



WARATAH
SELECT MORTGAGE FUND

ARSN 089 601 052



SYDNEY
DEVELOPMENT FUND

ARSN 159 243 820

PRODUCT DISCLOSURE STATEMENT



SHAKESPEARE HANEY
SECURITIES LIMITED

RESPONSIBLE ENTITY AND ISSUER

ABN 23 087 435 783 – AFSL NO. 226348

Corporate directory

Responsible Entity

Shakespeare Haney Securities Limited
ACN 087 435 783
AFSL No. 226348

Office

Level 11
50 Cavill Avenue
Surfers Paradise Qld 4217
Freecall 1800 644 805
Tel 07 5538 6766
Fax 07 5538 6934
Email admin@shsl.com.au

Postal Address

PO Box 1242
Surfers Paradise Qld 4217

Directors of Shakespeare Haney Securities Limited

Thomas John Haney
David John Williams
Nicholas Haney

Custodian of the Waratah Select Mortgage Fund

The Trust Company (Australia) Limited
AFSL No. 235145
Level 18 Angel Place
123 Pitt Street
Sydney NSW 2000

Auditor of Shakespeare Haney Securities Limited, the Waratah Select Mortgage Fund and the Sydney Development Fund

KPMG
Corporate Centre One
Cnr Bundall Road & Slatyer Avenue
Bundall Qld 4217

Lawyers for Shakespeare Haney Securities Limited

McCullough Robertson Lawyers
Central Plaza Two
66 Eagle Street
Brisbane Qld 4000

IMPORTANT INFORMATION

- You should read this entire Product Disclosure Statement ('PDS'). Neither Shakespeare Haney Securities Limited ('SHSL' 'us', 'we', 'our'), its directors, officers or employees warrant this investment meets your needs. Financial advice is not being provided and your financial needs have not been taken into account. Accordingly, you are encouraged to discuss any investment with your financial adviser, before investing. Keep this PDS for your records.
- This PDS is dated 28 October 2022 and relates to units in the Waratah Select Mortgage Fund ('Waratah Fund') and units in the Sydney Development Fund ('Sydney Fund') collectively referred to as the Funds. This PDS is only intended for you if you are within Australia when you receive it. No offer or invitation is made by this PDS, directly or indirectly, in any other jurisdiction where the offer or invitation could breach the applicable laws or require the PDS or any other document to be lodged or registered.
- Neither SHSL, our directors, officers or employees guarantee the performance of any investment, the repayment of capital or any particular return. There may be loss of income or principal invested and delays in repayment.
- This PDS does not constitute an offer in any place where, or to any person to whom, it would not be lawful to make such an offer. The distribution of this PDS in jurisdictions outside the Commonwealth of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. This PDS is available in electronic form via www.shsl.com.au. The offer constituted by this PDS in electronic form is available only to persons (not including US

persons) receiving this PDS in electronic form within Australia. Persons having received a copy of this PDS in its electronic form may, during the term of this PDS, obtain a paper copy of the PDS (free of charge) by telephoning SHSL on 1800 644 805. Applications for investment may only be made on the application form attached to this PDS or in its paper copy form as downloaded in its entirety from www.shsl.com.au. An application to invest pursuant to this PDS must be made on the application form which forms part of this PDS.

- The Custodian has had no involvement in the preparation of any part of this PDS (other than the particular references to the Custodian). The Custodian expressly disclaims and takes no responsibility for any part of this PDS. It makes no statement in this PDS and has not authorised or caused the issue of it.
- The information contained in this PDS is up to date at the date of its preparation. However, information relating to the Funds, such as investment performance and portfolio investment type, may change from time to time. To the extent that the change in information is not materially adverse to investors, it will be updated and made available to you on our website at www.shsl.com.au or by contacting us on 1800 644 805. A paper copy of any updated information is available free on request. If there is a materially adverse change to the information in this PDS or a materially adverse omission from this PDS, we will issue a replacement or supplementary PDS.
- Images depicted in this PDS do not represent assets of the Funds. These images are indicative only of types of properties over which mortgages may be taken by us on behalf of investors.

Contents

Corporate directory	2
Contents	3
Letter from the chairman	4
1 Offer at a glance	5
2 The Waratah Select Mortgage Fund	12
3 The Sydney Development Fund	19
4 Your Investment Fund Manager	26
5 Investment Risks	29
6 Fees & Charges Payable	33
7 Tax	37
8 Additional Information	38
9 Glossary	44
APPLICATION FORM	46

Letter from the chairman

Dear Investor,

We are pleased to offer you the opportunity to invest in either the Waratah Select Mortgage Fund or the Sydney Development Fund.

As many investors are aware, we have been involved in the business of property finance for approximately 45 years.

A number of our investors have been investing with the directors for over 35 years, and a high proportion of investors have come by way of referrals from existing investors. We believe this confirms our view that we are meeting the needs of our investors in providing appropriate returns together with efficient service.

This product disclosure statement offers two investment opportunities.

Waratah Select Mortgage Fund

The investment profile of the Waratah Select Mortgage Fund has been designed to appeal to investors who wish to enjoy a reasonable return on their money by investing in a portfolio of first mortgage loans. The Waratah Fund is a pooled mortgage fund secured over a mixture of completed property and construction/development financing.

Sydney Development Fund

The investment profile of the Sydney Development Fund has been specifically created to appeal to investors seeking the potential for a higher rate of return than the Waratah Fund. A higher rate of return means a higher level of risk and the Sydney Development Fund will aggregate groups of investors into specific first mortgages which may include loans for construction and development. Unlike a pooled fund, investors will be provided with details of the specific investment through supplementary disclosure. Investors can then select their specific investment opportunity.

We look forward to welcoming you as an investor.

Yours sincerely,



Thomas John Haney
EXECUTIVE CHAIRMAN

1 Offer at a glance

1.1 Summary of this offer

Topic	Summary – Waratah Fund	Summary – Sydney Fund	Where to find more information section(s)
What is the investment objective?	To provide investors with attractive and regular income returns	To provide investors with access to high income returns	Waratah Fund Section 2 Sydney Fund Section 3
What is the investment strategy?	The Waratah Fund invests in a portfolio of loans secured by registered first mortgages. The Waratah Fund is a pooled mortgage fund secured over a mixture of completed property and construction/development financing.	The Sydney Fund will invest in loans secured by registered first mortgages. Loans may be for construction or development with a focus on South East Queensland and the Sydney metropolitan area. Loans are specifically selected by the investor or by SHSL and advised to you, the investor.	Waratah Fund Section 2 Sydney Fund Section 3
Who is the issuer of this PDS?	Shakespeare Haney Securities Limited	Shakespeare Haney Securities Limited	
What is being offered?	Units in the Waratah Select Mortgage Fund	Units in the Sydney Development Fund	
How much do Units cost?	The issue price of units is calculated as the net assets of the Fund divided by the number of units on issue.	The issue price of units is calculated as the net asset value of the particular loan divided by the number of units on issue for that loan.	Section 8
When can you withdraw?	Typically, withdrawal requests will be satisfied within 60 days of the end of the investment term provided the investor lodges a withdrawal request at least 30 days prior to expiry of the investment term. Provided the Fund is liquid, SHSL has up to 180 days (and in certain circumstances 365 days) to satisfy any valid withdrawal request.	An investor can only withdraw once the specific loan in which they have invested is repaid. Part repayments of the loan may occur during the term of the loan, in which case this money will be available to investors in that loan.	Waratah Fund Section 2 Sydney Fund Section 3
What do you receive on withdrawal?	The withdrawal price of units is calculated as the net assets of the Fund divided by the number of units on issue.	The withdrawal price of units is calculated as the net asset value of the loan divided by the number of units on issue in the loan.	
How much can you invest?	The minimum application is for \$5,000	The minimum application is for \$5,000	
What are the significant benefits of the Offer?	Disciplined investment process Experienced management. 12, 24 and 36 month investment terms.	Disciplined investment process. Experienced management. Once the loan is repaid investors funds in that loan are available to be withdrawn. An	

Topic	Summary – Waratah Fund	Summary – Sydney Fund	Where to find more information section(s)
	Diversification of risk across a pool of loans.	investor is only invested in specific loans not the total pool of loans.	
When will distributions be made?	Subject to the availability, the Waratah Fund will make distributions monthly. Distributions can be re-invested quarterly, or paid directly to investors' nominated accounts.	Subject to availability, the Sydney Fund will make distributions monthly. Distributions cannot be reinvested. Distributions are paid directly to investors' nominated accounts.	Waratah Fund Section 2 Sydney Fund Section 3
Can distributions be reinvested?	Yes. Subject to our consent reinvested distributions will mature at the same time as the relevant principal investment.	No. If you want to reinvest your distributions, you will need to undertake a new investment.	Waratah Fund Section 2 Sydney Fund Section 3
What are some of the risks?	The security for loans is real property which is generally considered illiquid. A delay in the sale of a security property may affect the timing for the payment of withdrawals. Changes in the economy or property markets affecting the performance of the Waratah Fund. Higher risk profile for loans which have a specific exposure to development/construction.	The security for loans is real property which is generally considered illiquid. A delay in the sale of a security property will affect the timing for the payment of withdrawals. Changes in the economy or property markets affecting the performance of the Sydney Fund. Higher risk profile for loans which have a specific exposure to development/construction.	Section 5
What is the dispute resolution procedure to deal with complaints?	We provide a complaints handling and dispute resolution procedure for investors and we are a member of an external complaints resolution body, Australian Financial Complaints Authority (AFCA).	We provide a complaints handling and dispute resolution procedure for investors and we are a member of an external complaints resolution body, Australian Financial Complaints Authority (AFCA).	Section 8
What are the significant tax implications?	Investors will be subject to Australian tax on distributions from the Fund.	Investors will be subject to Australian tax on distributions from the Fund.	Section 7
Is there a cooling off period?	Yes there are cooling off rights for investors.	Yes there are cooling off rights for investors.	Section 8
What fees are paid?	There are no entry fees. Ongoing management fees are payable. Distributions paid to investors are net of fees and expenses.	There are no entry fees. Ongoing management fees are payable. Distributions paid to investors are net of fees and expenses.	Section 6
Do you take into account labour standards, or environmental, social or ethical considerations when selecting,	In view of the nature of the investment, we do not take account of labour standards, or social or ethical considerations in selecting investments.	In view of the nature of the investment, we do not take account of labour standards, or social or ethical considerations in selecting investments.	

Topic	Summary – Waratah Fund	Summary – Sydney Fund	Where to find more information section(s)
retaining or realising investments?	Environmental issues only will be taken into account in the selection of investments as part of normal property due diligence as they relate to whether the land comprising part of a prospective investment is contaminated.	Environmental issues only will be taken into account in the selection of investments as part of normal property due diligence as they relate to whether the land comprising part of a prospective investment is contaminated.	
How can further information be obtained?	Contact your financial planner, accountant, lawyer or other professional adviser.	Contact your financial planner, accountant, lawyer or other professional adviser.	
Contact details	For further details, see the Corporate Directory at the front of this PDS	For further details, see the Corporate Directory at the front of this PDS	
Where do I get an application form from?	An application form accompanies this PDS.	An application form accompanies this PDS.	
Where do I return my application form?	Shakespeare Haney Securities Limited at PO Box 1242, Surfers Paradise, Qld, 4217.	Shakespeare Haney Securities Limited at PO Box 1242, Surfers Paradise, Qld, 4217.	

