000 to fund a Loan and all of it was used to fund the loan and the total amount Pledged and used to fund the Loan was \$250,000, then Investor A's proportional share of the capital amount referable to that class of Loan Interests would be 0.2 (or 20%).

Generally, the capital value of an Investor's Loan Interest will not change, unless the value of the relevant Loan is written down due to failure by the Borrower to repay the loan and a fall in the value of the security property. The value may also fall if the income of the Trust is not sufficient to cover its fees and expenses.

#### Managing Errors

Please note in the event of an error in the value of an Investor's Cash Interest or Loan Interests resulting in an overpayment to the Investor, the RE has the right to deduct the value of any overpayment from either distributions or withdrawals, at its discretion, otherwise owed to Investors.

In the event that the RE is unable to recover any amount of overpayment from an Investor, the Trustee may deduct the amount from the value of the Cash Interest and Loan Interests.

## 9.2 **How to invest**

**The first step** is for Investors to register their interest at [www.crowdproperty.com.au](http://www.crowdproperty.com.au).

By registering, you will have the opportunity to start viewing the Projects Loans available on the Platform. However, you will not be able to invest in a Loan until you have completed the steps below.

**To invest, you will need to follow these steps:**

1. If you wish for your adviser or CrowdProperty to complete the application forms on your behalf, then you will need to complete the Limited Power of Attorney at the beginning of the application process.
2. Follow the steps to complete the Application Forms online at [www.crowdproperty.com.au](http://www.crowdproperty.com.au), including your ID Verification/AML/CTF and Accountant's Certificate (as a Wholesale Client).
3. The information you provide to us online will be used to pre-populate the application forms.
4. Your application will be reviewed by the Investment Manager and you will be notified whether there are any remaining documents to be provided. This process may take up to 10 business days to complete. You will be notified once your application documents have been approved.
5. On acceptance of your Application, you will be issued with a Cash Interest and the RE will open an account for you. The value of your Cash Interest will be shown in your Dashboard.

**You are now ready to make a pledge to a Loan**

6. To Pledge, from your Dashboard, choose the Loan you want to invest in on the Platform
7. Download the Term Sheet for the Loan, available on the Platform
8. Complete the acceptance form at the back of the Term Sheet, confirming your "Pledge" amount – being the amount you want to invest in the Loan Interest referable to the Loan
9. Once a Pledge is made, Investors will be advised of when they are required to provide the Pledged funds, generally within a 1 to 4 week period. If Investors do not already hold sufficient funds in their account, they can transfer additional monies to their account increasing the value of their Cash Interest.
10. The RE will invest in loan interests issued by the Wholesale Trust.
11. The Wholesale Trustee will execute loan and security documentation with the Borrower.
12. On settlement of the Loan to the Borrower, the amount Pledged will be deducted from the Investors' accounts and used to acquire Loan Interests referable to the Loan. These details will be communicated to Investors via their Dashboard.

If the Loan is not funded, Investors will have the option of withdrawing their funds from their account or Pledge to invest in another Loan. If the shortfall is a relatively small amount, the Investment Manager may negotiate new terms with the Borrower. In this case, we would notify the

Investors who made pledges to the original Loan, and seek their interest in investing in a renegotiated loan.

### ***Terms of an Application***

A completed Application constitutes an offer by the applicant for Interests in the Wholesale Trust subject to the terms and conditions set out in this document and the Trust Deed for the Wholesale Trust.

If the Application Form is not completed correctly or if the payment of the application monies is for the wrong amount, the Application may still be treated as a valid Application at the sole discretion of the RE. However, where the payment is for less than the original investment applied for, the Application will be deemed to be for the lesser amount.

The RE may, in its absolute discretion, reject in whole or in part any Application. The RE need not give any reason for rejection. In exceptional circumstances, where it is considered to be in the best interest of Investors, the processing of all Applications may be suspended. If this occurs, your Application will be processed using the next available date where Interests are issued.

No interest will be paid to any Investor whose Application (or part of an Application) is returned unfilled.

