



ARSN 089 601 052

BENCHMARK DISCLOSURE

1.2 ASIC benchmarks and disclosure principles

ASIC has developed eight benchmarks and disclosure principles for unlisted mortgage schemes which have, or are likely to have, at least 50% of their non-cash assets invested in loans that are secured by a mortgage over real property and/or unlisted mortgage schemes. These benchmarks and disclosure principles are set out in ASIC Regulatory Guide 45: Mortgage schemes – improving disclosure for retail investors.

The benchmarks and disclosure principles are designed to help retail investors to understand the risks, assess the potential rewards and to make an informed investment decision.

The following sections contain the benchmark disclosure and disclosure principles for each of the Funds.

For the purpose of keeping you informed about any material changes to the benchmark and disclosure principles in this section we will periodically (usually half-yearly) provide upon updates on this information on our website www.shsl.com.au. For those investors who cannot access our websites, you can request a paper copy of an updated benchmark and disclosure principle report to be given to you (free of charge) by contacting us using the details in the Corporate Directory.

This benchmark disclosure is current as at 30 June 2022.

Waratah Select Mortgage Fund

Benchmark	Compliance / Disclosure	PDS Reference
Benchmark 1: Liquidity The responsible entity should have cash flow estimates for the scheme that:	Yes	Sections 2.2, 2.5 and 5.3

Benchmark	Compliance / Disclosure	PDS Reference
(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.		
Benchmark 2: Fund borrowing The responsible entity on behalf of the scheme does not borrow money or use credit facilities for any purpose.	Yes	N/A
Benchmark 3: Portfolio diversification The pooled mortgage scheme should disclose: (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).	Benchmark not met. The Waratah Fund meets benchmark items (a) and (d) opposite including that all loans are secured by first mortgages. The Waratah Fund does not meet benchmark items (b) or (c) opposite.	Section 2.3
Benchmark 4: Related party transactions The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.	Yes	Section 2.12
Benchmark 5: Valuation policy In relation to valuations of mortgage assets and their security property, the board of the responsible entity requires: (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; (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.	Benchmark is not met. SHSL meets benchmark items (a) and (b). SHSL does not meet benchmark items (c) or (d), However, SHSL has a panel of valuers and requires each valuer to confirm that no conflicts of interest. SHSL complies with benchmark item (e) other than the requirement for a fresh valuation to be obtained when an existing loan is renewed. SHSL may (at its discretion) obtain an agent appraisal instead of a formal valuation, particularly where in the opinion of SHSL the value of the security property has not decreased since	Section 2.7

Benchmark	Compliance / Disclosure	PDS Reference
	the last formal valuation.	
<p>Benchmark 6: Lending principles – loan-to-valuation ratios</p> <p>If the scheme directly holds mortgage assets:</p> <p>(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;</p> <p>(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</p> <p>(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.</p>	Yes	Section 2.4
<p>Benchmark 7: Distribution practices</p> <p>The responsible entity will not pay current distributions from a scheme’s borrowings.</p>	Yes	Section 2.2
<p>Benchmark 8: Withdrawal arrangements Liquid schemes</p> <p>For liquid schemes:</p> <p>(a) the maximum period allowed for in the constitution for the payment of withdrawal requests is 90 days or less;</p> <p>(b) the responsible entity will pay withdrawal requests within the period allowed for in the constitution; and</p> <p>(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:</p> <p>(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</p> <p>(ii) assets of the scheme that the responsible entity can reasonably expect to realise for market value within 10 business days.</p>	<p>Benchmark not met.</p> <p>The Waratah Fund meets benchmark item (b) opposite but does not meet benchmark items (a) or (c) opposite.</p> <p>Investments in the Waratah Fund are for fixed terms. An investor is not entitled to withdraw during their fixed term without our consent and subject to paying an early withdrawal fee.</p> <p>The constitution allows SHSL up to 180 days (and in certain circumstances 365 days) from the end of the investment term to satisfy withdrawal requests.</p> <p>In the event due to a lack of available cash, SHSL is unable to meet withdrawal requests within this period the Fund would be considered a non-liquid managed investment scheme and withdrawal offers would be undertaken on a periodic basis.</p>	Section 2.2