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
<ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (i) before the issue of a loan and on renewal: <ul style="list-style-type: none"> (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.	
Benchmark 6: Lending principles – loan-to-valuation ratios If the scheme directly holds mortgage assets: <ul style="list-style-type: none"> (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. 	Yes	Section 2.4
Benchmark 7: Distribution practices The responsible entity will not pay current distributions from a scheme's borrowings.	Yes	Section 2.2
Benchmark 8: Withdrawal arrangements Liquid schemes For liquid schemes: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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 of the scheme that the responsible entity can reasonably expect to realise for market value within 10 business days. 	Benchmark not met. The Waratah Fund meets benchmark item (b) opposite but does not meet benchmark items (a) or (c) opposite. 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. 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. 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	Section 2.2

Benchmark	Compliance / Disclosure	PDS Reference
	would be undertaken on a periodic basis.	

Sydney Development Fund

Benchmark	Compliance / Disclosure	PDS Reference
Benchmark 1: Liquidity The responsible entity should have cash flow estimates for the scheme that: <ul style="list-style-type: none"> (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. 	Yes	Sections 3.17 and 5.3
Benchmark 2: Fund borrowing The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.	Yes	N/A
Benchmark 3: Portfolio diversification The pooled mortgage scheme should disclose: <ul style="list-style-type: none"> (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). 	N/A	N/A
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 3.18
Benchmark 5: Valuation policy In relation to valuations of mortgage assets and their security property, the board of the responsible entity requires: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (i) before the issue of a loan and on renewal: <ul style="list-style-type: none"> (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 	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	Section 3.12

Benchmark	Compliance / Disclosure	PDS Reference
security property may have caused a material breach of a loan covenant.	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 the last formal valuation.	
Benchmark 6: Lending principles – loan to valuation ratios If the scheme directly holds mortgage assets: <ul style="list-style-type: none"> (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. 	Yes	Section 3.10
Benchmark 7: Distribution practices The responsible entity will not pay current distributions from a scheme's borrowings.	Yes	Section 3.8
Benchmark 8: Withdrawal arrangements Liquid schemes For liquid schemes: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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 of the scheme that the responsible entity can reasonably expect to realise for market value within 10 business days. 	N/A	N/A

2 The Waratah Select Mortgage Fund

2.1 Benefits of Waratah Select Mortgage Fund

The Waratah Fund investment objective is to provide investors with regular income from a pool of first mortgage loans. All investors funds are placed in a single pool and, subject to our approval procedures, money is advanced to borrowers by way of loans.

By investing in the Waratah Fund, you receive a number of benefits:

- monthly income distributions;
- 12, 24 and 36 month investment terms;
- a quarterly distribution reinvestment option;
- no entry fees;
- professionally managed investment;
- generally invest as little as \$5,000; and
- subject to the Waratah Fund remaining liquid, investors will have access to their money following the end of their investment term.

2.2 Commonly Asked Questions and Answers

Are there any entry or exit fees?

You do not pay any entry fees. Your investment in the Waratah Fund should be treated as a fixed term investment. However, there are exit fees equal to 1% of the funds withdrawn if SHSL permits you to withdraw your funds before the end of your investment term.

How do you invest in the Fund?

You can invest in the Waratah Fund by completing the application form accompanying this PDS. Generally the minimum initial investment is \$5,000.

What happens to your money?

On acceptance of your application your money is combined with the money of other investors and used to provide loans to borrowers secured by first mortgage over property.

What is a pooled mortgage investment?

Your money is 'pooled' with the money of other investors, which is used by us to provide first mortgage secured loans to approved borrowers. You will receive a return on your investment in the form of monthly distributions.

How long is your money invested for?

You can choose to have your money invested for terms of either:

- 12 months;
- 24 months; or
- 36 months.

Can you withdraw your money?

You may apply to withdraw your investment at the end of the investment term provided the Waratah Fund is liquid. To do this you must provide us with a written notice at least 30 days before the end of your investment term.

If you do not notify us at least 30 days before the end of your investment term your investment will be automatically reinvested for the same investment term.

Subject to the Waratah Fund remaining liquid, we aim to process all withdrawal requests within 60 days of the end of the investment term. The constitution of the Waratah Fund allows us 180 days (and in certain circumstances 365 days) to pay withdrawal requests.

In some instances, circumstances may arise where an investor requires urgent access to their funds. We are not obliged to allow investors to access their investment early but may in our total and unfettered discretion and subject to our obligations under the

Corporations Act to treat investors of the same class equally consider a request for early withdrawal. Where we permit an investor to withdraw early the investor may be charged an early withdrawal fee of 1% of funds withdrawn.

In the event the Fund becomes a non-liquid managed investment scheme, withdrawals will only be permitted in response to a withdrawal offer made by SHSL. The risks associated with the Fund becoming a non-liquid managed investment scheme are detailed in section 5.

The minimum amount which may be withdrawn is \$5,000. However we may at our discretion allow an investor to withdraw a lesser amount.

What will you receive in return for your investment?

Distribution rates for the Waratah Fund are variable and depend on the income the Waratah Fund generates from loans and other investments less fees and expenses. The Fund has no borrowings and therefore will not pay distributions from borrowings.

Distribution rates will change from time to time. Whilst past performance is not necessarily a guide to future performance you can obtain updated information in relation to the Waratah Fund's current distribution rates by:

- contacting us on 1800 644 805;
- visiting the Waratah Fund's website at www.shsl.com.au.

How are returns paid to you?

You may choose to receive either monthly or quarterly distributions of income in the following manner:

- distributions are paid monthly in arrears by electronic funds transfer ('EFT') into the account nominated in your application form, unless you make other arrangements with us; or
- you can choose to have your distributions automatically reinvested at the end of each quarter. In this instance your reinvested distributions mature at the same time as your principal investment.

When can your distributions be automatically reinvested?

You can elect to have your distributions automatically reinvested on a quarterly basis. Where income is reinvested, we will send a notification of the distribution amount. If you want to take advantage of this facility should tick the appropriate box on the application form.

What are the terms of the distribution reinvestment plan?

If you want to reinvest your income in additional units please tick the appropriate box in the application form. This indicates your participation in the distribution reinvestment plan (DRP). Key features of the DRP are as follows:

- participation in the DRP is optional;
- you may participate only for all of your unit holding;
- units issued under the DRP will be issued at the current unit price;
- units issued under the DRP will be entitled to distributions from the date they are issued;
- no brokerage, stamp duty or other transaction costs will be payable on the issue of units;
- statements are not provided for each reinvestment;
- distribution income reinvested will be treated for Australian income taxation purposes as income;
- reinvested distributions mature at the same time as your principal investment; and
- on joining the DRP, your future distributions will be automatically reinvested unless you advise us otherwise.

2.3 Portfolio diversification

Waratah Fund

Waratah Select Mortgage Fund - Loan Portfolio Diversification as at 30 June 2022

(a) the number and value of first mortgage security loans by class of activity:

	Value \$000s	Value%	Number
Residential (unit/house/land)	5,338	17.2%	4
Residential Development (unit/house/land)	20,833	67%	11
Vacant land	3,595	11.6%	2
Commercial	1,235	4%	1
	31,001	100%	18

Security Type

(b) the number and value of first mortgage security loans by geographic region:

	Value \$000s	Value%	Number
Gold Coast	7,220	23.3%	5
NSW Other	3,814	12.3%	3
Sunshine Coast	-	0.0%	0
Sydney NSW	16,513	53.3%	8
Brisbane	2,736	8.8%	1
Cairns	718	2.3%	1
	31,001	100%	18

Geographic spread

(c) There are no loans that are in arrears of interest greater than 30 days.

(d) Due to the small size of the Fund there are only 18 borrowers/loans which comprise the total loan portfolio and the largest borrower represents 20% by value of that portfolio and 19% of the value of the Fund.

(e) Due to the small size of the Fund there are seven loans which each represent 5% or more of the loan portfolio as set out in the table below.

Loan Type	Location	Amount Lent	LVR
Residential Development	Brisbane	2,736,000	61%

Residential Development	Sydney NSW	2,580,000	65%
Residential Development	Sydney NSW	3,640,000	70%
Residential Development	Sydney NSW	5,686,000	69%
Residential Development	Gold Coast	3,650,000	70%
Residential Development	Sydney NSW	2,353,000	65%
Vacant Land	NSW Other	3,265,000	65%

(f) There are six loans with undrawn amounts totalling \$220,000.

(g) The number and value of the maturity profile of loans are set out in the table below.

Maturity period from 30/06/22	Value \$000s	Number
Less than 12 months	31,001	18
Less than 24 months	-	-
Less than 36 months	-	-

(h) The number and value of loans by loan to value ratio is set out in the table below.

LVR*	Value \$000s	Number
<60%	728	2
60-70%	30,273	16
70-80%	-	-
	31,001	18
Average weighted loan LVR (loan limit)	63.30%	

(i) The number and value of loans by interest rates is set out in the table below.

Interest rate	Value \$000s	Number
<11%	23,711	16
11-12%	7,290	2
	31,001	18

(j) There are 8 loans in the Fund totalling \$18,129,000 where interest has been capitalised within their approved loan facility limits.

(k) The only non-loan asset of the Fund is cash at bank which as at the 30 June

2022 was \$2,711,000 which represents 8% of Fund assets.

Note: The Waratah Select Mortgage Fund has no borrowings nor does it intend to undertake any borrowings during the currency of the Product Disclosure Statement.

Each borrower's capacity to service loans may be assessed by reference to tax returns, company financial statements, statements of assets and liabilities of borrower and guarantors (if applicable), rental returns on the security property, consideration of prior loan conduct and any financial adviser references. Prepayment of interest for the term of the loan will be considered as evidence of a borrower to service interest. The Fund is primarily focused on the underlying value of the security property in order to support the repayment of the loan.

Where a borrower has requested an extension of the loan term SHSL will assess the need to revalue the security property having regard to its location, property type and general property market conditions. SHSL may at its discretion obtain an agent appraisal as opposed to a formal valuation.

SHSL will only accept first mortgage security over freehold or crown leasehold land which comprises residential, commercial, industrial property, vacant land or construction and development. The property does not need to be income producing.

The Waratah Fund will not invest in any other mortgage managed investment scheme.

2.4 In what does the Waratah Fund invest?

The Waratah Fund invests in loans to borrowers secured over real property secured by a first mortgage.

Each loan is generally for a term of between 12 months and 2 years.

No non-property development or construction loan will exceed 80% of the value of the security property as determined by an approved valuer.

No loan for property development or construction will exceed 70% on the basis of the latest 'as if complete' valuation of the security

property as determined by an approved valuer at the time the loan is approved.

The maximum LVR for loans as at 30 June 2022 was 70%.

The valuation on the security property by an approved valuer is not more than 6 months old at the time of loan approval.

The Waratah Fund may also hold money on deposit with banks.

The Waratah Fund is a pooled mortgage fund secured over a mixture of completed property and construction/development financing.

As at 30 June 2022, the Waratah Fund has a significant component of funds (67.2% by value of Fund assets) invested in property development loans.