Any interest earned on Application monies, prior to those monies being transferred to the Member's Account and a Cash Interest being issued, will be used to pay for any bank fees, and any surplus funds will be retained by the RE.

Investors will not earn interest on their Cash Interest.

### **9.3 *Cooling off period***

As the Fund is not 'liquid' (as defined in the Corporations Act), no cooling off period will apply.

### **9.4 *Withdrawals***

The Responsible Entity has received relief from ASIC in respect of the application of the withdrawal provision under the Corporations Act to Cash Interests. This relief allows Cash Interests to be withdrawn in certain circumstances when the Fund is illiquid (as defined in the Corporations Act) without the need for a withdrawal offer from the Responsible Entity.

Cash Interests can be withdrawn in full or in part at any time by providing a withdrawal request to the Responsible Entity. The withdrawal request is to be lodged through the Investor's dashboard on the Platform. Unless the Responsible Entity otherwise notifies an Investor, a withdrawal request in respect of a Cash Interest will be satisfied within 5 Business Days of the Responsible Entity receiving a properly completed withdrawal request.

If an Investor requests a withdrawal which exceeds the value of their Cash Interest, then the Responsible Entity will treat that request as being for the value of the Investor's Cash Interest.

Cash Interests will not be cancelled even where the full value of the Cash Interest is withdrawn, unless otherwise requested by the Investor.

The Responsible Entity has the right to suspend withdrawal of Cash Interests at any time in certain circumstances, including where it is not in the best interests of Investors for withdrawals to be made.

Investors have no right to withdraw Loan Interests.

## **9.5 Distributions**

The Fund does not intend to make distributions on the Cash Interests. However, the Responsible Entity retains the right to make an annual distribution at the Responsible Entity's discretion in accordance with the Constitution.

Where the Responsible Entity determines to make a distribution, Investors will receive a pro-rata portion of the income referable to the Cash Interests. An Investor's pro-rata portion is calculated based on the value of the Investor's Cash Interests and the value of all Cash Interests on issue in the Fund.

Distributions payable in connection with Loan Interests will be set out in the Term Sheet.

Any interest earned on a Loan (less fees and costs) will be paid to Investors that hold a Loan Interest referable to that Loan after repayment of the Loan by the Borrower.

Distributions referable to a Loan will generally be made within 10 business days after repayment by the Borrower.

The Target Income Returns for any Loan Interest referable to a Loan will be detailed in the relevant Term Sheet.

An Investor will have the option on the Application Form to select to reinvest the distributions from Loan Interests, in which case the amount will be credited to the Member's Account and will increase the value of their Cash Interest, after which they can pledge to invest in further Loans. If an Investor does not choose to reinvest, then any distributions payable from Loan Interests will be paid to their nominated bank account upon repayment of a Loan by a Borrower. Investors can change the method of payment at any time by logging into their Dashboard and making a change to method of distribution of capital and/or interest.

## **9.6 Borrowing**

The Fund will not Borrow. The Wholesale Trust will also not borrow.

## 10. Taxation information

The following information summarises some of the taxation and stamp duty issues you should consider before making an investment. The information is intended for use by Investors who hold Interests in the Fund on capital account and who are not considered to be carrying on a business of investing, trading in investments or investing for the purpose of profit making by sale. It should be used as a guide only and does not constitute professional tax advice as individual circumstances may differ.

The taxation of a Fund such as the CrowdProperty Retail Investment Trust can be complex and may change over time. The comments below are current as at the date of preparation of this PDS.

Investors should be aware that the ultimate interpretation of taxation and stamp duty law rests with the Courts and that the law, and the way that the Federal Commissioner of Taxation or a Commission of State Revenue administers the law, may change at any time.

**Please consult your tax adviser about the specific implications relevant to your situation before making any investment decision.**

This summary only deals with the Australian tax and stamp duty considerations of potential investors and does not deal with tax consequences in relation to other jurisdictions.

