



ZANK & Co.
RESPECT, RESPONSIBLE, RESPONSIVE

Zank Income Fund

ARSN 637 888 307

Product Disclosure Statement

30 January 2020

Responsible Entity

Vasco Trustees Limited
ACN 138 715 009 | AFSL No. 344486

Investment Manager

Zank & Company Pty. Ltd.
ACN 167 559 364

Contents

| | |
|---|----|
| Letter from the Investment Manager | 5 |
| 1. Key features of the Fund..... | 6 |
| 2. Investment Strategy..... | 9 |
| 3. Current portfolio..... | 14 |
| 4. ASIC Benchmarks and Disclosure Principles..... | 17 |
| 5. Details about the Offer | 26 |
| 6. Roles and responsibilities | 30 |
| 7. Risks | 32 |
| 8. Fees and Expenses | 38 |
| 9. Taxation information | 45 |
| 10. Additional Information..... | 46 |
| 11. Glossary of Terms | 51 |
| 12. How to invest..... | 53 |
| 13. Application Form | 54 |
| 14. Corporate Directory..... | 61 |

IMPORTANT INFORMATION

This Product Disclosure Statement (**PDS**) is dated 30 January 2020.

This PDS details the features, benefits, risks and general information about the Zank Income Fund ARSN 637 888 307 (**Fund**).

The responsible entity for the Fund and issuer of this PDS is Vasco Trustees Limited ACN 138 715 009 AFS Licence number 344486 (**Responsible Entity**).

The Responsible Entity has appointed Zank & Company Pty. Ltd. ACN 167 559 364 (**Investment Manager**) as the investment manager of the Fund.

The Investment Manager is a corporate authorised representative (No. 001276430) of Zank Capital Ltd ACN 106 064 644 AFS licence number 246943 and a corporate authorised representative (No. 001244738) of Kehlmann Berleys Capital Pty Ltd ACN 136 522 211 AFS licence number 337968.

The Responsible Entity has appointed Sargon CT Pty Ltd ACN 106 424 088 AFSL 258829 (**Custodian**) as the Fund's custodian.

The Responsible Entity has also appointed Vasco Fund Services Pty Limited ACN 610 512 331 (**Administration Manager**) as the administration manager of the Fund.

By accepting this PDS, the recipient agrees to be bound by the terms and conditions set out in this PDS.

Images

Any images in this PDS do not depict assets of the Fund unless otherwise indicated.

Questions

Any questions regarding this PDS should be directed to either

- the Investment Manager on +61 1300 501 817 or at info@zank.com.au or at Level 2, 115 Collins Street, Melbourne VIC 3000, Australia; or
- the Responsible Entity on +61 3 8352 7120 or at info@vascofm.com or at Level 5, 488 Bourke Street, Melbourne VIC 3000, Australia.

Updated information

Information in this PDS may change. Updated information that is not considered materially adverse to Investors will be made available on the Responsible Entity's website. In accordance with the Responsible Entity's obligations under the Corporations Act, the Responsible Entity may issue a replacement or supplementary PDS published on the Responsible Entity's website at www.vascofm.com. You should read any replacement or supplementary disclosures made in conjunction with this PDS prior to making any investment decision.

ASIC

ASIC takes no responsibility for the contents of this PDS.

Restrictions on distribution

The Offer is only available to persons receiving this PDS within Australia and does not constitute an offer of interests in any jurisdiction where, or to any persons to whom, it would be unlawful to make the Offer.

It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to the Offer. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

Not regulated by APRA

The Responsible Entity is not authorised under the Banking Act and is not supervised by the Australian Prudential Regulation Authority (APRA), and investments in the Fund are not covered by the deposit or protection provisions available to depositors that make a deposit with an Australian authorised deposit-taking institution (ADI).

Investor to undertake own due diligence

Information contained in this PDS has been provided to prospective Investors to assist them to make an assessment of whether or not to invest in the Fund.

The Responsible Entity has not sought to verify independently any statements contained in this PDS about the investments proposed by the Investment Manager, the Investment Manager's business or the business of any other parties named in this PDS.

Prospective investors should read this PDS in its entirety and seek independent professional advice as to the financial, taxation and other implications of investing in the Fund and the information contained in this PDS before making a decision to invest.

To the maximum extent permitted under the law, the Responsible Entity and the Investment Manager disclaim any liability arising from any information provided in the PDS.

IMPORTANT WARNING STATEMENTS

No performance guarantees

None of the Investment Manager, the Responsible Entity, Administration Manager, nor their associates or directors or any other person guarantees the performance or success of the Fund, the repayment of capital invested in the Fund or any particular rate of return on investments in the Fund.

There can be no assurance that the Fund will achieve results that are comparable to the track record of the Responsible Entity or Investment Manager and their advisers or that the Fund's investment objectives will be achieved.

An investment in the Fund does not represent a deposit with, or a liability of, the Investment Manager, the Responsible Entity, the Administration Manager, or any of their associates.

An investment in the Fund is subject to investment risks which are described in Section 7 of this PDS, including possible delays in repayment and loss of some or all of your income or capital invested. The risks associated with an investment in the Fund are different to a cash deposit or investment in an approved deposit taking institution (ADI).

Prospective Investors should read the whole of this PDS before making a decision about whether to invest in the Fund. The information contained in this PDS is general information only and not personal financial product advice and therefore does not take into account the individual objectives, financial situation, needs or circumstances of investors.

Past performance should not be perceived as an indication of future performance as returns are variable and may be lower than expected.

Prospective Investors should not construe the contents of this PDS as tax or investment advice.

Should it be required to protect all investments in the Fund, the Responsible Entity, may use its discretion to delay or suspend withdrawals from the Fund.

Investors should refer to Section 5.9 under the heading "Withdrawals" for details of the withdrawal rights.

No representation other than this PDS

Except where expressly disclosed, the information contained in the PDS has not been independently verified or audited. To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Responsible Entity or Investment Manager and their advisers as to the accuracy or completeness of any part of this PDS, nor will they have any responsibility to update or supplement this PDS.

No person is authorised to give any information or to make any representation in connection with the Offer described in this PDS, which is not in this PDS. This PDS supersedes any prior PDS or marketing materials given prior to the issue of the PDS to the extent

of any inconsistency. Any information or representation in relation to the Offer described in this PDS not contained in this PDS may not be relied upon as having been authorised by the Responsible Entity, the Investment Manager or their advisers.

Responsible Entity limitation of liability

Except in certain circumstances (including fraud, negligence or default by the Responsible Entity), the Responsible Entity enters into transactions for the Fund in its capacity as responsible entity of the Fund only, not in its own capacity, and its liability in relation to those transactions is limited to the assets of the Fund.

Forward looking statements

Certain information contained in this PDS constitutes "forward-looking statements" that can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "estimate," "target", "intend," "continue," or "believe" or the negatives thereof or other variations thereon or comparable terminology.

Furthermore, any projections or other estimates in this PDS, including estimates of returns or performance, are "forward-looking statements" and are based upon certain assumptions that may change.

Due to various risks and uncertainties, including those set forth under "Risks" in Section 7, actual events or results or the actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking statements.

The forward looking statements included in this PDS involve subjective judgment and analysis and are subject to uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, the Responsible Entity and Investment Manager. Actual future events may vary materially from the forward looking statements and the assumptions on which those statements are based. Given these uncertainties, prospective Investors are cautioned to not place undue reliance on such forward looking statements.

Any estimate, forecast, projection, feasibility, cash flow or words of a similar nature or meaning in this PDS are forward looking statements and subject to this disclaimer.

Confidentiality

Neither this PDS nor any other information provided by the Responsible Entity or Investment Manager may be disclosed to any other party, except for the purpose of obtaining independent advice in connection with the consideration of an investment in the Fund, or used for any purpose other than the consideration of an investment in the Fund, unless the express prior written consent of the Responsible Entity is obtained. Any reproduction of all or part of this PDS is strictly prohibited without the written consent of the Responsible Entity. In the event that the recipient does not participate in the Fund, this PDS, along with all related materials, must be returned to the Responsible Entity immediately upon demand.

Summary of key documents only

This PDS contains a summary of the terms of the Fund and certain other documents. However, prospective Investors should refer to the complete legal documentation for the Fund (available upon request from the Responsible Entity). Investments in the Fund are governed by the Constitution and associated documents and nothing in this PDS limits or qualifies the powers and discretions conferred upon the Responsible Entity and the Investment Manager under those documents. This PDS should be read in conjunction with the Constitution and associated documents for the Fund. In the event of any inconsistency between the Constitution and associated documents and this PDS, then the Constitution and associated documents will prevail to the extent of the inconsistency.

Independent financial advice

You should obtain independent professional advice specific to your circumstances and requirements from a licensed investment advisor.

Letter from the Investment Manager

Dear Investor

As Managing Director of the Investment Manager of the Zank Income Fund (**Fund**), I am delighted to present you with this opportunity to participate in an open-ended mortgage fund investing in commercial loans secured by registered first or second mortgages.

The Fund has successfully been in operation since 31 May 2016 and as at the date of this Product Disclosure Statement (**PDS**), currently has over \$34 million of loans under management across 15 different borrowers.

Under this PDS, we are looking to raise further investment capital in order to facilitate more lending within our existing investment strategy. The advantage of this approach is to spread our lending across a range of borrowers, thereby reducing the risk of any one borrower defaulting and having a negative impact on our target returns.

As at the date of this PDS until 31 March 2020, our aim is to provide Investors with a target return of 8.5% per annum (pre-tax, after fees and expenses). From 1 April 2020, we are targeting a return to Investors of 8% per annum (pre-tax, after fees and expenses but before withholding tax payable by foreign resident Investors). This is a target only and not a forecast. Actual returns may be lower than the target return.

Zank & Company Pty. Ltd. is a fast-growing asset manager with a mission to deliver high quality investment opportunities for its clients. Our core focus is to increase investors' wealth by delivering regular income returns through well structured products. In our opinion, these investments offer a high degree of security and a stable income profile.