Waratah Select Mortgage Fund – Property Development Loan details as at 30 June 2022

- (a) The percentage (by value) of completion of any property under development is set out in the table below.

%	Value \$000s	Number
<25%	2,722	3
25-50%	539	1
50-75%	3,149	3
>75%	14,425	4
	20,833	11

- (b) The loan-to-cost ratio (LTC), being the ratio of the loan amount to the development project (including the cost of the land), of the Fund's property development loans is set out in the table below.

LTC	Value \$000s	Number
<25%	-	-
25-50%	-	-
50-75%	539	1
>75%	20,294	10
	20,833	11

For property development loans, funds are only advanced progressively on a cost to completion

basis as certified by our quantity surveyor or other appropriately qualified professional.

2.5 How is the liquidity of the Waratah Fund managed?

We prepare cash flow estimates for the Fund and ensure that at all times the Fund has cash or cash equivalents sufficient to meet its projected cash needs over the next 12 months.

These cash flows assist us in determining the projected cash requirements of the Fund and anticipated withdrawals. As the Fund does not borrow, we do not take into account finance facilities when forecasting cash flow requirements.

As responsible entity of the Waratah Fund, SHSL is responsible for managing the liquidity requirements of the Fund to ensure the Fund can meet its financial obligations and match its assets which are mortgage investments and cash with its liabilities which are investors investment funds.

SHSL is satisfied the fees generated by the Fund are sufficient to meet the current and forecast expenses. Investors can choose their investment term. SHSL also manages the withdrawal process as it is generally entitled to meet a valid withdrawal request within 180 days (and in certain circumstances 365 days) of the end of the investor's investment term. A valid withdrawal request is a request lodged with SHSL at least 30 days before the end of the investor's investment term. If an investor does not lodge a valid withdrawal request their investment is automatically reinvested in the Fund for the same investment term.

The liquidity risks of the Fund are detailed in section 5.3.

2.6 What property valuations apply?

A valuation report must be conducted on each property offered as security for a loan.

In valuing a property, we require the approved valuer to consider:

- a willing but not anxious buyer or seller;
- a reasonable period has been allowed for the sale, taking into consideration the

nature of the property and the nature of the market for properties of that kind;

- the property was reasonably advertised to the market;
- that no account is taken of any higher price that may be paid by a person with a special interest in the property; and
- that reasonable resources are available to negotiate the sale and marketing of the property.

If the directors form the view that the valuation of a security property no longer reflects the current underlying value of the secured property the directors may request that an updated valuation report be obtained at any stage during the term of the loan. If a decrease in the value of the security property may have caused a material breach of a loan covenant, then SHSL will within two months obtain an updated valuation of the security property.

Valuations are conducted by a registered valuer. We ensure that panel valuers are independent and have no interest in the subject property or any relationship with the borrower.

We select and retain a panel of experienced valuers who have demonstrated to us a track record of providing accurate valuations. The valuer for a security property is chosen based on their experience in both the area where the property is located and their knowledge of the type of property.

Each valuation report specifies the basis of the valuation. For the majority, the 'current market value, for mortgage security purposes' (as is) of the property is the valuation basis. In the case of construction and development lending the 'as if complete' valuation is also obtained.

Where properties are residential homes or units, the current market value is the estimated amount which the property should achieve after proper marketing. The approved valuer will generally provide details of what is considered to be a reasonable marketing period.

In ascertaining the current market value for commercial and industrial properties, consideration is given to the existence of arms length leasing agreements, letting-up periods,

vacancy factors and outgoings. In most instances, an approved valuer will utilise a capitalisation rate to obtain this value.

Where the loan is for construction or development, funds will be advanced progressively on a cost to completion basis as certified by our quantity surveyor or other appropriately qualified professional.

2.7 What is SHSL's valuation policy

SHSL valuation policy includes:

- the directors reading each valuation report prepared by the independent valuer they have instructed and considering how the comparable sales referred to in the report sit with the market value disclosed in that report;
- a consideration of strengths and weaknesses of the property market and of the market commentary disclosed in the report is undertaken;
- the directors applying their knowledge and experience gained from analysing property market reviews issued by valuation firms and property research as to likely trends in the market to which the valued property relates;
- in most instances the property is physically inspected by a representative of SHSL;
- the value of a security property is reviewed by SHSL annually. SHSL may obtain an updated valuation or agent appraisal;
- where the directors form a view that there has been some market volatility within which a security property sits such that its value may materially breach a loan covenant then the directors will cause a revaluation to be undertaken within two months of having formed that view.

A copy of our valuation policy for the Waratah Fund can be viewed or downloaded by visiting our website www.shsl.com.au.

2.8 What security is applied in respect of loans?

All loans are primarily secured by a first mortgage over freehold or Crown leasehold land. Because we will hold the position of first mortgagee, the debt owed to the Waratah Fund will have priority over all other debts which may be owed by the borrower on the property (with the exception of statutory charges such as rates, GST and land tax, and in the case of a unit, body corporate levies). We may in certain circumstances take second mortgage security however this security is only collateral to the primary security and is not included in our assessment of the loan to valuation ratio.

2.9 Can the Fund borrow?

Under the Fund constitution we have the power to borrow funds on behalf of the Fund and to charge assets of the Fund as security. The Fund does not currently have any borrowings nor do we intend to undertake any borrowings.

2.10 What is our loan approval policy?

We will only approve loans to borrowers if certain guidelines are met, including:

- the primary security is to be a registered first mortgage over property of acceptable quality;
- we must be satisfied after due investigation that the borrower has the ability to service and repay the loan; and
- the value of the property offered as security is appropriate and is confirmed by an independent qualified valuer.

2.11 What does the Fund's loan portfolio look like?

The most recent profile and summary of the Waratah Fund's loan portfolio can be viewed or downloaded by visiting our website www.shsl.com.au/continuous-disclosure-2.

The information on the Waratah Fund's website in relation to the Fund's loan portfolio includes:

- the number and value of loans by class of activity (e.g. industrial, commercial, retail, residential or specialised property);
- the number and value of loans by geographic region;
- the number and value of any loans in default or arrears as a proportion of the total loans;
- the proportion of the total loan portfolio committed to the largest borrower and the 10 largest borrowers;
- details of any loans which represent 5% or more of the Waratah Fund's loan portfolio;
- the number and value of loans approved but yet to be advanced and an explanation of funding arrangements in place for undrawn loan commitments;
- the number and value of the maturity profile of loans in increments of not more than 12 months;
- the number and value of loans of loan-to-valuation ratios in percentage ranges;
- the number and value of loans of interest rates on loans in percentage ranges;
- the number and value of loans where interest has been capitalised; and
- details of the non-loan assets of the Fund including the value of such assets.

The Waratah Fund's portfolio analysis is updated at least every six months and can be viewed or downloaded from our website or provided to any person free of charge on request by contacting us on (07) 5538 6766 or free call 1800 644 805.

Any other information which is not required to be disclosed in a new or supplementary product disclosure statement will be updated on our website with a copy made available free of charge upon request.

2.12 Related party transactions

SHSL has a strict policy of not lending money from the Fund to SHSL, any related parties of SHSL, including the directors of SHSL.

We, our directors, officers and other related parties may hold units in the Fund from time to time. Where this occurs the investment is treated on the same terms as any other investors in the Fund.

SH Mortgage Services Pty Ltd, an entity associated with the directors, provides a range of administrative services to us and the Fund. The arrangements for these services are reviewed annually to ensure they remain on commercial arms length terms. The fee paid to SHMS for these services is paid from SHSL's management fee as disclosed in section 6.

As the agreement with SHMS is on arm's length terms, investor approval for the agreement was not required to be obtained.

Other than as disclosed above no related party of SHSL provides services directly to the Fund, nor does SHSL seek reimbursement from the Fund for any expenses paid to a related party.

There are minimal risks associated with SHSL engaging SHMS as a service provider because:

- SHSL remains responsible for the actions of SHMS; and
- should SHSL cease to be the responsible entity of the Fund any new responsible entity is not obliged to engage SHMS to provide these services.

2.13 Role of the custodian

SHSL has appointed The Trust Company (Australia) Limited as the independent custodian of the Waratah Fund assets.

The Custodian's general duties and obligations are set out in a Custody Agreement between SHSL and The Trust Company (Australia) Limited.

Under the terms of the agreement, the Custodian must:

- hold the mortgages of the Waratah Fund;
- ensure that the assets are clearly identified as property of the Waratah Fund and held separately from any other property;

- keep proper records in respect of the assets; and
- act in accordance with proper instructions of SHSL.

3 The Sydney Development Fund

3.1 Benefits of the Sydney Development Fund

The Sydney Fund investment objective is to provide investors with regular income from a select high yielding mortgage loan chosen by either us or you.

As an investor in the Sydney Fund you can choose to delegate the selection of your mortgage investments to us or you can make your own selection. Distributions are generally paid monthly in arrears and are specifically linked to the mortgages in which you have invested.

How does the selection process work?

We identify and review loan investments on behalf of the Sydney Fund.

Loans may be for construction or development and as such are generally higher yielding but with a commensurate increase in risk.

Once an appropriate loan is identified we will then contact investors who have completed an application form and confirmed to us they would like to consider investing in the Sydney Fund.

Investors are divided into two categories.

Investor Selected

An Investor Selected investment is where we will provide you with the details of the mortgage investment and you then decide whether to invest. Unless we receive written confirmation from you that you want to invest in the relevant loan, we cannot place you in that loan as an investor and your money will remain in the Fund bank account. Once you select your investment and confirm your investment amount then you are committed to investing in that loan until the loan is repaid.

SHSL Selected

An SHSL Selected investment is where we select on your behalf the mortgage investment. We

will, once selected, notify you in writing via a supplementary product disclosure statement of the selected mortgage investment including the amount of your money we propose to invest and you have 14 days from the date we send you the supplementary product disclosure statement to advise us if you do not want to proceed. If you do not contact us within that 14 day period, then you are committed to investing the nominated amount of money in that loan until the loan is repaid.

3.2 Commonly Asked Questions and Answers

Are there any entry or exit fees?

You do not pay any entry fees or exit fees.

Your investment in the Sydney Fund is for the term of the loan and you may only withdraw once the loan is repaid.

How do you invest in the Fund?

You can invest in the Sydney Fund by completing the application form accompanying this PDS. The minimum initial investment is \$5,000.

What happens to your money?

On receipt of your money, we will enter your relevant details in our investors register. If accepted, your money is placed in an interest bearing deposit account until you are invested in a mortgage investment. The interest received will be added to your investment amount.

How long is your money invested for?

The supplementary product disclosure statement provided to you will provide details of the loan, the borrower and the expected term of the loan. Whilst we believe the borrower will meet their obligations under the loan agreement there is always a risk the repayment of the loan by the borrower may be delayed. You are only entitled to withdraw from the Sydney Fund when your money has not been allocated to a mortgage

investment or has been repaid by the borrower and is held in an interest bearing account.

What is the supplementary product disclosure statement?

