



CFMG
Capital

Benchmark Disclosure Report

Land and Opportunity Fund

ARSN 602 610 006

ASIC benchmarks and disclosure principles

ASIC has developed eight benchmarks and eight disclosure principles for unlisted mortgage schemes, being 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 (RG 45).

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.

For the purpose helping investors understand and assess the Trust, we consider that the benchmarks and disclosure principles of RG 45 are most appropriate as:

- (a) the form of securities likely to be issued by SPV Developers will be entitled to a flat rate of income flowing from the Property Development and will not carry a right to participate in any capital gain;
- (b) the Property Development will secure borrowings by the SPV Developer from a senior lender;
- (c) the SPV Developer will enter a General Security Agreement in favour of the Trust; and
- (d) the SPV Developer will borrow unsecured amounts from other third party lenders.

Accordingly, we consider the form of securities likely to be issued by SPV Developers should be properly regarded as debt instruments. As the Trust will be loaning funds to the SPV Developers either by investing in securities to be issued by the SPV Developers or by entering into loan agreements with SPV Developers, we have disclosed the information about the Trust against ASIC's benchmarks and disclosure principles for debt instruments (mortgages).

Responsible entities of unlisted mortgage schemes offered to retail investors (and in which retail investors have invested) are required to disclose against the benchmarks on an 'if not, why not' basis. This means providing a clear statement that the Trust either:

- (a) meets the benchmark; or
- (b) does not meet the benchmark and providing an explanation of how and why the responsible entity deals with the business factor or issues underlying the benchmark in another way.

For the purpose of keeping investors informed about any significant changes to the Trust's continuing ability to respond to the benchmarks as disclosed in the table below, the Responsible Entity will, as required, update the Benchmark Report on its website www.cfmcapital.com.au periodically (usually each quarter) which will be electronically accessible by investors. For those investors who cannot access our website, a paper copy of an updated Benchmark Report can be given to you (free of charge) by telephoning our Investor Services team.

The purpose of the disclosure principles is to improve the consistency and quality of disclosure by responsible entities of unlisted mortgage schemes and to enhance consumer confidence. The disclosure principles cover information that retail investors reasonably need to know to make an informed decision about whether to invest and to monitor whether their expectations are being met.

Investors note their investment will not be secured by a registered mortgage over any real property the subject of the Property Development and as such the investment will be at a greater risk of loss than were it secured by a registered mortgage.

Benchmark/ Disclosure principle	Benchmark met? (Yes / No)	Explanation	Further information
<p>Benchmark 1: Liquidity</p> <p>For a pooled mortgage scheme, the responsible entity has cash flow estimates for the scheme that:</p> <ul style="list-style-type: none"> (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. 	Not applicable	<p>The Trust is not required to disclose the information required by this principle. Benchmark 1 applies only to pooled mortgage schemes.</p> <p>However, the Responsible Entity has systems in place to manage the Trust's cash flows and to ensure that the Trust's short-term commitments are satisfied.</p>	Not applicable