The Fund has an independent Responsible Entity, Vasco Trustees Limited (**Vasco**). Vasco is part of an investment services group that provides responsible entity, trustee and fund administration services to Australian and international investment managers. The Vasco team have significant experience in the Asia Pacific region in the management of equity funds, fixed income funds, REITs, private equity real estate funds, real estate securities funds, and mortgage and real estate debt funds. Some of the funds Vasco's executives have developed include the \$1.5 billion Australian Unity Healthcare Property Trust and the \$1.5 billion AIMS Industrial REIT listed on the Singapore Stock Exchange (SGX).

I recommend you read the entire PDS (especially Section 7 entitled "Risks") before making a decision to invest in the Fund and consult a suitably qualified professional adviser to ensure that an investment in the Fund suits your individual requirements.

On behalf of the Investment Manager, I look forward to your participation with us in this outstanding investment opportunity.

Regards

Conghan Hu
Managing Director
Zank & Company Pty. Ltd.

1. Key features of the Fund

The table below is a summary of the key features of an investment in the Zank Income Fund (**Fund**). It is not intended to be exhaustive. You must read the whole of this PDS to obtain more detailed information before making a decision to invest in the Fund.

| Key feature | Summary | Details |
|-------------------------------|---|---------|
| Overview | | |
| Investment Manager | Zank & Company Pty. Ltd. | 6.1 |
| Responsible Entity | Vasco Trustees Limited | 6.2 |
| Custodian | Sargon CT Pty Ltd | 6.3 |
| Administration Manager | Vasco Fund Services Pty Limited | 6.4 |
| Objective | <p>The Fund aims to generate the Target Return by investing in business and investment loans predominantly secured by registered first mortgages.</p> <p>In some instances, the Fund may make loans secured by a second registered mortgage where the Investment Manager considers that the return is appropriate to the risk profile of the loan.</p> | |
| Investment Structure | <p>The Fund is an open-ended unlisted registered managed investment scheme structured as a unit trust established by the Responsible Entity pursuant to the Constitution and is governed by Australian law.</p> <p>Prior to 17 December 2019, the Fund was an unregistered managed investment scheme that was open to investment by wholesale clients (as defined in section 761G of the Corporations Act) only. These current Investors will continue to hold Units that are issued on the same terms as the Units being offered under this PDS.</p> <p>The Fund provides Investors an opportunity to acquire Units in the Fund which entitles them to returns generated by the Fund.</p> | |
| Target Return | <p>From the date of this PDS until 31 March 2020 the Investment Manager is targeting a return to Investors of 8.5% per annum (pre-tax, after fees and expenses but before withholding tax payable by foreign resident Investors).</p> <p>The Investment Manager will review the Target Return annually and may recommend the Responsible Entity to change the Target Return having regard to the Australian financial market. Investors will be provided with 90 days prior notice of any change to the Target Return.</p> <p>From 1 April 2020 the Investment Manager is targeting a return to Investors of 8% per annum (pre-tax, after fees and expenses but before withholding tax payable by foreign resident Investors).</p> <p>This is a target return only and is not a forecast or a guaranteed return. There is a risk that you may lose some or all of your capital invested.</p> | 5.6 |
| Investment Guidelines | The Investment Manager follows a set of Investment Guidelines in determining the suitability of and management of any loan, detailed in Section 2.2. | 2.2 |
| Current Portfolio | Section 2 of this PDS contains a summary of the Fund's loan portfolio as at the date of this PDS. | 3 |
| Minimum Investment | \$100,000 then in multiples of \$10,000. Any subsequent investment will trigger a new Minimum Term before Investors can withdraw that part of their investment. | 5.5 |

| | | |
|--|--|-----|
| Distribution of Income | <p>The Responsible Entity intends to calculate distributions of income at the end of each calendar quarter and pay distributions within 10 Business Days of the end of each quarter.</p> <p>Distributions are paid to Investors at a variable rate and will take into account the number of Units held each day within any distribution period.</p> | 5.7 |
| Minimum Term | <p>There is a Minimum Term of 12 months before Investors can request a withdrawal from the Fund.</p> <p>The Responsible Entity retains the discretion to allow Investors to withdraw prior to the end of their Minimum Term and charge an Early Withdrawal Fee of 1% of the Investor's withdrawal amount. This Early Withdrawal Fee is paid directly to the Investment Manager.</p> | 5.8 |
| Withdrawals | <p>Given the nature of the Fund's investments, an investment in the Fund should be considered an illiquid investment.</p> <p>Investors will have no rights to withdraw from the Fund prior to the end of their Minimum Term.</p> <p>Once the Minimum Term is reached, Investors will be able to withdraw from the Fund pursuant to Withdrawal Offers made by the Responsible Entity, which are expected to be made on a quarterly basis.</p> <p>Where there are insufficient funds to satisfy all Withdrawal Requests pursuant to any Withdrawal Offer, they will be satisfied pro-rata and carried over to subsequent Withdrawal Offers.</p> | 5.9 |
| Fees, costs and borrowings <i>All fees outlined below are inclusive of GST and net of input tax credits.</i> | | |
| Responsible Entity fees | <p>The Responsible Entity is entitled to the following ongoing fees:</p> <ul style="list-style-type: none"> - an Annual Fee of 0.31% per annum of the gross asset value of the Fund's assets subject to a minimum fee of \$62,700 per annum, paid monthly in arrears out of the Fund's assets - a Documentation Execution Fee of \$261.25 for each set of loan documents that requires review and execution by the Responsible Entity - a Default and Arrears Management Fee of \$156.75 per hour for the review and management of recovery proceedings against borrowers in default <p>The Responsible Entity is also entitled to establishment, conversion and termination fees outlined further in Section 8.</p> | 8 |
| Investment Manager fees | <p>The Investment Manager is entitled to the following ongoing fees:</p> <ul style="list-style-type: none"> - a Management Fee of 1.5% per annum of gross asset value of the Fund's assets, paid monthly in arrears out of the Fund's assets - a Performance Fee equivalent to all income above the Target Return (being 8.5% per annum (net of fees) as at the date of this PDS), paid quarterly in arrears <p>The Investment Manager may also earn fees in respect of each loan which are negotiated with and paid directly by a borrower, such as loan application and line fees.</p> | 8 |
| Entry and Exit fees | <p>Generally, there are no entry or exit fees.</p> <p>However, an Early Withdrawal Fee of 1% of the withdrawal amount is payable on withdrawal of Units held for less than the Minimum Term, being 12 months, where the Responsible Entity has waived, in its absolute discretion, the Minimum Term. This Early Withdrawal Fee is paid directly to the Investment Manager.</p> | 8 |
| Buy or sell spread | None | |

| | | |
|--------------------------------------|--|---|
| Expenses | <p>The Responsible Entity has the right to be reimbursed for Expenses incurred by it in the proper performance of its duties in respect of the Fund. These are the costs incurred in the establishment and operation of the Fund, including fees payable to the Custodian, Administration Manager, Auditor, Compliance Plan Auditor, incidental expenses of the Investment Manager and also other administrative expenses such as accounting and legal advice, insurances, consulting fees, costs relating to Investor meetings and registry fees.</p> <p>These expenses will vary from year to year, but are estimated to be 0.18% per annum of the gross asset value of the Fund.</p> | 8 |
| Indirect costs | None | 8 |
| Borrowing | The Fund will not have any borrowings. | |
| Cooling-off periods and risks | | |
| Cooling-off period | As at the date of this PDS there is no cooling off period as the Fund is not liquid. | |
| Risks | <p>All investments involve varying degrees of risk.</p> <p>While there are many factors that may impact on the performance of any investment, section 7 summarises some of the major risks that prospective investors should be aware of before investing in the Fund.</p> <p>Before investing, prospective Investors should consider whether the Fund is a suitable investment, having regard to their personal investment objectives, financial position, and particular needs and circumstances.</p> <p>Prospective Investors should also consider and take into account the level of risk with which they are comfortable, the level of returns they require, as well as their frequency and nature, and their investment time horizon. Prospective investors should seek professional advice in setting their investment objectives and strategies.</p> | 7 |

2. Investment Strategy

2.1. Overview

The Investment Manager's strategy is to make loans to borrowers for business and investment purposes with a low to medium risk profile, with a focus on capital preservation. Loans will not be used for personal, domestic or household purposes.

All loans will be secured by a registered first or second mortgage. Loans will be predominantly secured by registered first mortgages; however, the Fund may make loans secured by a second registered mortgage where the Investment Manager considers that the return is appropriate to the risk profile of the loan. Where considered appropriate by the Investment Manager, further types of security may be sought, including corporate or directors guarantees and general security agreements.

The Fund will not lend to any related party borrowers of the Investment Manager.

The Investment Manager will focus on managing arrears and defaults with an overarching goal to maximise the recovery of loans from all possible sources. In some situations, this may result in the sale of the underlying security held by the Fund by the Responsible Entity in the capacity as mortgagee.

The Investment Manager maintains a set of Lending Guidelines it uses for assessing prospective loans to recommend to the Responsible Entity on behalf of the Fund and for managing those loans once they are made. Below is a summary of some the key terms of the Lending Guidelines which may be adjusted from time to time depending on the Investment Manager's risk assessment of the Fund's existing portfolio of loans and prevailing market conditions.

Investors will be notified if the Lending Guidelines outlined below change materially.