Before your money is invested you will be provided with a supplementary product disclosure statement. This statement will set out:

- details of the address and type of real property which secures the loan;
- details of the value of the security property as certified by an approved valuer and the basis of valuation;
- the total amount to be lent to the borrower and the loan to valuation ratio;
- subject to privacy obligations details of the borrower with a report of their credit record;
- the arrangement for repaying the loan;
- the term of the loan and distribution rate (subject to the borrower making interest payments), payment dates for distributions, and provisions made for capital repayments (if any);
- interest rate payable by the borrower;
- other details of the mortgage investment and the rights that go with it;
- details of the security to be provided and of any prior securities over the security property; and
- any other information which we consider should be provided to you.

3.3 Can you withdraw your money?

Unless a substitute investor can be found it is not possible to withdraw your investment during the term of a mortgage investment once your money has been allocated to a mortgage investment. However, where your monies have not been allocated to a mortgage investment you may withdraw all or part of your monies provided that each withdrawal request is \$5,000 or more. In these circumstances, you must give us 48 hours written notice.

You can only withdraw from a mortgage investment upon the mortgage investment being repaid by the borrower, including where the mortgage investment exceeds its expected term. If a mortgage investment is partially repaid, you will be able to withdraw the proportionate amount of your investment which reflects the amount repaid.

Upon repayment, or partial repayment, of a mortgage investment in which you are invested, we will notify you of the amount available for withdrawal and you may withdraw all or part of those monies by lodging a withdrawal request (provided the withdrawal request is \$5,000 or more or for the balance of your monies if less than \$5,000).

If monies you have invested in the Sydney Fund have not been allocated to a mortgage investment, or monies available for withdrawal upon repayment of a mortgage investment have not been withdrawn or allocated to a new mortgage investment, within 3 months we will repay those monies to you.

In the event the Fund becomes a non-liquid managed investment scheme, withdrawals will only be permitted in response to a withdrawal offer made by SHSL.

3.4 What happens if the borrower is late in making payments?

The late payment of interest by a borrower will affect the regularity of distribution payments to you. As the interest payments of a mortgage investment are fully managed by us, we will know that the borrower is late in making a payment before you. The structure of our loan interest rates provide a strong incentive for the borrower to make payments on time.

If the borrower is more than a month late then we may issue a formal default notice. Even though most borrowers will quickly remedy a default, it is prudent to start default procedures to save time and protect your investment if the borrower does not remedy the default. Our hands on management of the mortgage investment interest payments assists in the continuity of monthly distributions.

If the borrower of your funds is in arrears for more than 60 days, we will notify you.

3.5 What happens if the borrower defaults?

In the event of a default by the borrower and the default is not remedied or alternative arrangements are not agreed to our satisfaction, then we will take all action we consider appropriate to recover all money owing under the mortgage investment.

3.6 What if the borrower misses an interest payment?

Where the borrower misses an interest payment (and is outside our seven day grace period) then the borrower is obliged to pay interest on the loan at a higher rate than is otherwise payable when the loan is within its agreed terms.

Where the borrower fails to meet interest payments (in addition to any recovery steps we may take as outlined below) we (or an entity associated with us) may pay interest to investors on behalf of the borrower. In those circumstances we will be entitled to recover and retain interest at the higher rate. If we do not make the interest payment on behalf of the borrower, then (if we have charged the borrower that higher rate) the investors in that mortgage investment will be entitled to retain the higher interest recovered from the borrower.

In some instances we may (despite the default) not charge the borrower the higher interest rate. Our decision is based on a number of matters including:

- nature of default;
- identity of the borrower;
- conduct of the loan by the borrower;
- loan to valuation ratio of the security property; and
- amount of time estimated to be required by us to monitor and/or take steps to ensure that the borrower rectifies the default.

3.7 How is the money distributed once recovered from the borrower?

Once funds are recovered from the borrower they are allocated in the following order of priority:

- all fees and costs incurred in recovering the money owed including our management fees are paid;
- any additional money raised by SHSL in excess of the original loan, used to improve or complete the development;
- the principal investment amount owed under the loan is then paid to investors in that loan in proportion to their investment amount;
- all interest owed under the loan that is recovered is divided between:
 - investors up to the borrower contracted distribution rate explained in the supplementary product disclosure statement; and
 - SHSL or our associates where we have made interest payments on behalf of the borrower (up to the borrower contracted distribution rate explained in the supplementary product disclosure statement);
- any additional higher interest margin recovered is paid to the investors (where SHSL or an associate did not make payments on behalf of the borrower) or alternatively paid to SHSL where interest payments were made.

3.8 If market interest rates rise or fall, will this affect my return?

No. Once you have invested in a mortgage investment the interest rate payable by the borrower and your income distribution (assuming the borrower meets all interest commitments) is fixed for the term of that particular mortgage. As the Sydney Fund does not borrow distributions are not paid from Fund borrowings.

The borrower always has the right to repay the mortgage early, however, if this occurs we will endeavour to place your funds into a new mortgage investment.

Whilst your monies are not invested in a mortgage investment your distribution rate will be the bank interest we receive for your money remaining on deposit less any fees and expenses.

3.9 Is there the option of reinvesting distributions?

No. You cannot reinvest your distributions in the same mortgage investment. You can apply the money you receive as a distribution to a new investment in the Sydney Fund.

3.10 What does the Sydney Fund invest in?

The Sydney Fund invests in loans to borrowers secured over real property secured by a first mortgage.

No loan for property development or construction will exceed 70% on the basis of the latest 'as if complete' valuation of the security property as determined by an approved valuer at the time the loan is approved.

Each loan is generally for a term of between 12 months and 2 years.

In cases where the loan is not for construction or development no loan will exceed 80% of the value of the security property as determined by an approved valuer at the time the loan is approved.

The maximum and weighted average loan to value ratio for the Sydney Fund as at 30 June 2022 is:

	%
Maximum LVR	70.00
Weighted average LVR	67.09

The valuation on the security property by an approved valuer is not more than 6 months old at the time of loan approval.

The Sydney Fund may also hold money on deposit with banks.

For the Sydney Fund the type of security property may be commercial, industrial or residential including construction/development loans.

As at 30 June 2022, the Sydney Fund has a significant component of funds (91.80% by value of Fund assets) invested in property development loans.

Sydney Development Fund – Property Development Loan details as at 30 June 2022

The following information is provided for the Fund's development loans in accordance with ASIC's disclosure requirements though investors only have an interest in the loans corresponding to the mortgage investments in which they invest.

- (a) The percentage (by value) of completion of any property under development is set out in the table below.

	(%) by value of completion
Development loan 1	81.2
Development loan 2	56.0
Development loan 3	57.4
Development loan 4	0.0
Development loan 5	100.0
Development loan 6	100.0
Development loan 7	49.0
Development loan 8	100.0
Development loan 9	0.0

- (b) The loan-to-cost ratio (**LTC**), being the ratio of the loan amount to the development project (including the cost of the land), of each property development loan is set out in the table below.

LTC (%)	Value	Number
< 25%	-	-
25-50%	-	-
50-75%	2,057	1
> 75%	19,675	8
	21,732	9

For property development loans, funds are only advanced progressively on a cost to completion basis as certified by our quantity surveyor or other appropriately qualified professional.

3.11 What property valuations apply?

A valuation report must be conducted on each property offered as security for a loan.

In valuing a property, we require the approved valuer to consider:

- a willing but not anxious buyer or seller;
- a reasonable period has been allowed for the sale, taking into consideration the nature of the property and the nature of the market for properties of that kind;
- the property was reasonably advertised to the market;
- that no account is taken of any higher price that may be paid by a person with a special interest in the property; and
- that reasonable resources are available to negotiate the sale and marketing of the property.

If the directors form the view that the valuation of a security property no longer reflects the current underlying value of the secured property the directors may request that an updated valuation report be obtained at any stage during the term of the loan. If a decrease in the value of the security property may have caused a material breach of a loan covenant, then SHSL will within two months obtain an updated valuation of the security property.

Valuations are conducted by a registered valuer. We ensure that panel valuers are independent and have no interest in the subject property or any relationship with the borrower.

We select and retain a panel of experienced valuers who have demonstrated to us a track record of providing accurate valuations.

The valuer for a security property is chosen based on their experience in both the area where the property is located and their knowledge of the type of property.

Each valuation report specifies the basis of the valuation. For the vast majority, the 'current market value, for mortgage security purposes' of the property is the valuation basis.

Where properties are residential homes or units, the current market value is the estimated amount which the property should achieve after proper marketing. The approved valuer will

generally provide details of what is considered to be a reasonable marketing period.

In ascertaining the current market value for commercial and industrial properties, consideration is given to the existence of arms length leasing agreements, letting-up periods, vacancy factors and outgoings.

In most instances, an approved valuer will utilise a capitalisation rate to obtain this value.

Where the loan is for construction or development, funds will be advanced progressively on a cost to completion basis as certified by our quantity surveyor or other appropriately qualified professional.

A copy of our valuation policy for the Sydney Fund can be viewed or downloaded by visiting our website www.shsl.com.au.

3.12 What is SHSL's valuation policy

SHSL valuation policy includes:

- the directors reading each valuation report prepared by the independent valuer they have instructed and considering how the comparable sales referred to in the report sit with the market value disclosed in that report;
- a consideration of strengths and weaknesses of the property market and of the market commentary disclosed in the report is undertaken;
- the directors applying their knowledge and experience gained from analysing property market reviews issued by valuation firms and property research as to likely trends in the market to which the valued property relates;
- in most instances the property is physically inspected by a representative of SHSL;
- the value of a security property is reviewed by SHSL annually. SHSL may obtain an updated valuation or agent appraisal;
- where the directors form a view that there has been some market volatility within which a security property sits such that its value may materially breach a loan covenant

then the directors will cause a revaluation to be undertaken within two months of having formed that view.

3.13 What security is applied in respect of loans?

All loans are primarily secured by a first mortgage over freehold or Crown leasehold land. Because we will hold the position of first mortgagee, the debt owed to the Sydney Fund will have priority over all other debts which may be owed by the borrower on the property (with the exception of statutory charges such as rates, GST and land tax, and in the case of a unit, body corporate levies). We may in certain circumstances take second mortgage security however this security is only collateral to the primary security and is not included in our assessment of the loan to valuation ratio.

3.14 Can the Fund borrow?

Under the Fund constitution we have the power to borrow funds on behalf of the Fund and to charge assets of the Fund as security. The Fund does not currently have any borrowings nor do we intend to undertake any borrowings.

3.15 What is our loan approval policy?

We will only approve loans to borrowers if certain guidelines are met, including:

- the primary security is to be a registered first mortgage over property of acceptable quality;
- we will consider the borrowers ability to comply with the loan terms; and
- the value of the property offered as security is appropriate and is confirmed by an independent qualified valuer.

3.16 What is our loan to valuation policy?

Most loans approved will not exceed 70% of the value of the security property. Where the loan is not for construction or development a loan may be advanced for up to 80% of the value of the security property as determined by an approved valuer.

3.17 How is the liquidity of the Sydney Fund managed?

We prepare cash flow estimates for the Fund and ensure that at all times the Fund has cash or cash equivalents sufficient to meet its projected cash needs over the next 12 months.

These cash flows assist us in determining the projected cash requirements of the Fund. As the Fund does not borrow we do not take into account finance facilities when forecasting cash flow requirements.

As responsible entity of the Fund, SHSL is responsible for managing the liquidity requirements of the Fund to ensure the Fund can meet its financial obligations and match its assets which are mortgage investments and cash with its liabilities which are investors investment funds.