Benchmark/ Disclosure principle	Benchmark met? (Yes / No)	Explanation	Further information
<p>Benchmark 2: Scheme Borrowing</p> <p>The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.</p>	Yes	<p>The Trust will not directly borrow any amounts and does not intend to enter into any borrowing arrangements on behalf of the Trust. However, the SPV Developer (to which the Trust will lend via the loan agreements with the SPV Developer or by the allotment of securities to the Trust) will borrow funds in order to undertake and complete a Property Development.</p> <p>Each SPV Developer is likely to borrow additional funds from a third party lender (in addition to obtaining funds from a senior lender and through an Offer in the Trust).</p> <p>The Responsible Entity will have the power to limit the level of debt undertaken by the SPV Developer. Under the General Security Agreement, the Responsible Entity will limit the amount which the SPV Developer can borrow from the secured senior lender to a maximum of 70% of the total projected development costs. This means that in combination with the amount invested by the Trust, the SPV Developer will borrow in excess of 70% of the total projected development costs of the Property Development.</p> <p>See the SPDS for specific details about the proposed borrowing arrangements for a Property Development.</p>	SPDS
<p>Benchmark 3: Loan Portfolio and Diversification</p> <p>For a pooled mortgage scheme:</p> <ul style="list-style-type: none"> (a) the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region; (b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets; (c) the scheme has no single borrower who exceeds 5% of the scheme assets; and (d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title). 	Not applicable	<p>Not applicable. Benchmark 3 applies only to pooled mortgage schemes.</p> <p>Each Offer will comprise a single asset and therefore does not offer investment diversification. However, you may choose to invest in as many Offers as you like to suit your personal objectives, needs and circumstances.</p> <p>We recommend that you do not invest all of your investable funds into a single asset. If you are unsure about the amount of the investment you wish to make you should seek professional ad-vice from your professional advisers.</p>	Not applicable

Benchmark/ Disclosure principle	Benchmark met? (Yes / No)	Explanation	Further information
<p>Benchmark 4: Related party transactions</p> <p>The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.</p>	Yes	<p>The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest (Conflict Policy).</p> <p>Our Conflict Policy sets out strict terms that apply if we enter into transactions with related parties, which require us to ensure these transactions are entered into on commercial arm's length terms and the details of these transactions are disclosed to investors appropriately, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.</p> <p>There are no related party transactions on foot at the date of this PDS.</p> <p>The Trust will not purchase any Property Development from, or sell any Property Development to, the Responsible Entity or its related parties or associates.</p> <p>The relevant SPDS will contain details of related party transactions (if any) in relation to a Property Development.</p>	Refer to sections 9.17 and 9.18 and the SPDS.
<p>Benchmark 5: Valuation Policy</p> <p>In relation to valuations for the scheme's mortgage assets and their security property, the board of the responsible entity requires:</p> <ul style="list-style-type: none"> (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, for development property, on both an 'as is' and 'as if complete' basis and, 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. 	Yes	<p>Benchmark 5 addresses the scheme's valuation practices, including when an independent valuation is required.</p> <p>The Responsible Entity maintains and complies with a written valuation policy (Valuation Policy) and this Valuation Policy meets Benchmark 5.</p>	SPDS

Benchmark/ Disclosure principle	Benchmark met? (Yes / No)	Explanation	Further information
<p>Benchmark 6: Lending Principles – Loan-to-Valuation Ratios</p> <p>If the scheme directly holds mortgage assets:</p> <p>(a) where the loan relates to property development – funds should be provided to the borrower in stages based on independent evidence of the progress of the development;</p> <p>(b) where the loan relates to property development – the scheme should not lend more than 70% on the basis of the latest ‘as if complete’ valuation of property over which security is provided; and</p> <p>(c) in all other cases – the scheme should not lend more than 80% on the basis of the latest market valuation of property over which security is provided.</p>	Not Applicable	<p>Not applicable (because the Trust will not hold mortgage assets).</p> <p>However, to assist applicants assess the Trust, we will include loan to value ratio information for a Property Development in each SPDS.</p>	SPDS
<p>Benchmark 7: Distribution Practices</p> <p>The responsible entity will not pay current distributions from scheme borrowings.</p>	No	<p>The Trust may pay interim distributions from subscription money retained and not advanced to a SPV Developer.</p> <p>These initial distributions would not be funded from operations of the Trust. We do not, and our related parties, associates, officers and employees do not guarantee investors will receive any, or a particular rate of, return on their investment.</p> <p>Distributions other than any initial distributions and the return of capital is totally depended on the successful completion of a property development and sale of the property with sufficient funds to redeem all the securities issued by the SPV Developer.</p>	Sections 8.1 and 9.5 and SPDS.