The following has been prepared on the assumption that:

- all investors will hold the Interests on capital account and not on revenue account;
- the Fund will qualify as a managed investment trust (MIT) within the meaning of section 12-400 to Schedule 1 of the Taxation Administration Act 1953;
- the Fund is not a corporate unit trust under Division 6B of the Income Tax Assessment Act 1936 or a public trading trust under Division 6C of the Income Tax Assessment Act 1936;
- the Responsible Entity for the Fund will limit the Fund's activities to undertaking or controlling entities that undertake "eligible investment business" for Australian tax purposes;
- investors that are Australian residents do not hold their Interests through an offshore permanent establishment; and
- Investors that are foreign residents do not hold their Interests through an Australian permanent establishment.

### A. Tax position of the Fund

#### General

The Fund is an Australian resident trust for Australian tax purposes. Although the Fund holds authorised investments, it is intended that the Responsible Entity will use its best endeavours to limit its activities to undertaking or controlling entities that undertake 'eligible investment businesses' as described in section 102M of the Income Tax Assessment Act 1936, as amended in order to ensure that the Fund is not a 'trading trust', and so should not be taxed as a company (refer to "Risks" in section 7).

Generally, no Australian income tax will be payable by the Responsible Entity on behalf of the Fund on the basis that the Investors in the Fund are presently entitled to all of the distributable income of the Fund for each income year or where the Fund is an Attribution Managed Investment Trust ('AMIT') (refer to "AMIT Regime" in section 10E), Investors are attributed with all net taxable income each year (as relevant) assuming that the Fund is not a public trading trust.

In the case where the Fund makes a loss for Australian tax purposes, the Fund cannot distribute the loss to Investors in the Fund. However, subject to the Fund meeting certain conditions, the Fund may be able to recoup such losses against assessable income of the Fund in subsequent income years.

### Tax reform

Reforms to the taxation of trusts are generally ongoing. The Responsible Entity will continue to monitor the progress of such developments and the impact on the Fund. However, given these developments may impact on the tax positions of the Fund and its Investors, it is strongly recommended that investors seek their own professional advice in relation to the potential impact of any reforms on their tax position.

### Tax File Number (TFN) and Australian Business Number (ABN) withholding

It is not compulsory for an Investor to quote their TFN or ABN to the Responsible Entity when acquiring Interests. If an Investor is making this investment in the course of a business or enterprise, the Investor may quote an ABN instead of a TFN. Failure by an Investor to quote an ABN or TFN or claim an exemption may cause the Responsible Entity to withhold tax at the top marginal rate, which is currently 47% on distributions of income to the Investor. The Investor may be able to claim a credit in their tax return for any TFN or ABN tax withheld.

### B. Tax position of Australian resident Investors

Investors should include in their assessable income their share of the Fund's net taxable income, calculated by reference to the portion of the Fund's trust income to which they are presently entitled to it. Alternatively, where the Fund is an AMIT, you include the net taxable income attributed to you for a particular year in your tax return.

### Distributions

Investors in the Fund will be provided with an annual distribution and taxation statement (generally in July each year) indicating the components of their distribution (or reinvestment), and any taxes withheld or deducted. Where the Fund is an AMIT, Investors will be provided with an AMIT Member Annual Statement ('AMMA Statement') indicating the components attributed.

Distributions, reinvestments (or attributed amounts) from the Fund may include various components, the taxation treatment of which may differ. For example, in addition to investment income such as foreign income, distributions from the Fund may include a tax deferred component, a CGT concession component, as well as net capital gains (of which some part may be discount capital gains).

Any capital gains distributed (or attributed) by the Fund should be included in the calculation of your net capital gain or loss. In performing this calculation, any discounted capital gains distributed (or attributed) by the Fund should be 'grossed up' for the CGT concession component (i.e. the amount of discounted capital gains should be doubled). You may apply again the capital gain any current or prior year capital losses. You should then determine whether you are eligible to apply a CGT discount in respect of the remaining net capital gain (refer below under "Withdrawal and disposal of Interests").