Investments by the Sydney Fund are in mortgage investments and cash. Investors in specific mortgage investments have the same investment term as the length of the mortgage investment and therefore the maturity profile of investments and investor's funds are matched.

The risk factors which may impact on the ability of an investor to withdraw at the expected maturity date of the loan are explained in section 5.

3.18 Related party transactions

SHSL has a strict policy of not lending money from the Fund to SHSL or any related parties, including the directors of SHSL.

We, our directors, officers and other related parties may hold units in the Fund from time to time. Where this occurs the investment is treated on the same terms as any other investors in the Fund.

SH Mortgage Services Pty Ltd, an entity associated with the directors, provides a range of administrative services to us and the Fund. The arrangements for these services are reviewed annually to ensure they remain on commercial arms length terms. The fee paid to SHMS for these services is paid from SHSL's management fee as disclosed in section 6.

As the agreement with SHMS is on arm's length terms, investor approval for the agreement was not required to be obtained.

Other than as disclosed above, no related party of SHSL provides services directly to the Fund, nor does SHSL seek reimbursement from the Fund for any expenses paid to a related party.

There are minimal risks associated with SHSL engaging SHMS as a service provider because:

- SHSL remains responsible for the actions of SHMS; and
- should SHSL cease to be the responsible entity of the Fund any new responsible entity is not obliged to engage SHMS to provide these services.

4 Your Investment Fund Manager

4.1 Who are we?

Shakespeare Haney Securities Limited is the responsible entity of each Fund. As the responsible entity, we manage each Fund and aim to deliver:

- competitive returns;
- low fees; and
- high quality investor service.

4.2 What are we licensed to do?

ASIC issued us with a securities dealer's licence on 14 October 1999 and an Australian financial services licence on 10 March 2003. The licence authorises us to operate each Fund and to carry on a financial services business in our capacity as responsible entity of each Fund. Pursuant to the licence, we must establish and maintain adequate training, supervision and compliance procedures designed to ensure, as far as is reasonably practicable, that our employees and agents do not contravene any provisions of any securities laws, any conditions of our licence or each Fund constitution.

The constitution and compliance plan for each Fund has been registered with ASIC and are available for inspection at our premises. Section 8 of this PDS contains summaries of the constitutions and the compliance plans.

4.3 What is our role?

Our role is to identify and manage each Fund's assets. Our responsibilities, powers and duties are set out in the relevant Fund constitution.

4.4 What management experience do we have?

Our directors and staff with a wide range of experience and expertise.

Business Administration

Tania Lowe, Angela Davis and Bernadette Smith operate the business administration and between them have approximately 90 years combined experience with Shakespeare Haney Securities Limited and its predecessors.

4.5 Keeping you informed

To keep you up to date with your investments, we will provide you with the following information:

- confirmation of your investment; and
- an annual report outlining all credits and debits to your investments during the financial year, and the assets, liabilities, revenue, expenses referable to you during the financial year.

The audited and reviewed (where applicable) financial statements of each Fund are available on request.

Updated information in relation to each Fund which is not materially adverse to investors will be posted on either:

The Waratah Select Mortgage Fund's website:

www.shsl.com.au

The Sydney Fund's website:

www.shsl.com.au

You can request to be provided with paper copies of any updated information at no cost.



John Haney
Executive Chairman

John Haney is Chairman of Shakespeare Haney Securities Limited. Mr Haney has almost 40 years' experience in operating and managing the provision of mortgage finance. He has played an essential role in the successful growth and development of the extensive property finance business.

Mr Haney is also a solicitor of the Supreme Courts of Queensland and New South Wales.

John Haney brings his wealth of considerable experience in mortgage finance and his specialist knowledge in the administration and management of each Fund.



David John Williams
Executive Director

David Williams is an executive director of Shakespeare Haney Securities Limited and heads the mortgage management and operations.

David Williams has a Bachelor of Laws from the Queensland University of Technology and is a Solicitor of the Supreme Court of Queensland and of the High Court of Australia. Mr Williams has completed a Certificate of Financial Planning Principles and Practice with the Securities Institute of Australia and an associate of the Financial Services Institute of Australasia.

Mr Williams has almost 35 years' experience in mortgage and securities work. Of particular benefit to us is his experience in analysing mortgage defaults and taking appropriate and timely action to protect investments.

David Williams has completed a Diploma of Mortgage Lending with the Financial Services Institute of Australasia, which included the following modules:

- Mortgage Lending Law;
- The Mortgage Industry;
- Processing and Managing Mortgage Loans;
- Mortgage Lending Financial Statements;
- Mortgage Credit Analysis; and
- Mortgage Funding and Risk Management.



Nicholas (Nick) Haney
Executive Director

Nick is an Executive Director and finance manager of SHSL and has almost 15 years' experience in the property industry involving the assessment and analysis of loan applications and management of security properties. He has established many relationships with key property industry players in both funds management and real estate.

Mr Haney has completed a Masters degree in Urban Development and Sustainability at Bond University and a Diploma of Mortgage Lending with the Financial Services Institute of Australasia.



Gina Sly
Compliance Manager

Gina Sly is Shakespeare Haney Securities Limited's compliance manager. She has over 20 years' banking and finance experience and specialises in all facets of property finance. She has worked specifically within the development finance divisions of 2 major banks. Her expertise is in credit analysis, financial and cash flows analysis and security evaluation.

Gina Sly has a Bachelor of Business in Accounting and a Certificate of Financial Planning, Principles and Practice with the Financial Services Institute of Australasia.



James (Jim) Cameron
Manager

Jim is a consultant manager for SHSL based in Sydney. Jim has almost 45 years' experience in the property industry including 10 years running his own building firm in Sydney and a further seven years as a development/ project manager in Queensland. Since his return to Sydney in 1988 Jim has been self employed as a property finance consultant and has maintained his association with SHSL and its directors.

5 Investment Risks

5.1 Introduction

All investments are subject to risk. Risk includes the possibility of losing some or all of your investment.

Before making any investment decision, an investor should consider their investment objectives and their tolerance for risk.

Investing in either the Waratah Select Mortgage Fund or the Sydney Development Fund contains risk. The risks are in some instances common to both Funds and in other instances different risks apply.

5.2 Risks common to both the Waratah Select Mortgage Fund and the Sydney Development Fund

Valuation risk

This is the risk that valuations may not accurately reflect the true value of a security property at the time the valuation is undertaken. This may result in a loss if the property is sold for less than the money owed by the borrower and the Fund has no additional security.

Construction and development

Construction and development lending by its nature contains risk particularly where the borrower is unable to complete the development on time or within budget.

Where the loan is for construction or development, funds will be advanced progressively on a cost to complete basis as certified by our quantity surveyor or other appropriately qualified professional.

Before we pay any draw down we ensure that the work that is being paid for by the loan has been completed or incurred. Work can include construction stages, consultant fees or council fees and charges.

Appropriate loan funds are withheld on a cost to complete basis as advised by the quantity surveyor (or other suitably qualified person) to

complete the project with the existing builder or contractor.

Quantity surveyors generally advise that should a builder/contractor fail to complete a construction project for whatever reason, it may not always be possible to engage another builder/contractor to complete the project for the cost to complete as previously reported by the quantity surveyor. In such circumstances we will assess the project and when we consider that completion of the development is more likely to increase the return of capital and/or interest to investors we may elect to advance extra funds (exceeding the original loan) to complete the development. However, additional funds will only be advanced on the basis that these funds will be repaid in priority to existing investors' funds.

If there is a delay in completion of construction because of things such as inclement weather, shortage of labour or materials or local authority delays in issuing approvals, we reserve the right to extend the term of the loan on such conditions and for such time as we consider reasonable in the circumstances to allow completion of construction and registration of any survey plan so that an orderly sale of the security property can occur.

Where the mortgage investment is a loan for construction or development some of the principal of the loan may be repaid during the term of the mortgage investment as parts of the development are sold by the borrower.

Where this occurs in the Sydney Fund we will return a proportion of all investors' funds pro rata to the amount they have invested in the particular mortgage investment.

Other specific risks associated with the mortgage investment will be disclosed in the supplementary product disclosure statement.

Documentation risk

This is a risk that a problem in documentation could, in certain circumstances, adversely affect a return on an investment. We seek to manage this risk by using experienced lending managers and reputable legal firms.

Fund risk

Risks particular to a Fund include that it could terminate, we could change the fees and expenses, we could be replaced as the responsible entity, our professional commercial lending and mortgage management staff or our service providers could change.

Capitalisation of interest payments on loans

Loans made from a Fund may require the interest to be paid periodically during the term of the loan or in some instances capitalised.

There is a risk:

- that at the time a loan is scheduled to be repaid these interest payments are not recoverable because of changed circumstances of the borrower, the security property or other economic conditions; or
- there are insufficient cash flows to meet withdrawal requests.

This may result in no or reduced distributions to investors in the Fund until recovery proceedings are completed.

Market conditions

We operate in a market where there is competition for our products and services. The effect of this competition may impact on interest rates and affect the returns you receive.

There are a large range of factors which are outside our control and include changes to the property market, taxation, interest rates, legislation, monetary policy, natural disasters, terrorist attacks, or war in Australia or overseas.

Credit risk

An aspect of credit risk is the risk that a borrower defaults on their obligations under the loan; for example, not making the required loan repayments.

Borrowers may default for a range of reasons, including changes in personal circumstances, death, changes in the general state of the Australian and international economies, conditions of the particular market in which the

borrower's primary business operates, and property market conditions.

There are different risks attached to different loans. However, we rely primarily on the value of the underlying security to secure returns. We seek to minimise this risk by prudent assessment of loans, and by obtaining quality valuations of all properties and where appropriate, additional security and guarantees being provided by the borrower.

In the case of the Waratah Fund a high number of loans in arrears will impact the level of distributions that may be payable by the Fund.

For the Sydney Fund any default will most likely result in a disruption to distribution payments to investors in that mortgage investment.

SHSL has a documented arrears and collections management policy that operates in the event that a borrower is in arrears in respect of their mortgage repayments or is in default for another reason.

Under this policy, a variety of measures may be employed in relation to accounts that are in arrears or default, including enforcement of the security and sale of the secured property.

SHSL continually monitors the level of mortgage loans that are in arrears or default.

Illiquid nature of underlying security

Given that the underlying security is property which is relatively illiquid, there is a risk that delays could occur between a loan going into default, and sale of the property. These delays may affect interest payments and thus distributions.

We adopt the following liquidity management strategies in managing each Fund, we:

- prepare monthly forward cash flow estimates in relation to each Fund's anticipated operations over each forthcoming 12 month period; and
- update and approve the forecasts at least every three

months and reflect any material changes; and

- (c) aim to ensure that at all times each Fund has cash or cash equivalents sufficient to meet its projected cash needs over the following 12 month period.

In estimating cash flows for the Waratah Fund, we take into account a reasonable estimate of investor inflows and outflows based on previous experience. If the Waratah Fund has insufficient liquid assets available to meet investors' withdrawal requests as and when they fall due the Waratah Fund will only have limited capacity to meet withdrawal requests in accordance with the procedures set out in the Corporations Act.