2.2. Lending Guidelines

LENDING PARAMETERS

The following table provides a summary of the parameters within which each loan will be made.

| | |
|---------------------------|---|
| Borrowers | Loans will be made to borrowers for business or investment purposes, including, but not limited to, residential, commercial, industrial and rural developments. Loans will not be used for personal, domestic or household purposes. |
| Security | All loans will be secured by a registered first or second ranking mortgage (Real Property Mortgage). Where considered appropriate by the Investment Manager, further types of security may be sought, including corporate or directors guarantees and general security agreements. |
| Minimum Amount | Loans will be for a minimum of \$100,000. |
| Maximum Amount | There is no maximum amount that will be lent to any one borrower. However, the Investment Manager intends to spread lending across a range of borrowers to reduce the risk of a default negatively impacting Target Returns. |
| Term | Loans are expected to be made for a term of between 3 and 24 months – although loans may be made or extended beyond this. |
| Loan to value ratio (LVR) | For construction loans the maximum LVR is 70% of the "as-if-complete" value. For other loans, the maximum LVR is 70% of the "as-is" value. |

| | |
|--------------------------------|---|
| | <p>Should a loan be secured by a second mortgage, the maximum combined debt LVR will be 70%. The LVR for a loan secured by a first mortgage will not be on a combined debt basis.</p> <p>A valuation will be prepared by an independent valuer. A report from an independent quantity surveyor is required prior to each loan advance in respect of construction loans. Money advanced in respect of constructions loans will be lent on a cost-to-complete basis.</p> <p>The Responsible Entity maintains and complies with a written valuation policy. This policy may be updated from time to time and is available on the Responsible Entity's website at www.vascofm.com.</p> <p>The actual LVR for each loan will vary depending upon the credit risk of a borrower and the nature of the property which is the subject of a Real Property Mortgage.</p> |
| Default terms | Standard events of default including failure to pay amounts when due, breach of financial covenants and insolvency of a borrower. |
| Target lending rate | Varies based on loan scenario. |
| Other key requirements | Typical representations, warranties, undertakings and events of default, including restrictions on a borrower disposing of the security property (where relevant) or incurring additional financial indebtedness. |
| Use of receipts from borrowers | The Investment Manager will deal with payments made by borrowers under the terms of the loan agreement with a borrower in accordance with the instructions of the Responsible Entity. This may include using those payments to make additional loans to new borrowers. |

LENDING PROCESS

The Investment Manager is responsible for ensuring that the risk profile of each loan is appropriate having regard to the quality and value of the loan, the underlying security property and the Investment Manager's risk analysis process.

The Investment Manager has outlined its indicative lending process (which may change depending on the circumstances of each loan) as follows:

Preliminary Assessment

The preliminary step in the loan approval process generally involves collecting the following information:

- An applicant completes a loan application form and provides supporting documentation, including:
 - Clear copy of photo ID
 - Rates notice for the proposed security property
 - If a first mortgage is already secured against the proposed security property, then three months' worth of recent mortgage statements for the proposed security property.
- A valuation report from an independent valuer who is a member of an appropriate professional body in the jurisdiction in which the relevant property is located and, where considered necessary, an independent quantity surveyor's report.
- Where the loan involves a construction project, the full details of all projected costs, cash flows, and all ancillary documents to assess the ability of the borrower to complete the project on a timely basis.

The Investment Manager's credit assessment team then reviews documents to determine the suitability of the loan.

Conditional Offer

Once the loan application has been assessed, if it is found to be acceptable then a 'Conditional Offer' is issued by the Investment Manager on behalf of the Fund.

The Conditional Offer sets out the terms of the loan, including the costs, fees, interest and any conditions that may apply.

Where the loan is to be secured by a second-ranking mortgage, the borrower must send a Loan Balance Request Form requesting balance on the first-ranking mortgage to the financial institution which holds the first-ranking mortgage over the proposed security property.

The completed form is then sent directly back to the Investment Manager.

If the applicant accepts the proposed loan terms, then they must return a signed a copy of the Conditional Offer and pay a loan application fee directly to the Investment Manager.

Credit Submission

A detailed credit submission is prepared by the Investment Manager outlining the details of the loan for the benefit of the Responsible Entity. The credit submission will generally include the following details:

- The borrower and any guarantors
- The amount of the loan
- The address of the security property to be mortgaged
- Title references
- Valuation details
- The loan to valuation ratio
- Fees payable by borrower(s) to the Investment Manager
- The interest rate payable by the borrower (which is usually fixed for the life of the loan)
- The term of the loan
- The date when the loan is scheduled to be repaid
- Any special provisions in the mortgage

Preparation of loan and security documents

Once the loan application fee payable by the borrower is cleared, the Investment Manager will instruct the Fund's lawyers to prepare a loan agreement which is then issued to the borrower's nominated solicitor for review.

Settlement

Once executed by the borrower, the loan agreement and any security documents (along with any conditions precedent) are then returned to the Fund's lawyers for review and sign-off.

On the instruction of the Responsible Entity, these documents are then delivered to the Fund's Custodian for execution and settlement of the loan drawdown amount to the bank account nominated by the borrower.

2.3. Ongoing monitoring

The Investment Manager is responsible for the active and ongoing management of each loan.

The Investment Manager will monitor that loan conditions, reporting and other covenants are being satisfied, that interest on loans are paid on time and will instigate remedial action where necessary.

The Investment Manager will also track early risk indicators in order to adjust the Fund's future lending, including changes to the macro environment and the market dynamics for mortgage-backed loan assets and financing, loan performances projections, loan arrears projections, loan losses, loan rating upgrade and downgrades and material changes to existing borrower's financial capacity to repay loans and make interest payments on time.

2.4. Arrears and default management

Although the Investment Manager's strategy is to spread the risk of any one loan going into default, Investors may be affected by the default of any one or more borrowers.

Where a borrower fails to make a payment on or before the due date, the Investment Manager will advise the Responsible Entity of the appropriate default management actions to be taken, including whether any grace period is to be provided to the borrower to remedy any late payment.

Depending on the borrower's response to the payment request, the Investment Manager may facilitate the issue of a default notice and commence recovery action against the defaulting borrower. If any recovery action is issued against a borrower, then:

- the Responsible Entity may become a mortgagee in possession of the security property
- the Responsible Entity may procure a new valuation in respect of the security property
- the security property may be placed on the market for sale
- depending on the nature of the security property, the Responsible Entity may appoint parties to manage the security property or complete the development of the security property before commencing a sale process
- if the security property is sold at a price that is less than the amount required to satisfy the outstanding balance of the loan together with interest and costs (including recovery fees), then recovery action against the borrower and any guarantors will continue.

The ability of the Responsible Entity to take the above actions where there is a second ranking Real Property Mortgage will depend upon the arrangement between the Responsible Entity and the first ranking financier. Generally, the Responsible Entity will not be able to enforce its rights under the second ranking Real Property Mortgage and will instead have to wait for the first ranking financier to enforce under its security.

The enforcement procedure can involve significant costs, including legal costs and receiver's fees. These costs may be funded as follows:

- From the assets of Fund.
- By the Investment Manager from its own funds. In this case, the Investment Manager will be able to recover these costs from the proceeds received by the Fund from the borrower following the enforcement in priority to any payment to Investors.
- By the Responsible Entity undertaking a rights offer to raise the capital required. It is likely that any future capital raising undertaken to pay for enforcement expenses would be undertaken at an issue price less than the original issue price of \$1 per Unit and will therefore be dilutive. It is important for Investors to understand that if the Fund is required to raise further capital by undertaking a rights issue in the future and an Investor chooses not to participate in the rights issue, then their proportionate holding in the Fund may be diluted.
- Paid by a third party. In this case, any expenses paid plus any amount agreed with the lender (for example interest of success fees) would be recovered from the proceeds received from the Borrower in priority to any payment to Investors.

2.5. Related party transactions

The Responsible Entity maintains and complies with a written policy for managing conflicts in respect of the Fund, which is reviewed at least annually or as market circumstances dictate. This policy is outlined below, and may change from time to time.

At present, the Fund will not lend to related parties of the Responsible Entity or Investment Manager. However, the terms of the Constitution do not preclude such loans being made. Should the Investment Manager decide to change the Fund's investment strategy to include related party loans, Investors will be notified.

The Investment Manager, or a related entity of the Investment Manager, may lend to borrowers alongside the Fund. In such circumstances, the Investment Manager will not lend to any borrower on better terms than those negotiated for the Fund.

Where a loan sought by a borrower meets the Fund's Investment Guidelines and the Investment Manager's own personal lending guidelines, then the Investment Manager will take into account a range of factors and act in good faith to ensure the Fund isn't disadvantaged.

The Investment Manager will consider a range of factors, including but not limited to:

- Availability of capital
- Cash and liquidity available and any future liquidity requirements (including any Withdrawal Requests and quarterly distributions)
- Other lending opportunities that may be or become available

Investors should be aware that while the Responsible Entity reviews loans proposed by the Investment Manager to ensure they are made in accordance this PDS, the Responsible Entity does not review whether the Investment Manager has strictly followed the Lending Guidelines, the Investment Manager's own lending processes, whether the loan is made on arm's length terms or whether the loan is in the best interests of investors beyond receiving the above certification.

By investing in the Fund, Investors acknowledge that the Investment Manager is responsible for making investment decisions for the Fund, and that loans to borrowers may not be on arm's length terms.

2.6. Investing surplus funds

From time to time the Fund may have excess capital which is not immediately required or able to be invested in suitable loans. The Fund may also have monies which are being held pending distribution to Investors. In these circumstances the Investment Manager may direct the Responsible Entity to invest those funds in cash and cash equivalents (i.e. term deposits offered by ADIs) or such other similar creditworthy and liquid investments as determined by the Responsible Entity from time to time.

3. Current portfolio

A description of the Fund's current portfolio of loans has been prepared by the Fund's Investment Manager as at 28 January 2020 below. Over time this portfolio will change. For up-to-date information about the Fund's portfolio, see 'Current Portfolio for Zank Income Fund' online at www.vascofm.com.