Tax deferred distributions are generally distributions in excess of net taxable income (other than any CGT concession component). For CGT purposes, amounts of tax deferred distributions received from the Fund reduce the cost base of your Interests in the Fund and therefore increases your capital gain or reduces your capital loss on disposal of those Interests. Tax deferred distributions are generally not assessable to you unless the total tax deferred amount received from the Fund exceeds the cost base of your Interests, at which point the excess is treated as a capital gain.

The Government has announced amendments to legislation to apply from the 2017 – 2018 income year providing that where discount capital gains are offset by capital losses of a trust, a distribution of a CGT concession component can result in a reduction in the cost base of Interests held by Investors.

The distribution of tax deferred amount or a CGT concession component may be treated differently under AMIT (refer to “AMIT Regime” in section 10E).

#### Withdrawals and disposal of Interests

If you withdraw or transfer Interests in the Fund, this may constitute a disposal for tax purposes. Investors should include any realised capital gain or loss on disposal of their Interests in the Fund (together with any capital gains distributed or attributed by the Fund) in the calculation of their net capital gain or loss. A net capital gain will be included in assessable income. A net capital loss may only be offset against capital gains. If Investors do not have any capital gains, the capital loss may be carried forward for offset against capital gains of subsequent years but may not be offset against ordinary income.

In calculating the taxable amount of a capital gain, a discount of one half for individuals and trusts or one third for complying superannuation entities may be allowed where Interests in the Fund have been held for 12 months or more.

The calculation of an Investor’s capital gain or loss may also be affected by any tax deferred distributions made by the Fund (refer above). In addition, where the Fund is an Attribution Managed Investment Trust, the Investor’s cost base of Interests can also be increased in certain circumstances for the purposes of calculating a capital gain or loss (refer to “AMIT Regime” in section 10E).

Where Interests are held as part of a business of investing or for the purpose of profit making by sale, gains realised may constitute ordinary income and losses realised may constitute allowable deductions.

#### C. Tax position of non- resident Investors

Appropriate deductions of Australian withholding tax will be made from distributions (or amounts attributed) of certain Australian sourced income and gains to non- resident Investors. Non-resident investors may also be subject to tax on distributions in their country of residence (for tax purposes) and may be entitled to foreign tax credits under the tax laws of the relevant country.

It is expected that non-residents should generally not be subject to Australian income tax on any capital gains made on the disposal of Interests in the Fund.

Broadly, a non-resident Investor in the Fund will be subject to income tax on any capital gains made on the disposal of Interests if they, together with any associates, hold or had an option or right to hold 10% or more of the Interests in the Fund at the time of disposal or throughout a period of 12 months during the two years prior to disposal, and the majority of the Fund’s assets comprise taxable Australian real property.

In this regard, it is not expected that the Fund will hold taxable Australian real property.

A non-resident may also be subject to income tax on any capital gains made where the Interests in the Fund have been held as part of the carrying on of a business through a permanent establishment in Australia.

However, if the non-resident holds their Interests as part of a business of investing or for the purpose of profit making by sale, gains may be subject to Australian tax as ordinary income, subject to any treaty relief.

We recommend that non-resident investors consult their tax adviser regarding their tax implications, including the tax implications in the country in which they are resident for tax purposes.

#### D. Taxation of Financial Arrangements

The taxation of financial arrangements (‘TOFA’) regime broadly contain rules that cover tax timing treatments for financial arrangements. There are a number of exclusions from TOFA. Investors should



seek their own advice as to the possible application of the TOFA regime to their investment in the Fund.

#### E. AMIT Regime

An AMIT, in broad terms, is a managed investment trust (MIT) whose unitholders have clearly defined interests in relation to the income and capital of the trust and the trustee or responsible entity of the MIT has made an irrevocable election to apply the regime.

Quay as the responsible entity may make the election for the Fund to operate as an AMIT.

The AMIT rules contain several provisions that will impact on the taxation treatment of the Fund. The key features of the new tax system will include:

- an attribution model for determining member tax liabilities, which also allows amounts to retain their tax character as they flow through a MIT to its unit holders;
- the ability to carry forward understatements and overstatements of taxable income, instead of re-issuing investor statements;
- deemed fixed trust treatment under the income tax law;
- upwards cost base adjustments to Interests to address double taxation; and
- legislative certainty about the treatment of tax deferred distributions.