Benchmark/ Disclosure principle	Benchmark met? (Yes / No)	Explanation	Further information
<p>Benchmark 8: Withdrawal arrangements</p> <p>For liquid schemes:</p> <p>(a) the maximum period allowed for in the constitution for the payment of withdrawal requests should be 90 days or less;</p> <p>(b) the responsible entity should pay withdrawal requests within the period allowed for in the constitution; and</p> <p>(c) the responsible entity should only permit members to withdraw at any time on request if at least 80% (by value) of the scheme property is 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 assets that the responsible entity can reasonably expect to realise for market value within 10 business days.</p> <p>For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.</p>	No	<p>The Trust is an illiquid investment and should be considered as a long term investment.</p> <p>Investors are not entitled to withdraw from the Trust before completion of the term of the relevant Class they hold Units in. However, it is possible to transfer Units (subject to the Constitution). There are risks and limitations that may affect Unitholders' withdrawal rights.</p> <p>The SPDS will disclose the anticipated investment term for the relevant Class.</p> <p>If the securities issued by the SPV Developer or the loan funds advanced to the SPV Developer are not redeemed or repaid by the end of the relevant term, the Responsible Entity may agree to extend the term for up to 12 months. If at the end of the term (that is not extended) or at the end of the extended term the securities issued are not repaid, the Trustee will commence recovery proceedings against the relevant SPV Developer.</p>	<p>Refer to sections 7.5 and 8.1 and SPDS.</p> <p>Sections 4, 7, 8.1 and 9.9.</p>

Disclosure principle 1 – Liquidity

Liquidity is the measure of cash and cash equivalent assets as a proportion of a scheme's total assets and is an indicator of the ability of a scheme to meet its short-term commitments. Liquidity of a scheme may be viewed as a risk as the underlying assets of the scheme may not be easily realised within the period of time required to meet withdrawal requests or other commitments or expenses.

We have systems in place to manage the Trust's cash flows and to ensure that the Trust's short-term commitments are satisfied.

Disclosure principle 2 – Scheme borrowing

Where a mortgage scheme has borrowings, this principle requires responsible entities to disclose the maturity profile and other information relating to the scheme borrowings, including details of total debts due, why the responsible entity has borrowed the money (including whether the borrowed funds will be used to fund distributions or withdrawal requests), any material loan covenant breaches and the risks associated with the scheme's borrowing and credit facility maturity profile.

We do not intend to enter into any borrowing arrangements on behalf of the Trust. Accordingly, we are not required to disclose the information required by this principle.

Disclosure principle 3 – Loan portfolio and diversification

Portfolio diversification measures the level of concentration risk in the portfolio of mortgages held by the scheme. Greater levels of diversification of mortgages by borrower, size, activity and geographical location, lowers the risk that the scheme would suffer significant loss from default by any one borrower or class of borrowers.

Benchmark 3 applies only to pooled mortgage schemes and we are not required to disclose the information against this principle.

Unitholders will only have a beneficial interest in the SPV Developer loan investment corresponding to the Class in which they have elected to invest and not in the Trust's entire portfolio. Therefore, lack of diversification is a risk for Unitholders in managed investment schemes generally. Further information in relation to specific loan investments in SPV Developers, such as the targeted distribution rates and term of investment, is set out in the SPDS relating to that Offer.

Disclosure principle 4 – Related party transactions

This principle requires responsible entities to disclose their approach to related party lending, investments and other transactions, and how such transactions are assessed and monitored to consider whether the transaction is made with the same rigour and independence as transactions made on an arm's length commercial basis.

CFMG Land and the SPV Developers are each related parties of the Responsible Entity as they share common directors with the Responsible Entity.

A common risk of related party transactions is that in the event of default, the Responsible Entity (or the SPV Developer) may not enforce its rights against a related party. See sections 3(Benchmark 4) and 9.17 of this PDS for information about our Conflicts Policy that governs the related party transactions we may enter.