3.1. Summary

As at 28 January 2020, the Fund has over \$34 million of loans under management across 15 different borrowers as follows:

| Authorised investments | | |
|----------------------------|-------------|------------------------|
| Cash | 5.70% | \$2,069,706.00 |
| Land - vacant | 78.20% | \$28,405,523.23 |
| Commercial | 2.89% | \$1,050,000.00 |
| Construction & Development | 13.21% | \$4,798,462.02 |
| Total | 100% | \$36,323,691.25 |

| Mortgage Investment Portfolio Metrics | | |
|---------------------------------------|--------|----------------|
| Weighted Average LVR | 61.18% | - |
| Largest Mortgage Investment | - | \$8,250,000.00 |
| Pre-paid & capitalised interest loans | - | \$4,798,462.02 |

| Mortgage Investments Interest rate profile | | |
|--|-------------|------------------------|
| <8.00% | 0% | \$0 |
| 8.00% - 9.99% | 4.09% | \$1,400,000.00 |
| 10.00% - 11.99% | 63.41% | \$21,720,000.00 |
| 12.00% - 13.99% | 11.86% | \$4,062,500.00 |
| 14.00% - 15.99% | 20.64% | \$7,071,485.25 |
| > OR = 16.00% | 0% | \$0 |
| Total | 100% | \$34,253,985.25 |

| Mortgage Investments by State | | |
|-------------------------------|-------------|------------------------|
| ACT | 0% | \$0 |
| NSW | 19.50% | \$6,681,101.00 |
| VIC | 56.08% | \$19,210,384.25 |
| QLD | 24.41% | \$8,362,500.00 |
| SA | 0% | \$0 |
| WA | 0% | \$0 |
| TAS | 0% | \$0 |
| NT | 0% | \$0 |
| Total | 100% | \$34,253,985.25 |

| Maturity Profile | | |
|------------------|-------------|------------------------|
| 0 - 6 months | 6.66% | \$2,281,101.00 |
| 7 - 12 months | 89.25% | \$30,572,884.25 |
| 13 - 24 months | 4.09% | \$1,400,000.00 |
| 25+ months | 0% | \$0 |
| Total | 100% | \$34,253,985.25 |

| LVR Profile | | |
|--------------|-------------|------------------------|
| < 50% | 8.76% | \$3,000,000.00 |
| 50% - 59.99% | 30.80% | \$10,550,000.00 |
| 60% - 69.99% | 53.60% | \$18,358,985.25 |
| = 70% | 6.85% | \$2,345,000 |
| > 70% | 0% | \$0 |
| Total | 100% | \$34,253,985.25 |

3.2. Past performance

During financial year ending 30 June 2019, the Fund provided Investors an annual return of 10% (after fees and costs but before any withholding tax paid to foreign investors). During this time the Fund was operating as wholesale managed investment scheme with a reduced cost base, so these figures are not indicative of future performance.

Past performance is not an indicator of future performance.

3.3. Current asset allocation

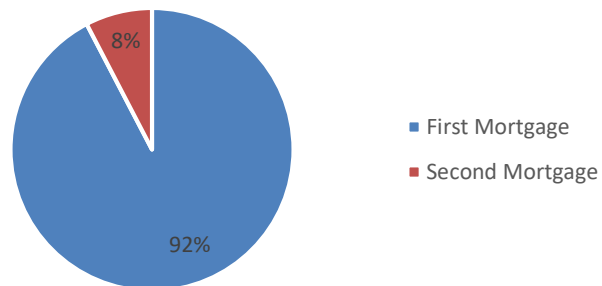
The Fund's current portfolio of loans are summarised as follows:

Security

92% of the all loans have at least a first ranking mortgage over security provided to secure the loan.

8% of all loans have at least a second ranking mortgage over security provided to secure the loan.

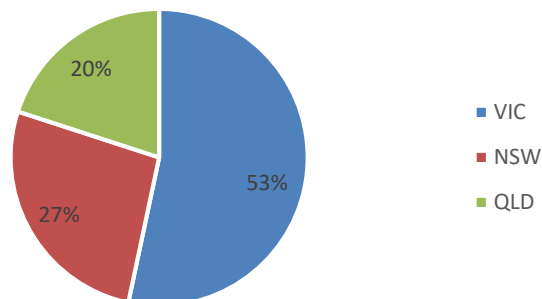
Minimum Security Allocation



Geography

53% of borrowers are located in Victoria, while 27% of borrowers are located in New South Wales and 20% of borrowers are located in Queensland.

Borrowers Geographic Allocation



Average loan size

The current average size of each loan in the portfolio is \$2,297,990.46.

Average interest rate

The average rate of interest across the loan portfolio is 12% per annum.

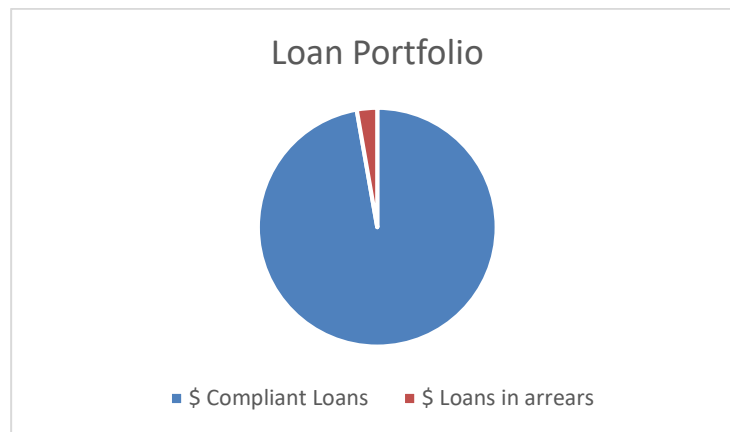
Loan structure

Loans are typically structured based on risk pricing. Loans with higher risk or longer terms normally incur a higher interest rate, and vice versa, loans with lower risk or shorter terms incur a lower interest rate.

The Investment Manager will take into consideration such things as the loan to valuation ratio, presale coverage, and borrower's total asset.

3.4. Arrears and default management

Of the Fund's current loans, there is currently 2.55% of total loan amount in arrears and being managed accordingly by the Investment Manager. See section 2.4 for more information on the Fund's arrears and default management processes.



To date the Investment Manager has successfully managed all loans in arrears or defaults to an outcome whereby the Fund's capital investment was preserved. However, the Responsible Entity provides no guarantee in respect of the Fund's current or future capacity to recover any loan from any borrower. Past performance is not an indicator of future performance.

4. ASIC Benchmarks and Disclosure Principles

ASIC has developed eight benchmarks and eight disclosure principles for unlisted mortgage funds, such as the Fund, in Regulatory Guide 45: 'Mortgage Schemes: Improving disclosure for retail investors that are aimed at assisting investors to understand the risks of investing in mortgage funds and whether such investments are suitable for them.

A full copy of the Regulatory Guide 45 can be obtained from ASIC at www.asic.gov.au.

For the purposes of this PDS, the Responsible Entity has prepared information relating to each benchmark, including the extent to which the Fund meets the benchmark (and if not, why not).

ASIC states in Regulatory Guide 45 that failure to meet one or more of the benchmarks does not mean that a particular mortgage scheme is necessarily a poor investment. However, additional disclosure to investors is needed so that investors can assess its impact on their investment decision.

The eight benchmarks and eight disclosure principles are set out below with a summary of how the Fund, as an unlisted pooled mortgage scheme in which retail investors will invest, meets or does not meet the benchmarks.

Potential investors should discuss the ASIC benchmarks with their financial advisor.

The Responsible Entity will notify Investors of any material adverse information in relation to the Fund, including information as it relates to the benchmarks.

Information relating to the Fund that is not materially adverse is subject to change from time to time and will be updated by the Responsible Entity on its website at www.vascofm.com.

You may request a paper copy of any updated information by contacting the Responsible Entity's office directly and this information will be provided free of charge. The information will also be available from the Fund's Investment Manager at www.zank.com.au.

Benchmark and Disclosure Principle 1 – Liquidity

RG 45.34 – For a pooled mortgage scheme, the responsible entity has cash flow estimates for the scheme that:

- 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.*

RG 45.72 – For pooled mortgage schemes, the responsible entity should disclose information about:

- a) the current and future prospects of liquidity of the scheme;*
- b) any significant risk factors that may affect the liquidity of the scheme; and*
- c) the policy of the scheme on balancing the maturity of its assets with the maturity of its liabilities.*

Description

This benchmark and disclosure principle addresses: a pooled mortgage scheme's ability to satisfy its expenses, liabilities and other cash flow needs and estimates for the next 12 months; are updated at least every three months, reflect any material changes and are approved by the directors of the responsible entity at least every three months.

Response

The Fund does not comply with this benchmark.

The Responsible Entity will redeem the Units of all Unitholders who have served their Minimum Investment Term or a Subsequent Investment Term (as set out in this PDS) and requested to withdraw from the Fund each calendar quarter, subject to available liquidity in the Fund.

To the extent there have been any withdrawal requests, these will be communicated to the Investment Manager. The Investment Manager is tasked with the responsibility of managing the Fund's cash-flow requirements and ensuring the maturity of the assets with the maturity of its liabilities.

The Responsible Entity does not undertake an approval process of cash-flow estimates at a board level. The Responsible Entity instead will review and approve these at a managerial level.

However, where there are insufficient funds available in the Fund to satisfy all withdrawal requests, withdrawal requests will be satisfied on a pro-rata basis.

This disclosure principle asks the Fund to disclose in the PDS, the policy of the Fund on balancing the maturity of its assets and the maturity of its liabilities.

The Fund complies with this disclosure principle, by disclosing this in Sections 5.9 and 7.6 of this PDS.

Benchmark and Disclosure Principle 2 – Fund borrowings

RG 45.42 – The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.

RG 45.75 – If the scheme has borrowings, the responsible entity should disclose:

- a) for borrowings due in less than two years—the total debts due and their maturity profile, undrawn credit facility and whether refinancing or sale of assets is likely during this period;*
- b) for borrowings due in between two and five years—the total debts due and their maturity profile for each 12-month period and undrawn credit facility;*
- c) for borrowings due after five years—the total debts due;*
- d) why the responsible entity has borrowed the money, including whether the borrowed funds will be used to fund distributions or withdrawal requests;*
- e) any material loan covenant breaches;*
- f) the fact that amounts owing to lenders and other creditors of the scheme rank before an investor's interests in the scheme; and*
- g) the risks associated with the scheme's borrowing and credit facility maturity profile.*

RG 45.76 – A responsible entity should also disclose:

- a) the existence and details of any current interest rate and foreign exchange hedging policies of the responsible entity; and*
- b) whether the scheme's variable interest rate and/or foreign exchange exposure conforms with these policies.*

Description

This benchmark and disclosure principle addresses a fund's policy on borrowing; including a fund's actual and intended borrowings on behalf of a fund. Some funds may borrow against the assets of their fund to pay for distributions, redemption requests or scheme operations.

Response

The Fund complies with this benchmark and disclosure principle.

The Fund does not currently have borrowings and the Responsible Entity does not intend to borrow on behalf of the Fund. Under the Constitution the Responsible Entity may borrow against the Fund's assets on terms and conditions acceptable to the Responsible Entity. However, at this time there are no credit facilities in place utilising the assets of the Fund, nor is there any intention to borrow on behalf of the Fund. The Responsible Entity reserves the right to establish a credit facility/ies in order to take advantage of commercial lending opportunities or to assist in managing liquidity. If this were to occur, borrowings would not be used to fund distributions or satisfy redemption requests.