Reforms to the taxation of trusts are generally ongoing. Investors should seek their own advice and monitor the progress of announcements and proposed legislative changes on the potential impact.

#### F. Risks

The Fund is a “trading trust”.

The income tax implications set out in this section (Taxation) is on the assumption that the Responsible Entity for the Fund will limit the Fund’s activities to undertaking or controlling entities that undertake “eligible investment business” for Australian tax purposes (i.e. it is not a trading trust as defined in Division 6C of the Income Tax Assessment Act 1936).

In broad terms, the Fund should not be carrying on a trading business if it limits its activities to the following:

- (i) investing in land for the primary purpose of deriving rent; and/or
- (ii) investing or trading in loans, shares, Interests, life assurance policies, derivatives and similar financial instruments or financial instruments that arise, subject to certain exceptions, under financial arrangements.

The investment strategy of the Fund is to minimise the impact of the trading trust provisions applying to the Fund but this will ultimately depend on the terms of the investments made by the Fund.

If in fact the Fund qualifies as a trading trust, the income tax implications for the Fund may differ from that set out earlier in this section (Taxation). In particular, the Fund may not be treated as tax transparent and may be taxed as a company at the corporate rate of 30% of its net income. If this is the case, the Fund should not qualify as a MIT or AMIT.

#### G. Goods and Services Tax

Goods and Services Tax ('GST') should not be payable on your investment(s) in the Fund. GST will apply to the fees and costs charged to the Fund. However, in respect of some of these fees, the Fund will usually be entitled to reduced input tax credits.

The costs and fees payable in relation to your investment(s) in any of the Fund as stated in this PDS are inclusive of GST. GST will not be applicable to the buy sell spread payable (if applicable) in relation to the Fund.

#### H. Stamp Duty

Stamp duty should not be payable on your investment(s) in the Fund.

## **11. Additional Information**

### **11.1 Constitution**

The Fund was established under the Constitution dated 15 July 2022, replaced by deed dated 31 January 2023, as further amended from time to time. The Constitution, together with the Corporations Act, determines our relationship with Investors. They set out the legal rights, duties and obligations of the Responsible Entity and Investors and include—

- (a) the rights, interests and liabilities of members
- (b) the duties and obligations of the Responsible Entity
- (c) investment, valuation and borrowing powers of the Responsible Entity
- (d) the indemnity available to the Responsible Entity out of the assets of the Fund
- (e) fees and recoverable expenses
- (f) issue of interests (and classes of interests) and withdrawal procedures
- (g) convening and conducting of member meetings
- (h) the duration and termination of the Fund
- (i) when the Responsible Entity can retire or when it is removed as responsible entity of the Fund, and
- (j) the rights of members to distributions.

Each Interest represents an equal undivided fractional beneficial interest in the assets of the Fund subject to liabilities but does not give you an interest in any particular property of the Fund.

We may vary the Constitution if we reasonably believe the variation does not adversely affect Investors' rights. Otherwise, the variation must be approved by 75% of votes cast by Investors entitled to vote on the resolution.

If you invest in the Fund, you agree to be bound by the terms of the Constitution.

This PDS contains only a summary of some of these provisions and should, in this respect, be seen only as a guide. The Constitution has been lodged with ASIC and can be inspected at the business office of the Responsible Entity during business hours or we will send you a copy free of charge upon request.

### **11.2 Compliance Plan**

The Responsible Entity has a compliance plan for the Fund lodged with ASIC. The compliance plan describes the procedures used by the Responsible Entity to ensure it complies with the Corporations Act and Constitution, in the operation of the Fund.

### **11.3 Investment Management Agreement**

The Investment Management Agreement is an agreement between the Responsible Entity and the Investment Manager, which governs the role of the Investment Manager in administering the Fund and providing other services to us in relation to the Fund.