Investors in the Sydney Fund may only withdraw when their money has not been allocated to a mortgage investment or when the mortgage investment has been repaid by the borrower and is held in an interest bearing account.

5.3 Risks specific to the Waratah Select Mortgage Fund

Distributions

Distribution rates for the Waratah Fund are variable and depend upon the income the Waratah Fund generates from loans and other investments less fees and expenses.

Distributions may be delayed or not made if borrowers default in repaying their loans.

Liquidity risk

Whilst the Waratah Fund operates as a liquid managed investment scheme and investors are entitled to apply to withdraw their investment at the end of their fixed investment term, there is a risk that at the time of the withdrawal request the Waratah Fund is unable to meet the withdrawal request because loans have not been repaid on time.

As your investment in the Waratah Fund will be pooled with all investors' money, your investment may also be affected by decisions to invest or withdraw made by other investors. This has the potential to reduce returns if we have to sell Waratah Fund assets to meet withdrawals or if additional investments made in the Waratah

Fund are invested in cash pending the making of mortgage investments.

We have sought to mitigate withdrawal risk by providing that the Waratah Fund has up to 180 days (and in certain circumstances 365 days) from the end of the investment term to meet the withdrawal request.

5.4 Risks specific to the Sydney Development Fund

Distributions

Distribution rates for a mortgage investment in the Sydney Fund are fixed but the payment of the distribution is dependent on the borrower in the relevant loan meeting their repayment obligations.

Distributions may be delayed or not made if borrowers default in repaying their loans.

Diversity risk

Unlike the Waratah Fund where investors are exposed to a pool of mortgage investments, a single investment in the Sydney Fund will expose the investor to a specific single mortgage investment. For an investor to obtain a diversified exposure to mortgage investments in the Sydney Fund, the investor should spread their total investment amount amongst a number of mortgage investments.

5.5 Risk Management

We have adopted guidelines for lending to minimise the risk of default. The loan assessment criteria as set out in the relevant Fund section is designed to ensure that there is minimal risk of a loan 'going bad'.

We manage many risks through prudent assessment of loans, obtaining quality, accurate valuations of property, and other investment policies we maintain.

In order to manage risks associated with loans, we ensure compliance with our prudential lending manual, which requires us to conduct a range of searches which are appropriate to a particular property or borrower, including credit reference reports, bankruptcy searches, conveyancing searches, and searches to ensure

borrowers have suitable insurance policies in place where there are structures on the land.

In addition, statements of natural persons' assets and liabilities may be obtained and where there is a corporate borrower, copies of the latest available financial reports may be obtained to assist in the assessment of the capacity of a borrower to make repayments. In particular, securing loans by a first mortgage registered by the appropriate authority means

that the full amount lent has priority against all other claims in the event the borrower defaults.

We monitor loans carefully, and implement a number of regular accounting and reporting procedures by utilising our individually tailored, mortgage management practice software.

We are responsible for recovering from the borrower debts which may be due under a loan.

6 Fees & Charges Payable

6.1 Fees and other costs

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)** Moneysmart website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

Fees and other costs

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 another part of this document.

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

Fees and costs summary

TYPE OF FEE OR COST	AMOUNT		HOW AND WHEN PAID
	Waratah Fund	Sydney Fund	
Ongoing annual fees and costs			
Management fees and costs¹	Management fee	Management fee	
The fees and costs of managing your investment	Approximately 2.50% pa of the net assets of the Fund.	This fee will vary between individual mortgage investments however we expect it will be approximately 2.9% pa of the net assets of the Fund.	This fee is paid monthly in arrears

¹ Management costs include the aggregate of management fees and costs and expenses payable to us. Under each Fund constitution, SHSL is entitled to be indemnified out of the assets of the Fund for all costs and expenses incurred in the performance of its duties or the exercise of its powers, in the course of its office, or in relation to the administration and management of the relevant Fund. Our right to be indemnified under the constitution is not subject to the receipt of income by the Fund or the payment of distributions to investors.

Fees and costs summary

TYPE OF FEE OR COST	AMOUNT		HOW AND WHEN PAID
	Waratah Fund	Sydney Fund	
	Fund expenses Nil. SHSL pays expenses from its management fees	Fund expenses Nil. SHSL pays expenses from its management fees	As and when incurred
Performance fees Amounts deducted from your investment in relation to the performance of the product	Nil	Nil	Not applicable
Transaction costs The costs incurred by the scheme when buying or selling your assets	Nil	Nil	Not applicable
Member activity related fees and costs (fees for services or when your money moves in or out of the product)			
Establishment fee The fee to open your investment	Nil	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment	Nil	Nil	Not applicable
Buy-sell spread An amount deducted from your investment representing costs incurred in transactions by the scheme	Nil	Nil	Not applicable
Withdrawal fee The fee on each amount you take out of your investment	1% of the amount withdrawn in the case of an early withdrawal	Not applicable	Paid at the time of the withdrawal
Exit fee The fee to close your investment	Nil	Nil	Not applicable
Switching fee The fee for changing investment options	Nil	Nil	Not applicable

Example of annual fees and costs

The table below gives an example of how the ongoing fees and costs for each Fund can affect your investment over a 1 year period. You should use this table to compare each Fund with other products offered by managed investment schemes.

Waratah Fund

EXAMPLE – Waratah Fund		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution fees	Nil	For every \$5,000 you put in, you will be charged \$0
PLUS Management fees and costs	2.5%pa	And , for every \$50,000 you have in the Waratah Fund you will be charged or have deducted from your investment \$1,250 each year
PLUS Performance fees	Nil	And , you will be charged or have deducted from your investment \$0 in performance fees each year
PLUS Transaction costs	Nil	And , you will be charged or have deducted from your investment \$0 in transaction costs.
EQUALS Cost of Waratah Fund		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 and costs of: \$1,250* What it costs you will depend on the investment option you choose and the fees you negotiate

*Additional fees may apply:

If you leave the Waratah Fund early, you may also be charged **withdrawal fees** of 1% of the amount withdrawn in the case of an early withdrawal (\$500 for every \$50,000 withdrawn early)

Sydney Fund

EXAMPLE – Sydney Fund		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution fees	Nil	For every \$5,000 you put in, you will be charged \$0
PLUS Management fees and costs	2.9%pa	And , for every \$50,000 you have in the Sydney Fund you will be charged or have deducted from your investment \$1,450 each year
PLUS Performance fees	Nil	And , you will be charged or have deducted from your investment \$0 in performance fees each year
PLUS Transaction costs	Nil	And , you will be charged or have deducted from your investment \$0 in transaction costs.
EQUALS Cost of Sydney Fund		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 and costs of: \$1,450 What it costs you will depend on the investment option you choose and the fees you negotiate

6.2 Additional explanation of fees and costs

GST and Stamp Duty

All fees stated in this PDS include (if applicable):

- GST less any reduced input tax credits; and
- stamp duty.

Tax

For information on the tax payable by investors on distributions refer to section 7.

Transaction costs

No transaction costs (such as brokerage, government taxes/duties/levies, bank charges and account transactions) are paid by the Funds. Any transaction costs are paid by us or directly by borrowers.

Changes of fees and maximum fees

The Waratah Fund

The constitution for the Waratah Fund provides the fees for managing the Fund are calculated as the difference between the income of the Fund less Fund expenses and the income distributions paid to investors. However, the costs and expenses of operating the Fund are paid from our management fees and not deducted from the Fund.

The Sydney Fund

The maximum fees payable under the constitution are up to 5% pa of the value of a mortgage investment, plus loan establishment fees and early loan repayment fees.

Changes to fees and costs

We reserve the right to change fees and costs for either Fund without investor consent, but subject to any limitations under the applicable constitution and any applicable law. We will give you at least 30 days' notice prior to any increase in fees.

7 Tax

7.1 Taxable Distributions

Our policy is to distribute all net taxable income of each Fund to investors each financial year. The current income tax legislation is such that a trust operates as a flow through vehicle such that the income of the trust when distributed, retains its character as it 'flows through' the trust to the investor and we as trustee are not generally liable to pay tax with respect to the Fund.

Any interest income received by a Fund from its activities when distributed by the Fund will flow through the Fund to the investor and will retain that character in the hands of the investor. This has the consequence for investors, that they will be required to include their entitlement to the net interest income of the Fund in their income tax returns and should be included in the investors' taxation return when the investors' entitlement to that distribution arises. This entitlement arises irrespective of whether the investor receives the income during the year, after the end of the year or is reinvested as additional units in the Fund.

We will send (within 3 months of 30 June) to each investor their annual taxation statement. Investors should not complete their taxation returns until they receive this statement.

In the application form, investors are also asked to provide an Australian Tax File Number (TFN), Australian Business Number (ABN) or relevant exemption. Providing this information is not compulsory but consequences flow where this information is not provided (refer to the Guide for Completing the Application Form).

7.2 Overseas Investors

If an investor is not an Australian resident for taxation purposes, the investor must (when completing the application form) provide their overseas address. Where an overseas address is provided, withholding tax must be deducted by us from all distributions.

7.3 Social Security

An investor's investment in the Fund will be classified as a financial investment by the Department of Veteran Affairs (DVA) and Centrelink and therefore included in the income and assets tests by the DVA and Centrelink. Government policy in this area can often change and we recommend investors should consult their financial adviser, the DVA or Centrelink for any further information on how their investment in a Fund may affect them.

7.4 Goods and Services Tax

Goods and services tax (GST) is not directly applicable to an investor's investment in a Fund when they invest or withdraw their investment.

A Fund may incur GST in respect to various expenses and the Fund may not be entitled to input tax credits with respect to all the GST the Fund incurs.

Taxation law is constantly under review and changing. The comments above are accurate at the date of this PDS. Tax law is complex and each investor's circumstances are different. We recommend all investors seek professional independent taxation advice on their investment.

8 Additional Information

This section contains a summary of the more important details contained in material documents which are relevant to a Fund.

8.1 Constitutions

Each Fund is governed by its constitution. The Constitution, together with the Corporations Act, determines our legal rights, duties and obligations, as well as yours.

A copy of each constitution can be inspected at our office, or a copy will be provided free of charge upon request.

We may vary a constitution at any time if we reasonably consider the change will not adversely affect your rights as an investor, or otherwise by special resolution of the investors.

Unit pricing

The constitution provides that we will offer interests in mortgages.

Authorised investments include loans and deposits at call or for a term with any bank.

For the Waratah Fund, units are issued at a price calculated by dividing the sum of the net asset value of the Fund plus any transaction costs by the number of units on issue.

For the Sydney Fund units are issued at a price calculated by dividing the sum of the net asset value of the mortgage investment by the number of units on issue for that mortgage investment.

Therefore, a change in the value of one mortgage investment will have no impact on the value of units in a separate mortgage investment.

SHSL has a unit pricing policy which is available on request.

Transfer of investments

With our prior written consent, your units may be transferred in the event of your death, bankruptcy or mental incapacity.