Benchmark and Disclosure Principle 3 – Loan portfolio and diversification

RG 45.44 – For a pooled mortgage scheme:

- 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).*

RG 45.80 – For pooled mortgage schemes, the responsible entity should disclose the nature of the scheme's investment portfolio, including:

- (a) by number and value:*
 - (i) loans by class of activity (e.g. development or construction projects, industrial, commercial, retail, residential, specialised property, reverse mortgages);*
 - (ii) loans by geographic region;*
 - (iii) the proportion of loans that are in default or arrears for more than 30 days;*
 - (iv) the nature of the security for loans made by the scheme (e.g. first or second ranking);*
 - (v) loans that have been approved but have funds that have yet to be advanced and the funding arrangements in place for any of these undrawn loan commitments;*
 - (vi) the maturity profile of all loans in increments of not more than 12 months;*
 - (vii) loan-to-valuation ratios for loans, in percentage ranges;*
 - (viii) interest rates on loans, in percentage ranges; and*
 - (ix) loans where interest has been capitalised;*
- (b) the proportion of the total loan money that has been lent to the largest borrower and the 10 largest borrowers;*
- (c) the percentage of loans (by value) that are secured by second ranking mortgages;*
- (d) the use of derivatives (if any);*
- (e) a clear description of the non-mortgage assets of the scheme, including the value of such assets; and*
- (f) the scheme's diversification policy and how the assets correlate with that policy.*

RG 45.81 – The responsible entity should disclose its policy on the above matters and on how the scheme will lend funds generally. For example, such disclosure should cover:

- (a) the maximum loan amount for any one borrower;*
- (b) the method of assessing borrowers' capacity to service loans;*
- (c) the responsible entity's policy on revaluing security properties when a loan is rolled over or renewed; and*

(d) *the responsible entity's approach to taking security on lending by the scheme (e.g. the types of security it takes and in what circumstances, and whether the security must be income producing).*

RG 45.82 – If an unlisted pooled mortgage scheme invests in, or may invest in, other unlisted mortgage schemes (whether registered or unregistered), the responsible entity must disclose its policy on investing in those schemes, including the extent to which the responsible entity requires those schemes to meet the benchmarks and apply the disclosure principles in Sections C and D.

Description

This benchmark and disclosure principle addresses a fund's lending practices and portfolio risk, including concentration risk. For a pooled mortgage fund this is defined as: if the fund holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region; the fund has no single asset in its fund portfolio that exceeds 5.0% of the total fund's assets; the fund has no single borrower who exceeds 5.0% of the fund's assets; and all loans made by the fund are secured by first mortgages over real property (including registered leasehold title).

Response

The Fund does not comply with this benchmark and disclosure principle.

The Fund's portfolio of assets is diversified by size (within a range of \$400,000 to \$2.5m), by borrower and by borrower activity (development of commercial, retail, residential and specialised property).

The Fund does not comply with this benchmark as the Fund may lend to a single borrower who exceeds 5.0% of the Fund's assets. However, once the Fund is substantially established and invested, the Investment Manager does not intend for the Fund to lend more than 25.0% of the Fund's assets to a single borrower. Furthermore, loans made by the Fund may not always be secured by a first mortgage over real property.

The current portfolio of the Fund is outlined in section 3.

The Fund's Investment Criteria as summarised in Section 2 of this PDS provide further information in relation to loan amounts and loan to value ratios applied for any single borrower.

These Investment Criteria also apply to assessing the borrower's capacity to service loans, the Investment Manager's approach to obtaining security for the loan and the valuation policies on loan extensions.

The valuation policy is available on the Responsible Entity's website www.vascofm.com and information about specific portfolio valuation risk and diversification risks is disclosed at Sections 7.9 and 7.15 of this PDS respectively.

Benchmark and Disclosure Principle 4 – Related party transactions

RG 45.47 – The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.

RG 45.88 – If the responsible entity enters into related party transactions, the responsible entity should disclose details of these transactions, including:

- (a) *the value of the financial benefit;*
- (b) *the nature of the relationship (i.e. the identity of the related party, and the nature of the arrangements between the parties, in addition to how the parties are related for the purposes of the Corporations Act for group structures, the nature of these relationships should be disclosed for all group entities);*
- (c) *whether the arrangement is on arm's length terms, is reasonable remuneration, some other Ch 2E exception applies or ASIC has granted relief;*
- (d) *whether member approval for the transaction has been sought and, if so, when;*

- (e) *the risks associated with the related party arrangements; and*
- (f) *the policies and procedures that the responsible entity has in place for entering into related party transactions, including how compliance with these policies and procedures is monitored.*

Description

This benchmark and disclosure principle addresses the risks associated with related party lending, investments and transactions, including details of any related party transactions and whether the responsible entity lends to related parties of the responsible entity or to the fund's investment manager.

Response

The Fund complies with this benchmark and disclosure principle.

At present, the Fund does not lend, and does not intend to lend, to related parties of the Investment Manager or Responsible Entity. However, the terms of the Constitution do not preclude such loans being made. Should the Investment Manager decide to change the Fund's investment strategy to include related party loans, Investors will be notified.

The Investment Manager, or a related entity of the Investment Manager, may lend to borrowers alongside the Fund. In such circumstances, the Investment Manager has committed to not lending to any borrower on better terms than those negotiated for the Fund.

Where a loan sought by a borrower meets the Fund's Investment Guidelines and the Investment Manager's own personal lending guidelines, then the Investment Manager will take into account a range of factors and act in good faith to ensure the Fund isn't disadvantaged.

The Investment Manager will consider a range of factors, including but not limited to:

- Availability of capital
- Cash and liquidity available and any future liquidity requirements (including any Withdrawal Requests and quarterly distributions)
- Other lending opportunities that may be or become available

Benchmark and Disclosure Principle 5 – Valuation policy

RG 45.50 – In relation to valuations for the scheme's mortgage assets and their security property, the board of the responsible entity requires:

- (a) *a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;*
- (b) *a valuer to be independent;*
- (c) *procedures to be followed for dealing with any conflict of interest;*
- (d) *the rotation and diversity of valuers;*
- (e) *in relation to security property for a loan, an independent valuation to be obtained:*
 - (i) *before the issue of a loan and on renewal:*
 - (A) *for development property, on both an 'as is' and 'as if complete' basis; and*
 - (B) *for all other property, on an 'as is' basis; and*
 - (ii) *within two months after the directors form a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.*

RG 45.91 – The responsible entity should disclose:

- (a) where investors may access the scheme’s valuation policy—for example, by disclosing that the policy is available on a relevant website;*
- (b) the processes that the directors employ to form a view on the value of the security property;*
- (c) the frequency of valuations of security property; and*
- (d) any material inconsistencies between any current valuation over security property and the scheme’s valuation policy.*

RG 45.92 – For a contributory mortgage scheme, the responsible entity only needs to provide an investor with information about the valuation of the property securing a loan in which the investor has, or is being offered, an interest.

Description

This benchmark and disclosure principle addresses a fund’s policy in relation to obtaining valuations on the properties over which mortgages or other relevant securities are registered or held; including when an independent valuation is required. This benchmark requires: a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located; a valuer to be independent; procedures to be followed for dealing with any conflict of interest; the rotation and diversity of valuers; in relation to security property for a loan, an independent valuation to be obtained: before the issue of a loan and on renewal and for a development property: on both an ‘as is’ and ‘as if complete’ basis; and for all other property: on an ‘as is’ basis. Furthermore, within two months after the directors form a view that there is likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.

Response

The Fund complies with this benchmark and disclosure principle.

Secured properties will be valued on an ‘as is’ basis, and (where a loan incorporates a project or construction element) also on an ‘as if complete’ basis.

This benchmark also requires that the Responsible Entity has a policy on how often, how and from whom it obtains valuations, including how recent a valuation has to be when the Responsible Entity makes a new loan. The Responsible Entity and the Investment Manager comply with this component of this benchmark as valuations are obtained prior to the loans being made (the date of valuation must be within 3 months of loan approval) and the Responsible Entity has the right to request an updated valuation at any time during the loan term.

The Responsible Entity will also establish a panel of valuers to ensure rotation and diversity. The valuation policy may be updated from time to time and is available on the Responsible Entity’s website at www.vascofm.com. The Fund also discloses specific valuation risk at Section 7.15 of the PDS.

Benchmark and Disclosure Principle 6: Lending principles—Loan-to-valuation ratios

RG 45.56 – If the scheme directly holds mortgage assets:

- 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.*

RG 45.94 – If the scheme directly holds mortgage assets, the responsible entity should disclose:

- a) the maximum and weighted average loan-to-valuation ratios for the scheme as at the date of reporting; and*

- b) *where funds are lent for property development:*
- (i) *the criteria against which the funds are drawn down;*
 - (ii) *the percentage (by value) of the completion of any property that is under development as at the date of reporting; and*
 - (iii) *the loan-to-cost ratio of each property development loan as at the date of reporting.*

RG 45.95 – The responsible entity should also disclose the percentage of the scheme’s assets that are property development loans. If property development loans exceed 20% of the scheme’s assets, the responsible entity should identify the scheme as one that invests a significant component of funds in property development loans. If the loan-to-cost ratio of any property development loan exceeds 75%, this should also be highlighted.

Description

This benchmark and disclosure principle addresses the fund’s lending practices, including the loan-to-valuation ratio if the fund holds mortgage assets: 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; where the loan relates to property development—the fund does not lend more than 70% on the basis of the latest ‘as if complete’ valuation of property over which security is provided; and in all other cases—the fund does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.

Response

The Fund complies with this benchmark and disclosure principle.

The Fund can lend up to 70% of the ‘as if complete’ valuation in respect of loans made for construction purposes (and paid to the borrower in stages) and up to 70% of the latest ‘as is’ market valuation for loans made for pre-construction purpose.

The ASIC benchmark also anticipates that construction loans are provided in stages based on external evidence as to the progress of the construction.