The Investment Management Agreement contains provisions dealing with matters such as the Investment Manager's obligations to report to the Responsible Entity.

The Investment Management Agreement will remain in force until the Fund is wound up, unless the agreement is terminated earlier in accordance with its provisions.

The Agreement can be terminated by the Responsible Entity if the Investment Manager is in material breach of the agreement, and that breach has not been remedied after a certain time. There are also provisions allowing the Responsible Entity to terminate if, for example, the Investment Manager becomes insolvent.

#### **11.4 Custody Agreement**

The Responsible Entity has appointed Certane CT Pty Ltd as the Custodian of the Fund. The role of the Custodian is to hold the assets of the Fund (and title to the assets) on trust.

The Custody Agreement contains provisions which limit the Custodian's liability to direct loss resulting from the fraud, wilful default or negligence of the Custodian. The quantum of the Custodian's liability is also limited.

The Custodian is an agent of the Responsible Entity and may only act in accordance with the terms of the Custody Agreement. The Custodian has no liability to Investors. The Custodian does not guarantee the repayment of capital or performance of the Fund.

#### **11.5 Reporting**

It is not expected the Fund will be a disclosing entity. However, if the Fund become a disclosing entity then it will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from ASIC. Investors have a right to obtain a copy of the following documents, that are accessible via the Platform:

- (a) The annual financial report for the Fund most recently lodged with ASIC.
- (b) Any half-year financial report for the Fund lodged with ASIC.
- (c) Any continuous disclosure notices for the Fund given to ASIC.

If the Fund becomes a disclosing entity, then the Responsible Entity will meet its continuous disclosure requirements by way of website disclosure which complies with ASIC's good practice guidance and accords with industry best practice.

Even where the Fund is not a disclosing entity, the Responsible Entity will make available to Investors via the Investor Portal the following reports:

- (a) Distribution statements or statements of account and transaction summaries.
- (b) Investment and withdrawal notices (for all account movements).
- (c) Annual tax statements and annual periodic statements.
- (d) Other information that may be shared with you via post or electronically.

Investors may also use the Platform to keep track of the value of Interests, current information on the Loans and other important information about the Fund, including updated ASIC Regulatory Guide 45 disclosures.

#### **11.6 *Related party transactions and conflicts of interest—Responsible Entity***

In our position as Responsible Entity of the Fund, we may from time-to-time face conflicts between our duties as Responsible Entity, our duties to other funds we manage and our own interests. We will manage any conflicts in accordance with the Corporations Act, the Constitution, ASIC policy, our conflicts of interest policy, and the law.

The Investment Manager is not a related party of the Responsible Entity. The contractual arrangements between the Responsible Entity and the Investment Manager are considered to be on commercial, arms' length terms.

The trustee of the Wholesale Trust is a related party of the Responsible Entity. Whilst the Fund will generally invest in loans through the Wholesale Trust, the loans invested in will not be made to related parties of the Responsible Entity or Investment Manager. The Fund's investment into the Wholesale Trust will be on the same terms as all other investors in the Wholesale Trust, except that the fees and costs will be waived.

We may from time to time enter into other transactions with other related entities. All transactions will be affected at market rates or at no charge, and in accordance with the Corporations Act.

We and the Investment Manager have policies on proposed or potential related party transactions to ensure that any actual or potential conflicts of interest are identified and appropriately dealt with. Copies of our policy on related party transactions are available on request. Compliance with the policies are monitored by the directors of the Responsible Entity.

#### **11.7 *Change of responsible entity***

A change of responsible entity for the Fund requires Investors to pass an extraordinary resolution to give effect to the replacement. An extraordinary resolution must be passed by at least 50% of the total votes that may be cast by Investors entitled to vote (including Investors who are not present in person or by proxy).

#### **11.8 *Indemnity***

The Responsible Entity is indemnified out of the Fund against all liabilities incurred by it in properly performing or exercising any of its powers in the proper performance of its duties in relation to the Fund. This indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity. Subject to the law, the Responsible Entity may retain or pay out from the assets of the Fund any sum necessary to affect such an indemnity.