Withdrawal of Investment – Waratah Fund

The constitution requires us to redeem an investor's units within 365 days of the end of the investor's investment term following receipt of a valid withdrawal request. However, if none of the following events have occurred, we must redeem an investor's Units within 180 days:

- if the Fund's cash reserves fall below and remain below 5% of total net assets for 10 consecutive business days; or
- in any 90 day period, we receive valid withdrawal requests from investors equal to or greater than 10% of the Fund's issued units and, during the period of 10 consecutive days falling within the 90 day period, the Fund's cash reserves are less than 10% of net assets; or
- we are not satisfied that sufficient cash reserves are available to pay withdrawals on an appropriate day and to pay all actual and contingent liabilities of the Fund; or
- any other event or circumstance arises which we consider in its absolute discretion may be detrimental to the interests of investors.

Withdrawal of Investment – Sydney Fund

The constitution only allows an investor in the Fund to apply to withdraw their investment when their investment is not allocated to a mortgage investment. Once an investor's investment is allocated to a mortgage investment the investor is not entitled to withdraw that investment until the borrower of those funds has repaid the loan.

Both Funds

In the event a Fund is unable to meet withdrawal requests within the time period provided under the Constitution, the Fund would be classified as a non-liquid managed investment scheme. If a Fund becomes a non-liquid managed investment scheme an investor will only be able to withdraw their investment in the manner specified in the Corporations Act.

Part 5C.6 of the Corporations Act provides that a managed investment scheme is liquid if liquid assets account for at least 80% of the value of scheme property. Liquid assets would ordinarily include money in an account or on deposit with a bank, bank accepted bills, marketable securities or any other property (including the mortgage portfolio) which we reasonably expect can be realised for its market value within the period specified in the constitution for satisfying withdrawal requests. The liquidity of a Fund is dependent upon whether 80% of the Fund property can be realised for market value within the period specified in the constitution for satisfying withdrawal requests. If a Fund becomes illiquid, then withdrawals can only be paid in accordance with sections 601KB to 601KE of the Corporations Act.

Limitation of liability

We are to be indemnified out of the assets of each Fund in respect of all debts, liabilities, damages, costs, taxes, charges, expenses and outgoings reasonably and properly incurred by us in the performance of our functions and duties, and are not liable for anything done in good faith in the performance of our functions and duties under the constitution.

Duration of each Fund

Whilst the duration of each Fund is expressed to terminate after 80 years, it must be wound up in any of the following circumstances:

- where it is without a responsible entity for whatever reason;
- where its purpose is accomplished or cannot be accomplished;
- where it comes to the end of its term; or
- where a court orders it be wound up.

Our retirement or removal

We may retire from our role as responsible entity of a Fund subject to compliance with the provisions of the Corporations Act.

We may also be removed by the investors and a new responsible entity may be appointed by an extraordinary resolution passed at a meeting of investors.

Investors' meetings

Each Fund constitution provides for the rights of investors to convene and hold meetings and to exercise rights conferred by the Corporations Act.

Financial statements

Separate accounting records for each individual investor are kept.

Within 3 months after the end of a financial year, you will be provided with a report as to all credits and debits to your investment during the financial year, and as to the assets, liabilities, revenue and expenses referable to you during that financial year.

8.2 Agreement with SHMS

We have entered into a non-exclusive agreement for SHMS to provide certain services to each Fund on our behalf until such date as agreed by the parties, or until termination by written notice in accordance with the agreement.

SHMS is responsible for the efficient and economic provision of services to each Fund in accordance with the relevant Fund constitution, the Corporations Act, management methods and other specified practices, and instructions we provide.

SHMS is to be reimbursed for all appropriate costs and expenses incurred in providing the services, to the limit imposed under each Fund constitution. SHMS is to act in our, each Funds and your best interests. All information provided by either party to the other party under the agreement is confidential, and may not be disclosed without the other party's consent.

In consideration for services provided under the agreement, SHMS is entitled to be paid a fee by us from our management fee.

In the Sydney Fund, where SHMS pays interest on behalf of a borrower then SHMS is entitled to receive the higher interest where the borrower has made up all other payments in that loan. If the borrower subsequently defaults and SHMS has already received the higher interest it is not required to refund those interest payments.

Services to be provided by SHMS will adhere to certain performance standards and include:

- administration of each Fund;
- regular reporting to us each Funds developments;
- provision of statements to you;
- provision of periodic financial and statistical reports;
- receiving and accounting for contributions;
- payment of accounts;
- calculation of PAYE requirements and contribution returns; and
- provision of day-to-day administrative assistance.

SHMS is a related entity of the directors and the agreement complies with the related party provisions of the Corporations Act.

8.3 Privacy

Protecting the personal information of investors and ensuring your privacy is important to us.

We are committed to the Australian Privacy Principles contained in the *Privacy Act 1988* (Cth) (**Privacy Act**). The purpose of this statement is to advise you that we may collect, use and disclose various personal information about you, including your name, date of birth, address, email address, telephone number and tax file number.

Where possible, we will collect your personal information directly from you, however on occasion we may need to collect personal information about you from our related entities, affiliated organisations or third parties.

We collect personal information so that we may provide you with information about the products and services you request, as well as information on other products and services which we feel may be of interest to you. This collection is also for the purposes of implementing, administering and managing your participation in the applicable Fund, and facilitating our internal

business operations, including the fulfilment of any legal and regulatory obligations.

In order to provide goods and services to you (including to implement, administer and manage your participation in the applicable Fund), we may disclose your personal information to:

- our related entities and affiliated organisations;
- service providers, who assist us in operating our business; and
- other parties for certain purposes such as audits, bulk mailing, market research and information technology support.

We may also seek expert help from time to time to help us improve our systems, products and services. Your personal information will be disclosed to these parties in such circumstances. However, your personal information will not be shared with other third parties (except to related bodies for credential and risk management purposes).

Your personal information may also be used by us to administer, monitor and evaluate products and services, gather, aggregate and support statistical information, assist you with any queries and take measures to detect and prevent fraud and other illegal activity. We may also be allowed or obliged to disclose information by law and to report on credential or risk management matters.

If you use a financial adviser who recommended your investment in the Fund, then details of your investment will be provided to that financial adviser.

We aim to ensure that the personal information we retain about investors is accurate, complete and up to date.

If you provide us with incomplete or inaccurate information, we may not be able to provide you with the products and services you are seeking (including that we may not be able to implement, administer or manage your participation in the applicable Fund). It is up to you to update your personal information. If you are unable to update your personal information held by us yourself, you must notify us of the changes as soon as reasonably practicable.

We are not likely to disclose your personal information overseas, except as permitted by the Privacy Act, unless we otherwise advise you in writing.

More detailed information about the way we use, disclose and secure your personal information, how you can access or amend your information, and how you can make a complaint about a breach of the Australian Privacy Principles can be found in our privacy policy, available by contacting us at:

Telephone: 1800 644 805

Email: admin@shsl.com.au

Website: www.shsl.com.au

You will be taken to have agreed to the collection, use and disclosure of your personal information as set out above when you make an investment with us.

8.4 Complaints and resolution of disputes

If you have a concern or complaint about any aspect of your investment in a Fund, please contact us at:

Dispute Resolution Officer
Shakespeare Haney Securities Limited
PO Box 1242
SURFERS PARADISE QLD 4217

Phone: 1800 644 805
Fax: (07) 5538 6934
Email: admin@shsl.com.au

We are a member of, and participate in, the Australian Financial Complaints Authority (**AFCA**), an independent complaints resolution organisation. If you feel your complaint has not been satisfactorily resolved you are entitled to make a complaint to AFCA at:

Australian Financial Complaints Authority
GPO Box 3
MELBOURNE VIC 3001

Phone: 1800 931 678
Fax: (03) 9613 6399
Email: info@afca.org.au
Website: www.afca.org.au

8.5 Consents and disclaimers

McCullough Robertson has given and has not, before the date of this PDS, withdrawn its written consent to being named in the PDS as Lawyers for Shakespeare Haney Securities Limited in the form and context in which it is named.

KPMG has given and has not, before the date of this PDS, withdrawn its written consent to being named in this PDS as auditor of Shakespeare Haney Securities Limited, the Waratah Select Mortgage Fund and the Sydney Development Fund in the form and context in which it is named.

The Trust Company (Australia) Limited AFSL No. 235145 has given and has not, before the date of this PDS, withdrawn its written consent to being named in this PDS as Custodian of the Waratah Select Mortgage Fund in the form and context in which it is named.

None of the parties named above take any responsibility for the contents of the PDS other than as they are named.

8.6 Interests Requiring Disclosure

SHMS provides services to the Fund for which it receives fees on normal commercial terms. Some of the directors have a beneficial interest in this company and will benefit from any fees derived by it.

The directors have a beneficial interest in Shakespeare Haney Securities Limited and will benefit from any fees derived by it.

Directors may acquire units in a Fund and where this occurs, the units are acquired on the same basis as other investors.

8.7 Policy on loans to related parties

The directors have a policy that prohibits any loans being made to any related parties.

8.8 Cooling-Off period

A cooling-off period applies to an investment in either Fund.

Waratah Fund

After investing in the Fund you have 14 days commencing from the earlier of the date we send you confirmation of the investment or five days after you are issued units in the Fund. During this period you may change your mind. The cooling-off rights do not apply to investments made by reinvestment of distributions.

Sydney Fund – Investor Selected Investment

After investing in the Fund you have 14 days commencing from the earlier of the date we send you confirmation of the investment or five days after you are issued units in the Fund. During this period you may change your mind.

Sydney Fund – SHSL Selected Investment

You have 14 days from the date we send you the supplementary product disclosure statement confirming your investment in the mortgage we have selected for you within which you may change your mind.

Waratah and Sydney Fund

To exercise your cooling off rights, you must advise us in writing (or any other permissible way) before the end of the period. We will on receipt of your request proceed to refund your investment adjusted for any change in the unit price and any applicable taxes.

8.9 Continuous Disclosure

The Waratah Fund is a disclosing entity for Corporations Act purposes and as such be subject to regular reporting and disclosure obligations. Once the Sydney Fund has at least 100 investors it will also become a disclosing entity under the Corporations Act, in which case it will be subject to regular reporting and disclosure obligations and the following matters will also apply for the Sydney Fund from that time.

Copies of documents lodged with ASIC in relation to the Waratah Fund and, if a disclosing entity, Sydney Fund may be obtained from, or inspected at, an ASIC office.

Investors have a right to obtain a copy of the following documents:

- the annual financial report for each Fund most recently lodged with ASIC;
- any half-yearly report lodged with ASIC; and
- any continuous disclosure notices given by a Fund. Continuous disclosure notices will be posted on our website.

While the Sydney Fund is not a disclosing entity, section 1017B of the Corporations Act requires that we must advise investors in that Fund of material changes to matters specified in this PDS or significant events that affect those matters.

The financial statements for each Fund are available on request.

8.10 FATCA

The United States of America (**US**) passed the Foreign Account Tax Compliance Act (**FATCA**) which is designed to assist the US in collecting tax revenues from US residents. The Australian Government has entered into an inter-governmental agreement (**IGA**) with the US government in relation to the application of FATCA to Australian institutions which include SHSL in its capacity as trustee of the Funds. SHSL therefore intends to comply with obligations under FATCA, the IGA and any other local laws designed to give effect to FATCA and the IGA (collectively the 'FATCA Obligations').