The Fund complies with this requirement to the extent that where funds are advanced for construction purposes, they will be advanced progressively in stages throughout the construction upon independent certification on a cost-to-complete basis by an external cost consultant or quantity surveyor engaged or the first mortgage provider.

Benchmark and Disclosure Principle 7: Distribution practices

RG 45.61 – The responsible entity will not pay current distributions from scheme borrowings.

RG 45.99 – If a responsible entity is making, or forecasting, distributions to members, it should disclose:

- a) *the source of the current and forecast distributions (e.g. from income earned in the relevant distribution period, operating cash flow, financing facility, capital, application money);*
- b) *if the distribution is not solely sourced from income received in the relevant distribution period, the reasons for making those distributions and the risks associated with such distributions;*
- c) *if the distribution is sourced other than from income, whether this is sustainable over the next 12 months; and*
- d) *when the responsible entity will pay distributions and the frequency of payment of distributions.*

RG 45.100 – If the scheme promotes a particular return on investments, the responsible entity must clearly disclose details of the circumstances in which a lower return may be payable, together with details of how that lower return will be determined. For a contributory mortgage scheme, the responsible entity should, for a particular investor, disclose the above information to the investor for distributions or returns made, or forecasts to be made, to that investor.

RG 45.101 – The responsible entity should include a table identifying up to five main factors that would have the most material impact on forecast distributions, the risks of changes to those factors on distributions and a sensitivity analysis based on changes to those factors. It must also explain how any excess returns actually earned by the scheme will be applied.

Description

This benchmark and disclosure principle addresses the transparency of a fund's distribution practices, including whether current distributions are paid from scheme borrowings and disclose the source of distributions.

Response

The Fund complies with this benchmark and disclosure principle.

In general, the source of the Fund's distributions will be from income earned in the relevant distribution period; the source of any forecast distribution is from interest earned from loans made to borrowers and cash held on deposit with the Fund's custodian; except in circumstances where interest is paid in advance (in which case interest will be distributed as it is earned).

The Target Return is a target only and is not a guaranteed distribution. Some of the key factors which could have a material impact on the Fund achieving the Target Return include:

- Interest rate movements
- Default loans
- Asset allocation
- Undeployed capital.

Benchmark and Disclosure Principle 8: Withdrawal arrangements

RG 45.65 – For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.

RG 45.104 – The responsible entity should disclose:

- a) the scheme's withdrawal policy and any rights that the responsible entity has to change the policy;*
- b) the ability of investors to withdraw from the scheme when it is liquid;*
- c) the ability of investors to withdraw from the scheme when it is non-liquid;*
- d) any significant risk factors or limitations that may affect the ability of investors to withdraw from the scheme;*
- e) how investors can exercise their withdrawal rights, including any conditions on exercising these rights;*
- f) the approach to rollovers and renewals, including whether the 'default' is that investments in the scheme are automatically rolled over or renewed;*
- g) if the withdrawals from the scheme are to be funded from an external liquidity facility, the material terms of this facility, including any rights the provider has to suspend or cancel the facility;*
- h) the maximum withdrawal period that applies to the payment of withdrawal requests when the scheme is liquid;*
- i) any rights the responsible entity has to refuse or suspend withdrawal requests; and*
- j) the policy of the scheme on balancing the maturity of its assets with the maturity of its liabilities and the ability of its members to withdraw (e.g. if a scheme has a policy of ensuring that sufficient assets are held in readily realisable investments to meet future withdrawal requests, the responsible entity should state this in its PDS, provide details of the realisable investment and report against this in its ongoing disclosure).*

RG 45.105 – If the responsible entity makes representations to investors that they can withdraw from the scheme, there should be disclosure on:

- a) the grounds (which must be verifiable) for the statement;*
- b) the supporting assumptions (which must not be hypothetical only) for the statement;*

- c) *the basis for the statement (which must not be based only on an opinion of the directors of the responsible entity if there are no objective grounds to support that opinion); and*
- d) *any significant risk factors that mean that withdrawal requests might not be satisfied within the expected period.*

RG 45.106 – If the PDS contains a statement to the effect that, historically, withdrawal requests have been satisfied within a particular period, this may suggest a link between historical withdrawal periods and withdrawal periods that are likely to apply in the future. The responsible entity should ensure the statement clarifies that investors should not conclude that there is such a link between the historical availability of withdrawals and their future availability.

RG 45.107 – If the scheme promotes a fixed redemption unit price for investments (e.g. \$1 per unit), the responsible entity must clearly disclose details of the circumstances in which a lower amount may be payable, details of how that amount will be determined and the impact of a default under the scheme's mortgage assets on investors (e.g. on investor distributions and the unit price).

RG 45.108 – A responsible entity of a contributory mortgage scheme should, for a particular investor, disclose the above information to the investor as it relates to the investor's ability to withdraw.

Description

This benchmark and disclosure principle addresses the transparency of the responsible entity's approach as to how and when investors can withdraw their investment from a fund, based upon whether the fund is liquid or non-liquid. For non-liquid funds, the benchmark is that redemption offers are made to investors at least quarterly.

Response

The Fund does not comply with this benchmark and disclosure principle.

The Fund does not comply to the extent that withdrawal offers will be made quarterly but only to those Investors who will have held their Units for the Minimum Investment Term or a Subsequent Investment Term by the end of the quarter in which the withdrawal offer is made. Investors who have not held their Units for the Minimum Investment Term or a Subsequent Investment Term may apply to participate in the quarterly withdrawal offers but may be required to pay an Early Withdrawal Fee (see the Fees and Expenses section of the PDS) if their withdrawal request is accepted by the Responsible Entity. Where there are insufficient funds available in the Fund to satisfy all withdrawal requests, then withdrawal requests will be satisfied on a pro-rata basis. Withdrawal offers may be made when the Fund is liquid and when the Fund is not liquid.

Withdrawals are not funded from an external liquid facility; however, the Investment Manager will seek to match the repayment schedules of loans to the expiry of Minimum Investment Terms and Subsequent Investment Terms to provide the Fund with liquidity to meet expected Investor demand in response to withdrawal offers. The Investment Manager does not guarantee that loan repayment schedules will always coincide with the expiry of Minimum Investment Terms and Subsequent Investment Terms. As noted in Section 5.9 of the PDS, in certain circumstances the Responsible Entity may delay or suspend withdrawals from the Fund for such period as it determines necessary to protect all investments. A delay in meeting an Investor's withdrawal request is possible where there are a significant number of withdrawal requests made at the same time, which absorb the cash assets of the Fund and if the assets of the Fund are not sufficiently liquid. The Fund discloses specific liquidity risk at Sections 7.6 of the PDS.

This ASIC benchmark requires that if the Fund promotes a fixed withdrawal Unit Price for investments (e.g. \$1.00 per Unit), the Responsible Entity should clearly disclose details of the circumstances in which a lower amount may be payable, together with details of how that amount will be determined. The Fund does not promote a fixed withdrawal Unit Price for investments. As at the date of this PDS the Fund's Unit Price is \$1.00 but the Unit Price on withdrawal is calculated by dividing the net asset value of the Fund by the number of Units on issue. Although the Fund's expectation is that the Unit Price is to remain at \$1.00, in the case of non-performing investments that result in a capital loss (e.g. as a result of a mortgage default), the Unit Price could be less than \$1.00. In this circumstance, the capital returned to Investors at the time of repayment of their investment could be less than the amount they initially invested.

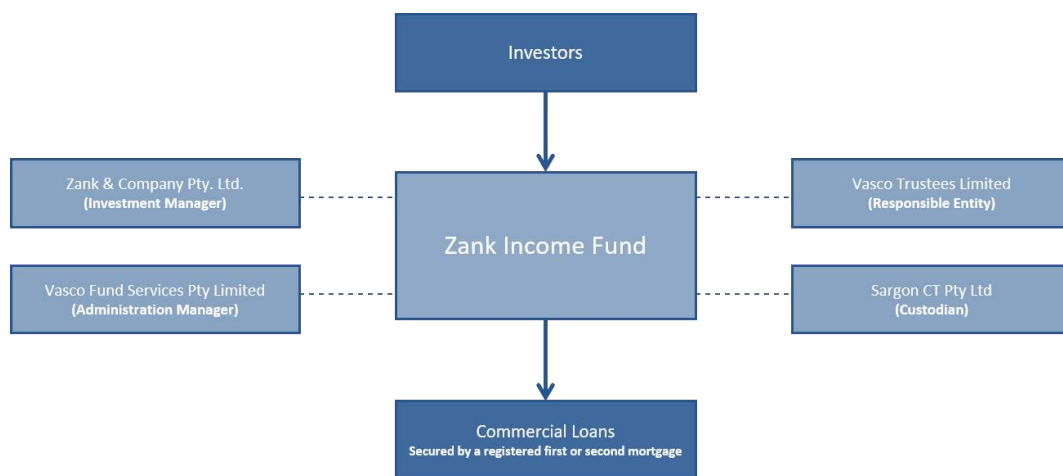
5. Details about the Offer

5.1. Investment structure

The Fund has been established to invest in business and investment loans secured by a registered first or second mortgage. The Fund will not lend to any related party borrowers of the Responsible Entity or the Investment Manager.

Further details about the types of loans the Fund will invest in and credit assessment and approval process used by the Investment Manager are disclosed in Section 2.

The following diagram illustrates the structure of the Fund and relevant parties involved:



The Fund is an unlisted, unregistered managed investment scheme structured as a unit trust and established by a Constitution dated 31 May 2016, as amended from time to time.

Vasco Trustees Limited is the Responsible Entity of the Fund.

The Responsible Entity has appointed Zank & Company Pty. Ltd. as the investment manager of the Fund, with responsibility for, among other things, marketing the Fund and managing the Fund's investments.

The Responsible Entity has appointed Sargon CT Pty Ltd as the Fund's custodian, with responsibility for holding the Fund's assets.

The Responsible Entity has also appointed Vasco Fund Services Pty Limited as the Fund's administration manager, with responsibility for, among other things, processing applications and fund accounting.

5.2. Units

This PDS invites Applicants to apply to acquire Units in the Fund. Each Unit represents an interest in the assets of the Fund proportionate to the total number of Units on issue but does not entitle the Investor to any particular asset of the Fund.