#### **11.9 *Privacy***

The Responsible Entity collects personal information about you from your Application Form. The Responsible Entity uses this information primarily so they can verify your identity and establish your investment in the Fund. The Responsible Entity will also collect and may use and disclose your personal information to process your application and manage your investment, comply with our obligations under applicable laws and regulations and improve our products and services. The Responsible Entity may also use your information to provide you with details of future investment offers made by us or the Investment Manager.

If you do not provide the Responsible Entity with all the personal information they request, then the Responsible Entity may be unable to establish and manage your investment in the Fund. The types of organisations to which the Responsible Entity may disclose your personal

information include the Investment Manager and its related parties, external parties which provide services in relation to the Fund (e.g., custodial and registry service providers and providers of printing and postal services), government authorities when, and to the extent, required by law, and our professional advisors (including legal and accounting firms, auditors, consultants and other advisors).

Under the Privacy Act 1988 (Cth), you are entitled to access the personal information the Responsible Entity holds about you, except in limited circumstances. You also have the right to ask us to correct information about you which is inaccurate, incomplete or out of date.

Please contact the Responsible Entity if you have any questions about how they handle your personal information, or if you wish to access the personal information they hold about you.

In addition, the Custodian may collect your personal information for primarily purpose of providing custodial services to the Fund and for ancillary purposes detailed in the Privacy Policy. The Custodian may disclose your personal information, such as, your name and contact details, along with your account information to its related bodies corporate, the Responsible Entity, Investment Manager, professional advisers, the land titles office and/or as otherwise instructed by the Investment Manager. The Custodian also permitted to collect and disclose your personal information when required or authorised to do so by law. The Custodian is not likely to disclose your personal information to overseas recipients. Your personal information will be used in accordance with the Custodian's Privacy Policy. The Privacy Policy contains information about how you may access or correct your personal information held by the Custodian and how you may complain about a breach of the Australian Privacy Principles. You may obtain a copy of the Custodian's Privacy Policy at <https://cdn.trusteecloud.com/66460bcf-423f-45d1-9c38-397277dbcc30/privacy-policy>

#### **11.10 *Anti-Money Laundering Law***

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) requires us to verify the identity of an Investor and any underlying beneficial owner of Interests in the Fund and the source of any payment. You will be required to provide the identification information set out in the Application Form. The Responsible Entity will not issue you with Interests unless satisfactory identification documents are provided.

The Responsible Entity reserves the right to reject any application where such documents are not provided to us prior to, or accompanying, your application or if they believe on reasonable grounds that processing the application may breach any law in Australia or any other country. The Responsible Entity will incur no liability to you if they do so.

#### **11.11 *Complaints and contacting us***

The Constitution contains provisions governing the procedures for dealing with complaints by Investors. The Responsible Entity has procedures in place to properly consider and deal with any complaints received from Investors.

If you have a complaint, you can make your complaint by contacting us as follows:

Phone	1300 114 980
Email	enquiries@quayfund.com.au
In writing	The Complaints Officer Quay Fund Services Ltd Suite 3701, Level 37, 1 Macquarie Place, Sydney NSW 2000

The Complaints Handling Officer will, on behalf of the Responsible Entity, ensure your complaint is acknowledged in writing immediately or as soon as practicable, and will ensure that it receives proper consideration. Where possible, the Responsible Entity will attempt to resolve a complaint at the first point of contact.

If this is not possible, then the complainant will be notified that their complaint is being investigated and advised of the revised expected resolution date. Within 30 days of receiving the complaint, the Responsible Entity is required to communicate to the complainant its final proposal for resolution. If resolution of the complaint is not possible within 30 days, then the Responsible Entity will give you an update on the status of your complaint, reasons for the delay and your further rights regarding your complaint.

The Responsible Entity is also a member (no. 40628) of the Australian Financial Complaints Authority (AFCA), an external complaints resolution service that has been approved by ASIC. If you are dissatisfied with our response, then you may raise the matter with AFCA.