As an investor in a Fund you agree to assist SHSL in meeting its FATCA Obligations by doing the following:

- agreeing to provide any relevant information SHSL requests from time to time;
- agreeing to notify SHSL of any changes in information previously provided;
- consenting to the disclosure of information by SHSL where your units are held by a person or entity to which the FATCA Obligations relate. This may include SHSL providing such information to the ATO who may, in turn, provide the information to the US Internal Revenue Service (IRS); and

- If requested by SHSL you agree and it is a condition of your investment, to provide certain information required by SHSL in order to comply with any applicable law, including FATCA.

8.11 Common Reporting Standard

Common Reporting Standard (CRS) provides a global standard for the collection of financial account information by financial institutions on account holders who are foreign tax residents, the reporting of that information to the local tax authorities, and the exchange of that information with the foreign residents' home tax authorities. If you are a new investor, SHSL will require you to declare certain details about your tax residency status prior to processing your application and for existing investors in a Fund SHSL may request these details at a later date. Under CRS, SHSL is required to report details about your investments and tax residency status to the ATO. If you are a tax resident of another country, the ATO may exchange details about your investments with that relevant foreign tax authority.

8.12 Anti-money Laundering and Counter Terrorism Financing Requirements (AML/CTF)

In issuing this PDS and in operating the Funds, SHSL is required to comply with AML/CTF legislation. This requires SHSL to obtain

additional information when applicants apply for investment in a Fund. SHSL will be required to identify:

- any applicant prior to acquiring units. SHSL will not issue units until all relevant information has been received and the potential investor's identity has been satisfactorily verified;
- an investor's estate. If an investor dies while they are the holder of units, SHSL must identify the legal personal representative prior to transferring ownership of the units; and
- anyone acting on an investor's behalf, including under power of attorney.

In some circumstances, SHSL may need to re-verify this information.

By applying to invest in a Fund, applicants also acknowledge that SHSL may decide to delay or refuse any request for any transaction if it is concerned the request or transaction may breach any obligation, or cause SHSL to commit or participate in an offence under any AML/CTF law.

8.13 Directors' authorisation

Each of the directors have consented to and authorised the issue of this PDS.

9 Glossary

ASIC	Australian Securities and Investments Commission
ATO	Australian Tax Office
Corporations Act	the Corporations Act 2001 (Cth) and includes the Corporations Regulations
Custodian	means the Trust Company (Australia) Limited ACN 000 000 993
DRP	the dividend reinvestment plan of the Waratah Fund summarised in section 2.2
Fund or Funds	means either or both the Waratah Fund and the Sydney Fund
GST	goods and services tax
Investor, you or your	an investor to whom offers of units are made under this PDS and includes (depending on the context), a holder of Units
Investor Selected	is a mortgage investment in the Sydney Fund chosen by the investor and into which the investor has invested
PDS	this product disclosure statement
SHMS	SH Mortgage Services Pty Ltd ACN 089 305 733
SHSL Selected	is a mortgage investment in the Sydney Fund chosen by SHSL and into which the investor money is invested
Sydney Fund	means the Sydney Development Fund ARSN 159 243 820
Waratah Fund	Waratah Select Mortgage Fund ARSN 089 601 052

IMPORTANT NOTICE

The Corporations Act prohibits any person from passing onto another person the application form which was attached to this Product Disclosure Statement dated 28 October 2022 (PDS), unless the application form is attached to or accompanying a complete and unaltered copy of the PDS. A person who gives another person access to the application form must at the same time and by the same means give the other person access to the PDS. Applications for Units will only be accepted if made on an application form attached to the PDS.

Guide to Completing the Application Form

- A** Select the Fund or Funds in which you wish to invest and, for the Waratah Fund, enter the amount you wish to invest in each applicable investment term. If you wish to have your distributions in any particular investment term direct debited to your bank account nominated in section H of this application form, please indicate this preference by ticking the relevant box.
- B** Enter the total amount of Application Money. Minimum investment of \$5,000.
- C** Enter the full name you wish to appear on the register. This must be either your own name or the name of a company. Up to 3 joint applicants may register. You should refer to the table below for the correct forms of registrable name. Applications using the wrong form of name may be rejected.
- D** Each applicant who is a natural person must insert their date of birth in the space provided. Individuals directly holding Units must be 18 years of age or older.
- E** Enter your residential address here. This information is required in accordance with the Anti Money Laundering and Counter Terrorism Act 2006.
- F** Enter your postal address for all correspondence. All communications to you from the Manager will be mailed to the address as shown. For joint applicants, only one address can be entered.
- G** Enter your Tax File Number (TFN) or exemption category or Australian Business Number (ABN). Collection of TFNs and ABNs is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application. However, if no TFN or ABN is quoted any distributions may be taxed at the highest marginal tax rate plus the Medicare Levy.

- H** **Direct credit for distributions**
Insert name of account which is to be credited.
- I** Please insert a contact name here.
- I** Enter your telephone number. This will assist us to contact you if there are any problems with your application.
- J** Please insert your email address
- K** Joint applications for units must be signed by each joint applicant. Where Units are to be held by a company this application form must be signed by any two directors of the company or any director and the company secretary, in accordance with section 127 of the Corporations Act 2001. Persons applying for units on behalf of a company must state the position within the company they hold (i.e. director or company secretary) next to their signature. Where the applicant is a trustee and is applying for units on behalf of a trust, the trustee warrants and represents that it has the proper authority required in order to invest in a Fund.
- L** Please complete this section in accordance with the instructions provided.

BEFORE COMPLETING THE APPLICATION FORM THE APPLICANT(S) SHOULD READ THE PDS TO WHICH THE APPLICATION RELATES. BY LODGING THE APPLICATION FORM, THE APPLICANT(S) AGREES THAT THIS APPLICATION IS FOR UNITS IN EITHER THE SHAKESPEARE HANEY WARATAH SELECT MORTGAGE FUND OR THE SYDNEY DEVELOPMENT FUND UPON AND SUBJECT TO THE TERMS OF THE PDS, AGREES TO TAKE **ANY NUMBER OF UNITS EQUAL TO OR LESS THAN THE NUMBER OF UNITS SHOWN IN BOX A THAT MAY BE ALLOTTED TO THE APPLICANT(S) PURSUANT TO THE PDS AND DECLARES THAT ALL DETAILS AND STATEMENTS MADE ARE COMPLETE AND ACCURATE AND THE APPLICANT HAS PERSONALLY RECEIVED A COMPLETE AND UNALTERED PDS.**

Correct forms of Registrable name

Note that ONLY legal entities are allowed to hold Units. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficial or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

Lodgement of Applications

Send your completed application forms with cheques attached to:

Shakespeare Haney	Shakespeare Haney
Securities Limited	Securities Limited
PO Box 1242	PO Box R1075
Surfers Paradise Qld 4217	Royal Exchange NSW 1225

Type of Investor	Correct Form	Samples of Incorrect Form
Individual • Use given names, not initials	John Alfred Smith	J.A. Smith
Company • Use company name, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts • Use trustee(s) personal name(s) • Do not use the name of the trust	Janet Smith <Janet Smith Family>	Janet Smith Family Trust
Deceased Estates • Use executor(s) personal name(s) • Do not use the name of the deceased	Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Partnerships • Use partners' personal name(s) • Do not use the name of the partnership	John Smith and Michael Smith <John Smith & Michael Smith A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names • Use office bearer(s) personal name(s) • Do not use the name of the clubs etc.	Janet Smith <ABC Tennis Association>	ABC Tennis Association
Superannuation Funds • Use name of trustees of fund • Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Pin cheque(s) here. Do not staple

Waratah Select Mortgage Fund

ARSN 089 601 052

Issuer

Shakespeare Haney Securities Limited

ABN 23 087 435 783, AFSL 226348

(Responsible Entity)

and

Sydney Development Fund

ARSN 159 243 820

APPLICATION FORM

This application form is important. If you are in doubt as to how to deal with it, please contact a professional adviser. You should read the entire PDS carefully before completing the form.

A Please choose an investment option

Waratah Select Mortgage Fund

or

Sydney Development Fund

☐ 12 months

☐

Tick this box if you want
your distributions
reinvested

☐ 24 months

☐ 36 months

Please make your cheque payable to The Trust
Company (Australia) Ltd ACF Waratah Select
Mortgage Fund

☐ Investor Selected

☐ SHSL Selected

Please make your cheque payable to Shakespeare Haney
Securities Limited ATF Sydney Development Fund

B Total Application amount

AUD \$

Are you:

☐

Existing investor

☐

New investor

Please tick one

Main source(s) of funds for investment:

☐

Savings

☐

Financial investments

☐

Inheritance/Gift

☐

Other (please provide brief description)

C Print your name here

Name of applicant 1

Name of applicant 2 or <Account Name>

Name of applicant 3 or <Account Name>

D Applicant's Date of Birth

/

/

d

d

m

m

y

y

/

/

d

d

m

m

y

y

/

/

d

d

m

m

y

y

E Print your residential address here

Street Number/Street Name

Suburb/Town

State

Post Code

F Print your postal address here (if the same as residential write 'as above')

PO Box number/Street Number/Street Name

Suburb/Town

State

Post Code

G Tax file number or Tax Exemption Category

TFN of Applicant 1

TFN of Applicant 2

TFN of Applicant 3

Exemption Category of Applicant 1

Exemption Category of Applicant 2

Exemption category of Applicant 3

Please answer **both** tax residency questions:

Are you a tax resident of Australia?

☐ Yes ☐ No

Are you a tax resident of another Country?

☐ Yes ☐ No**H Bank account details for distributions**

Insert name of account which is to be credited

Bank

Branch

BSB number

Account number

I Contact name**J Telephone Number****K Email Address****L Target market identification**

Please select the response which best describes how each statement below applies to you, based on whether you are applying to invest in the Waratah Fund or the Sydney Fund, to assist us identify whether you are in the target market for the applicable Fund

You are prepared to hold units for your selected investment term of 12, 24 or 36 months for the Waratah Fund or the investment term of the selected mortgage investment (generally 12 months to 2 years) for the Sydney Fund

☐ Yes ☐ No

You are seeking an investment offering regular income by monthly distributions (for the Waratah Fund and Sydney Fund) or an investment offering the opportunity to reinvest income distributions in the Fund quarterly (for the Waratah Fund)	<input type="checkbox"/>	Yes	<input type="checkbox"/>	No
You are not seeking capital growth from this investment and understand an investment in the Waratah Fund or Select Fund will not provide capital growth	<input type="checkbox"/>	Yes	<input type="checkbox"/>	No
Your investment tolerance for this investment is medium to high risk for both the Waratah Fund and the Sydney Fund (meaning it is expected each Fund may experience an estimated 3 to 4 negative annual returns over a 20 year period).	<input type="checkbox"/>	Yes	<input type="checkbox"/>	No
You are seeking an investment in a managed investment scheme rather than investing directly into underlying assets (being secured loans)	<input type="checkbox"/>	Yes	<input type="checkbox"/>	No

If you have answered 'NO' to one or more of the above statements, an investment in the Funds may not be suitable for you.

M

Signature

I/We declare that this application is completed according to the declarations/appropriate statements on the reverse of this form and agree to be bound by the constitution of the Waratah Select Mortgage Fund or the Sydney Development Fund as the case may be.

Applicant 1	<div>DATE</div>	Applicant 3	<div>DATE</div>
Applicant 2	<div>DATE</div>		