A Unit entitles an Investor to receive a proportion of the returns generated by the Fund relevant to the number Units each day they are invested in the Fund for any distribution period. Distributions are expected to be calculated on a calendar quarterly basis.

5.3. Issue of Units

It is intended that Units will be issued on a monthly basis, within ten Business Days following the end of the month in which a completed Application Form (accompanied by payment of application money in cleared funds) is received.

5.4. Unit Price

Units will be issued at the Unit Price, calculated in accordance with the Constitution. The Unit Price is calculated by dividing the net asset value of the Fund by the number of Units on issue.

The Unit Price is calculated monthly (or on or about the date of issue or at such other interval as the Responsible Entity determines), based on a valuation of the investments of the Fund at the close of business (or 5.00pm) on the last Business Day of the calendar month (or at such other interval as the Responsible Entity determines).

Unit prices are available at www.vascofm.com. The price that will apply to your application may be different from that on the website as the one that will apply will be the one calculated after you submit your Application.

5.5. Minimum investment

The minimum investment in the Fund is \$100,000, then in multiples of \$10,000 thereafter.

The Responsible Entity reserves the right to accept Applications for lesser amounts in its absolute discretion.

5.6. Target Return

From the date of this PDS until 31 March 2020 the Investment Manager is targeting a return to Investors of 8.5% per annum (pre-tax, after fees and expenses but before withholding tax payable by foreign resident Investors).

From 1 April 2020 the Investment Manager is targeting a return of 8% per annum (pre-tax, after fees and expenses but before withholding tax payable by foreign resident Investors).

The Investment Manager will review the Target Return annually and may recommend the Responsible Entity change the Target Return having regard to the Australian financial market. Investors will be provided with 90 days prior notice of any change to the Target Return.

This is a target return only and is not a forecast. Return of income and capital are not guaranteed.

5.7. Distribution of Income

Distributions of income are expected to be calculated at the end of each calendar quarter and paid to Investors nominated account within 10 Business Days of this calculation date. However, the Responsible Entity retains its discretion to pay distributions within three months of the calculation date in accordance with the Constitution.

Distributions will only be made from the income earned by the Fund over the course of the preceding quarter from interest earned on loans.

The Responsible Entity reserves the right to make distributions more or less frequently in its absolute discretion.

The Responsible Entity may decide not to distribute amounts which it reasonably considers necessary to meet any outgoings or liabilities (actual or contingent) in respect of the Fund including any amounts required for tax withholdings.

Taxes paid or withheld that are allocable to one or more Investors will be deemed to have been distributed to such Investors for the purposes of determining the above calculations.

Distributions to Investors will take into account the number of Units held each day within any distribution period.

Investors can elect to reinvest their distributions by electing to do so on their Application Form or providing a Change of Details form, available at www.vascofm.com.

5.8. Minimum Term

There is a Minimum Term of 12 months before Investors can request a withdrawal from the Fund.

The Responsible Entity retains the discretion to allow Investors to withdraw prior to the end of their Minimum Term and charge an Early Withdrawal Fee of 1% of the Investor's withdrawal amount. This Early Withdrawal Fee is paid directly to the Investment Manager.

The Responsible Entity may waive the Minimum Term in its sole and absolute discretion if –

- (a) An Investor experiences hardship; and
- (b) The Fund has sufficient liquidity to satisfy the withdrawal request.

5.9. Withdrawals

Given the nature of the Fund's investments, an investment in the Fund should be considered an illiquid investment.

Investors will have no rights to withdraw from the Fund prior to the end of their Minimum Term.

Once the Minimum Term is reached, it is intended that Investors will be offered the opportunity to withdraw from the Fund subject to available liquidity and submitting a valid Withdrawal Request pursuant to a Withdrawal Offer.

The Responsible Entity expects to make Withdrawal Offers on a calendar quarterly basis, subject to available liquidity.

Withdrawal Offers will be published on the Responsible Entity's website at www.vascofm.com.

Where there are insufficient funds to satisfy all Withdrawal Requests pursuant to any Withdrawal Offer, Withdrawal Requests will be satisfied on a pro-rata basis for each Withdrawal Offer thereafter until Investors are fully withdrawn from the Fund.

Withdrawal Request forms are available on the Responsible Entity's website, at www.vascofm.com.

Where a Withdrawal Request that has been granted results in an Investor's remaining Units having a value less than \$20,000, the Responsible Entity may treat the Withdrawal Request as also relating to the balance of the Investor's holding.

Units that are redeemed will be redeemed at the Withdrawal Price, which may be lower than what was originally paid. The Responsible Entity may, before applying the amount due to an Investor, deduct any tax payable by the Responsible Entity in respect of the redemption of Units.

The repayment of an Investor's investment will be deposited to the Investor's nominated account at a bank or other financial institution. The Responsible Entity will not make repayments to a third party account nominated by an Investor.

Investors should allow up to 2 Business Days for electronic funds transfers to a bank and up to 3 Business Days for an electronic funds transfer to a credit union account.

Investors should obtain professional taxation advice in relation to the taxation implications of any Unit redemption as the individual tax position of Investors can vary depending on their circumstances.

5.10. Transfer of Units

Investors can transfer the ownership of their Units at any time provided that the transferee meets the requirements of an Investor in the Fund and the transfer has been approved by the Responsible Entity.

Under the Constitution, the Responsible Entity has the discretion to refuse the transfer of Units if, in the Responsible Entity's opinion, the transfer is not in the interests of the Fund or if the Investor or transferee has not complied with any applicable laws. Investors should obtain professional taxation advice in relation to the taxation implications of any transfer of Units as the individual tax position of Investors can vary depending on their circumstances.

There will not be any established secondary market for the sale of Units.

5.11. Reports

The Responsible Entity will provide Investors with the following reports:

- Distribution statements on the provision of any distributions
- Annual Fund financial accounts, to be provided as soon as practical after submission of the Fund's audited accounts to ASIC (which are due by 30 September of each year)
- Annual tax statements, to be provided as soon as practical after submission of the Fund's audited accounts to ASIC (which are due by 30 September of each year)

The Investment Manager will provide Investors with a report in respect of the Fund's investments on at least an annual basis.

6. Roles and responsibilities

6.1. Investment Manager

Zank & Company Pty. Ltd. (**Zank**) is the Investment Manager of the Fund.

The main responsibility of the Investment Manager is to market the Fund and manage the Fund's investments.

Zank is an Australian based asset management firm with a mission to deliver high-quality investment opportunities for its clients. Since its establishment, Zank has focused on fixed and semi-fixed income investment products with a belief that only stable and predictable investment returns can bring the true wealth to investors.

Zank was founded in 2014 as a commercial brokerage firm specialising in the Australian property market. In early 2016, Zank launched the Fund to initially target investments from wholesale investors. Zank continues to grow its funds under management across a robust portfolio of loans aligned with the goal of providing high yield stable return from property-based investment.

In its opinion, the Zank Income Fund delivers on this goal by offering both retail and wholesale investors a high degree of security and a stable income profile.

Conghan Hu is Zank's Managing Director and holds a double bachelor degree in both Finance and Computer Science. Conghan has 7 years' experience in managing investments across a range of asset classes, including property, foreign exchange, futures and equities.

6.2. Responsible Entity

Vasco Trustees Limited is the responsible entity of Fund (**Responsible Entity**). The Responsible Entity is the holder of an Australian Financial Services Licence (No. 344486).

The main responsibilities of the Responsible Entity are to ensure the Fund is operated in accordance with the Constitution, this PDS and to ensure compliance with Australian law. Importantly, Responsible Entity is required to have regard to the best interests of Investors in all decisions that it makes with respect to the Fund.

The Responsible Entity is part of an investment management group (**Vasco**) that provides responsible entity, trustee, fund administration and distribution services to Australian and international investment managers.

The Vasco team have significant experience in the Asia Pacific region in the management of equity funds, fixed income funds, REITs, private equity real estate funds, real estate securities funds, and mortgage and real estate debt funds. Some of the funds Vasco's executives have developed include the \$1.5 billion Australian Unity Healthcare Property Trust ARSN 092 755 318 and the \$1.5 billion AIMS Industrial REIT listed on the Singapore Securities Exchange.

The directors of the Responsible Entity were responsible for establishing the Australian Unity Funds Management Limited and Macarthur Cook Limited real estate funds management businesses.

Clients of Vasco have included Golden Age Development Group, Infrastructure Partners Investment Fund, Vital Healthcare Property Fund, EMR Capital Pty Ltd, Phillip Asset Management Limited and Morgan Stanley Real Estate.

6.3. Custodian

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

Sargon CT Pty Ltd (**Sargon**) is a respected and leading provider of corporate trustee solutions to the financial services industry, having emerged from a business which has been providing custody and trustee services for over 130 years.

Sargon is a member of the Sargon Capital Pty Ltd (**Sargon Capital**) Group, a financial and technology infrastructure company. Operating across Australia, New Zealand and Hong Kong, Sargon Capital provides financial institutions and entrepreneurs with the technology and infrastructure they need to successfully build and grow investment funds.

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

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

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

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

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

6.4. Administration Manager

Vasco Fund Services Pty Ltd is the administration manager for the Fund appointed by the Responsible Entity. The Administration Manager is responsible for, among other things, processing application forms, conducting AML/CTF checks on behalf of Responsibility, managing the Fund's accounts and sending out distribution statements.

The Administration Manager is part of the investment management group (Vasco) described above in section 6.2.

7. Risks

All investments involve varying degrees of risk.

While there are many factors that may impact on the performance of any investment, the section below summarises some of the major risks that prospective investors should be aware of when investing in the Fund.

Before investing, prospective investors should consider whether the Fund is a suitable investment, having regard to their personal investment objectives, financial position, particular needs and circumstances.

Prospective investors should also consider and take into account the level of risk with which they are comfortable, the level of returns they require, as well as their frequency and nature and their investment time horizon. Prospective investors should seek professional advice in setting their investment objectives and strategies.

The risks described below are not exhaustive and whether a risk is specifically referred to in this section or not, that risk may have a material effect on the performance and value of the Fund.