Should an event of default arise under a loan agreement and the SPV Developer does not remedy that default the Responsible Entity will take action to recover the money owed. Both the Responsible Entity and its directors have a statutory duty to place the interests of Unitholders above their own interests where there is a conflict. The Responsible Entity will keep the Unitholders of the relevant Class informed of the actions being taken.

The Responsible Entity will not seek Unitholder approval to transact with a SPV Developer. The intended terms of a loan agreement will be benchmarked to market and will only be entered if those terms are in line with industry practice.

The directors of the Responsible Entity will only enter a loan agreement with a related party, including a SPV Developer, if they are satisfied the terms of the loan agreement are on terms no less favourable than they would have been had the terms been negotiated between non-related entities dealing at arms length.

Disclosure principle 5 – Valuation policy

This disclosure principle requires the responsible entity to provide investors with information about the valuation of the property securing a loan in which investors have, or are being offered, an interest.

For loans advanced for a Property Development, we will obtain an independent valuation of the real property the subject of the Property Development before the issue of the loan, on renewal of the loan (if the LVR is more than 80%), and if we form a view that there is a likelihood of a decrease in the value of real property which may cause a material breach of a covenant of the relevant loan agreement with the SPV Developer.

The Trust's Valuation Policy (which includes the Trust's Unit Pricing Policy), the Compliance Plan and the Constitution each include a section on valuing the Trust's assets and is available on our website at www.cfmcapital.com.au.

Disclosure principle 6 – Lending principles – loan to valuation ratio

The loan to valuation ratio (LVR) is a measure of the amount of the loan provided to a borrower against the latest valuation obtained in respect of the security property. LVR is an indicator of how conservative or aggressive a scheme's lending practices are. Generally, the higher the LVR, the more vulnerable the scheme will be to a change in market conditions (for example, a downturn in the property market).

This disclosure principle is not applicable to the Trust (because the Trust will not hold mortgage assets) and we are not required to disclose the information against this principle.

Disclosure principle 7 – Distribution practices

This disclosure principle requires responsible entities to explain how the scheme will fund distributions to investors and to disclose any risks associated with current distribution practices.

Distributions from the Trust to investors will be sourced from interest or payments received or withheld from loans, proceeds received from the repayment of loans and not from Trust borrowings (as the Trust will not borrow).

Generally, initial distributions for each loan's minimum investment term will be made from loan funds withheld by the Trust from the total loan amount advanced to each SPV Developer. These initial distributions would not be funded from operations of the Trust.

The key factors that would have the most material impact on the ability to provide distributions to investors are:

Factors impacting Target Distribution Rates	Risk of changes to these factors on distributions	Sensitivity analysis based on changes to these factors
Borrower default	If a borrower, being a SPV Developer, fails to meet interest payments under its loan agreement.	If a SPV Developer does not make any interest payments, Unitholders in the Class related to that Property Development loan may not receive any interim distributions.
Trust expenses	If the Trust incurs extraordinary expenses, which are not payable by us from our management fee or other resources.	If the Trust incurs extraordinary expenses of 0.8% per annum of the Trust's gross asset value relating to a Property Development loan (for example costs in selling security assets upon borrower default), it may result in the distributions paid to the Unitholders in that Class being 0.8% per annum lower than anticipated for that loan.

Disclosure principle 8 – Withdrawal arrangements

This disclosure principle requires responsible entities to explain the scheme's withdrawal policy and the ability of investors to withdraw from the scheme.

Unitholders may not withdraw their investment before the end of the Class term (or where a Class is divided in to subclasses, before the end of the Subclass term) although transfers are permitted subject to the Constitution at the risk of the Unitholder. The SPDS will disclose the anticipated minimum investment term for the relevant Class.



CFMG
Capital

Real people.

P 1800 155 526
E info@cfmgcapital.com.au
cfmgcapital.com.au

Level 2, 117 McLachlan St
Fortitude Valley QLD 4006
PO Box 663, Fortitude Valley QLD 4006

Printed: September 2024