AFCA's contact details are as follows:

Australian Financial Complaints Authority

Phone	1800 931 678 (free call)
Email	info@afca.org.au
In writing	GPO Box 3 Melbourne VIC 3001
Website	<a href="https://www.afca.org.au">https://www.afca.org.au</a>

#### 11.12 ***Ethical considerations, labour standards and environmental impact***

Whilst we and the Investment Manager intend to operate the Fund in an ethical and sound manner, the Fund's investment criteria does not include giving additional weight to labour standards, environmental, social or ethical considerations.

#### 11.13 ***Consents***

Each of the parties referred to below has given and, at the date of this PDS, has not withdrawn its consent to be named in this PDS in the capacity in which it is named and to the inclusion of the statements made about it in the form and context in which they appear:

- (a) Investment Manager—CrowdProperty Pty Ltd.
- (b) Custodian—Certane CT Pty Ltd.

The Custodian has not otherwise been involved in the preparation of this PDS and has not caused or otherwise authorised the issue of this PDS. The Custodian and its employees and officers do not accept any responsibility arising in any way for errors or omissions from this PDS, other than in relation to the statements for which they have each provided their consent.



## 12. Glossary

AFSL	Australian financial services licence.
Applicant	A person who has completed and lodged with the Responsible Entity an Application Form included in or accompanied by this PDS and has paid the Application Money for Cash Interests.
Application Form	An application made by an Applicant on a duly completed application form included in or accompanied by this PDS.
Application Money	The money paid by an Applicant for Cash Interest.
ASIC	The Australian Securities and Investments Commission.
Borrower	The recipient of a Loan.
Business Day	A day on which banks are open for business in Sydney, New South Wales, except a Saturday, Sunday or public holiday.
Cash Interest	A Cash Interest in the Fund.
Constitution	The document establishing the Fund dated 15 July 2022, as amended from time to time.
Corporations Act	Corporations Act 2001 (Cth) for the time being in force together with the regulations of the Corporations Act.
Custodian	Certane CT Pty Ltd ACN 106 424 088, Australian Financial Services Licence number 258829.
Interest	A Cash Interest or a Loan Interest.
Investment Management Agreement	The investment management agreement between the Responsible Entity and the Investment Manager dated 2 February 2023.
Investor	A person who holds an Interest.
Investment Manager	CrowdProperty Pty Ltd ACN 633 516 195, authorised representative (no. 001285637) of Quay.
Loan	A Loan made or to be made, either directly or indirectly through the Wholesale Trust, by the Fund.
Loan Interest	An interest in the Fund referable to a Loan.
Member Account	The Member Account is where an Investor's money is held either: <ul style="list-style-type: none"><li>– prior to "pledging" to invest in a Loan;</li><li>– After pledging to a Loan and immediately prior to funds being made available to the Borrower; or</li></ul>

	<ul style="list-style-type: none"> <li>– if choosing the re-investment option, upon repayment of the Loan pending their decision to pledge further money to a different Loan</li> </ul>
Offer	The invitation to apply to subscribe for Cash Interests under this PDS.
PDS	This PDS dated 10 February 2023 or any supplementary or replacement PDS or other disclosure document issued in respect of the Fund as defined in the Corporations Act.
Platform	The marketplace lending platform through which the Fund is operated, available at <a href="http://www.crowdproperty.com.au">www.crowdproperty.com.au</a> .
Registrar	CrowdProperty Pty Ltd.
Responsible Entity	Quay Fund Services Ltd ACN 616 465 671 AFSL 494886.
Retail Client	Has the meaning given to that term in the Corporations Act.
Target Income Return	The Target Income Return is the capped return that will be paid to Investors holding a Loan Interest. The Target Income Return for each class of Loan Interest will be specified in the Term Sheet.
Term Sheet	The supplementary product disclosure statement containing an invitation to apply for a class of Loan Interests.
Wholesale Trust	CrowdProperty Investment Trust.
Wholesale Trustee	Quay Wholesale Fund Services Pty Ltd ACN 647 044 602.