Importantly, prospective investors should note that the value of an investment in the Fund, and income received by investors, may rise or fall and, consequently, Investors may suffer losses (including the loss of all of their capital investment in the Fund).

7.1. Investment risk

The value of an investment may rise or fall, distributions may or may not be paid and an Investor's capital may or may not be returned.

7.2. Fund risk

The Fund could terminate, or the fees and expenses paid from the assets of the Fund could change. There is also the risk that investing in the Fund may give different results than investing in the underlying assets of the Fund directly because of possible impairment charges in the Fund and the potential consequences of withdrawal by other Investors.

7.3. No guarantee of performance or representations made by Responsible Entity or Investment Manager

None of the Responsible Entity, the Investment Manager nor any other person or entity guarantees any income or capital return from the Fund.

7.4. Risks associated with the performance of the Investment Manager

The success of the Fund is dependent on the Investment Manager identifying suitable loans for the Fund to make and then managing those loans to ensure that the loans are repaid. If the Investment Manager is unable to achieve this, then this may adversely affect the Fund's returns.

7.5. Risks associated with the solvency and financial position of the Investment Manager and borrowers

The financial performance of the loans will be impacted by the financial performance of the Investment Manager and the borrowers, and the success of the projects undertaken by these borrowers.

If the Investment Manager either becomes insolvent or encounters financial difficulties, which mean that it is unable to perform its role under the Investment Management Agreement, then the Responsible Entity will most likely need to

terminate the Investment Management Agreement. If that were to occur, then the Responsible Entity would either need to find a replacement investment manager or wind up the Fund. This could result in you suffering a loss or a diminished return on your investment in the Fund.

If a borrower becomes insolvent or faces financial difficulties, then the Fund may suffer losses and Investors may lose some or all of their capital invested in the Fund.

7.6. Liquidity risk

Investors in the Fund will only have limited opportunities to withdraw their investment as outlined in section 5.9. In addition, there will not be any established secondary market for Units. This may represent a risk to you in the event that you require the return of your investment more urgently.

7.7. Return risk

The Fund seeks to deliver the Target Return to Investors. It is designed for Investors seeking a return greater than the interest paid on basic deposit and saving products offered by an ADI. The Fund is targeting returns which are significantly higher than interest paid on basic deposit products. However, as a general rule, higher potential returns have higher levels of uncertainty than investments with lower potential returns and low levels of uncertainty.

The Target Return is not a forecast. The Fund may not be successful in meeting this objective. Returns on investments in the Fund are not guaranteed. The risk to capital is primarily determined by the ability of borrowers to repay loans to the Fund. If a borrower is unable to repay a loan, then the Fund may need to enforce its security. If that were to occur, then the Fund may not be able to recover all amounts owing to it under the loan and would therefore suffer a loss.

Investors should note that an investment in the Fund is not an investment in an ADI (such as a bank) regulated by APRA and an investment in the Fund carries more risk than an investment in a bank.

7.8. Junior lender risk

If the Fund is a mezzanine lender then its real property mortgage will rank in priority behind a senior lender's mortgage. Therefore, in the event of a default by a borrower the ability to recover the amount owing under a loan will be affected by the actions of the senior lender.

Generally, the senior lender will have the right to take possession of, and deal with, the security property and assets of a borrower if various covenants of the senior lender's loan facility are not met. Because the Fund's security will rank behind the senior lender, if a borrower defaults under any of the loan facilities and the senior lender exercises its security, then the Responsible Entity will not have day-to-day control over the borrower's assets. This will generally mean the Responsible Entity cannot exercise the Fund's security until the senior lender has been paid in full. In addition, any monies available to the Fund in these circumstances would be limited to what is recovered after the senior lender has been paid in full.

Where security is taken over a borrower's personal assets under a general security agreement or guarantees are provided by directors or shareholders of a borrower, there is a risk that recovery from those persons could be difficult. Moreover, a borrower or their guarantor may not have sufficient assets to repay the liability in full.

7.9. Concentration risk

The Investment Manager will endeavour to diversify the underlying projects that the Fund will lend to in terms of type, location and loan tenor however, there may be instances where this is not possible.

There is possibility of an increased risk associated with loans that are highly concentrated in terms of particular types of loans, location, activities or borrowers.

7.10. Loan loss risk

The Fund will not maintain a reserve of funds to meet losses on loans, should they occur. This means any loan losses caused as a result of borrower default or otherwise will have to be met from the Fund's capital, which may impact upon the Fund's Unit Price and may result in a capital loss being incurred by Investors. **Similarly, if the Fund makes provision for doubtful debts, then that will also reduce the Fund's net asset value.**

7.11. Related party loans

At present, the Fund does not intend on lending to related parties of the Responsible Entity or Investment Manager. However, the terms of the Constitution do not preclude such loans being made. Should the Investment Manager decide to change the Fund's investment strategy to include related party loans, Investors will be notified.

Should this be the case, by investing in the Fund, Investors acknowledge that the Investment Manager is responsible for making investments decisions for the Fund, and that loan's to the borrowers may not be on arm's length terms and that they have made their own independent investigations to satisfy themselves of the benefit of becoming an Investor in the Fund.

7.12. Construction and development risk

Investments in the Fund may be lent to borrowers for use in property construction projects. There are specific risks associated with this type of project, including:

- construction or development costs can exceed budgeted costs and the borrower may be unable to complete the project unless the borrower can obtain further funds;
- loan funds kept in reserve by the construction manager to complete the project being insufficient to meet the cost of completion; and
- a change in market conditions could result in the project's value on completion being worth less than anticipated, or in lower sale rates and prices than expected.

The Investment Manager may manage this risk and its elements by:

- ensuring a guaranteed maximum price building contract from reputable and established builders who have experience in the type of proposed construction to be executed between the builder and borrower;
- ensuring that the project is employing standard construction techniques and that adequate building insurance cover is in place;
- requiring minimum pre-sales or leasing commitments on the proposed development; and
- monitoring all construction loan draw-downs to ensure that there are always sufficient funds remaining to complete the project. An independent quantity surveyor or construction cost manager may be appointed prior to the commencement of the project to verify that there are sufficient funds available to complete the project and to verify the completion of each stage of construction prior to the draw-down of funds.

The Investment Manager may also require the developer to include a contingency factor on total construction costs in the debt funding required for each project.

7.13. Enforcement risk

Where the Responsible Entity takes enforcement action in respect of a defaulting loan, the costs incurred in doing so could be substantial.

The Investment Manager may pay for those enforcement costs from its own resources (such as the costs of appointing a receiver, legal fees in enforcing against the borrower, agent's commissions for sale of the security property etc.). It is also possible that the Responsible Entity may procure a third party to underwrite the enforcement expenses on commercial arrangements. The Investment Manager or third party will have the right to recover these costs from the proceeds received from the enforcement action before any payments are made to Investors plus any fee or interest agreed with a third party. This will most likely lead to a reduction in distributions paid to the Investors. If the enforcement costs cannot ultimately be recovered out of the proceeds from the sale of the security property or recovered directly from the borrower, then it may result in Investors suffering a loss of capital.

It is also possible the Responsible Entity will undertake a further capital raising to raise the capital required to pay for the expenses associated with enforcing the loan. There is therefore a risk that Investors may be invited to contribute further capital to the Fund. It is highly likely that any such future capital raising will be undertaken at a price less than the original issue price for the Units and may therefore dilute the proportional holdings in the Fund of those Investors that decide not to contribute further capital.

7.14. Documentation risk

A deficiency in documentation could, in certain circumstances, adversely affect the return on a loan. This may make it difficult for the Fund to enforce its real property mortgage in respect of the loan and may also affect the ability to recover any penalties imposed against any borrower.

7.15. Valuation risk

The valuation of the security property for a loan may be inaccurate or not accurately reflect its true value at the time the valuation is undertaken. If the valuation of the security property for a loan is incorrect, then the amount realised on the sale of a security property may not cover the amount lent to a borrower. Security property is valued by a valuer under instructions from the Investment Manager and in accordance with the Responsible Entity's valuation policy.

7.16. Market risk

This is the risk that negative market movements will affect the price of assets within a particular market. By their nature, markets experience periods of volatility involving price fluctuations of varying magnitudes. Property market risk is the risk that the property market as a whole declines in value in line with various trends in the Australian or overseas markets. This may be due to a number of factors, such as over-supply of real estate, economic conditions, interest rate movements or general market sentiment.

The Fund's assets will be made up of loans made primarily for the purpose of property development. Therefore, factors which affect the property market may impact upon the value of Fund assets.

A fall in property values may affect the ability to fully recover the amount owing under a loan where a borrower defaults. If a borrower defaults and the security property is sold for less than the outstanding loan amount (including the costs of the sale and interest), then this may result in the Fund suffering a loss if the borrower cannot repay the balance of the outstanding debt from other assets of the borrower.

7.17. Operational risk

Operational risk exists in all managed investments. This refers to the possibility the Investment Manager may fail to anticipate market movements, to manage the investment risks appropriately, or to properly execute the Fund's investment strategy.

There is also an inherent risk associated with the death or departure of the Responsible Entity's or the Investment Manager's key personnel.

7.18. Legal, regulatory and compliance risk

Changes in government legislation, regulation and policies generally could materially adversely affect the operating results of the Fund. Although unable to predict future policy changes, the Investment Manager intends to manage this risk by monitoring and reacting to any potential regulatory and policy changes.

The operation of a funds management business in Australia is subject to significant regulation by Australian government authorities including without limitation the Australian Securities and Investments Commission, the Australian Transactions Reporting and Analysis Centre, the Foreign Investment Review Board and the Australian Consumer and Competition Commission. There is a risk that the Fund may not comply at all times with its various obligations under government regulations and this may result in the loss of authorisations of the Australian Financial Services Licence held by the Responsible Entity thereby preventing the continued operation of the Fund.

Furthermore, legal risks arise where contracts used by the Fund to make the unsecured loan agreements are found to be defective or unenforceable against counterparties. To manage this risk, the Responsible Entity or Investment Manager will ensure that a reputable legal practitioner with professional indemnity insurance is engaged to prepare and finalise legal agreements.

7.19. Regulatory and economic risk

There is the risk that a downturn in domestic or international economic conditions may adversely affect investments.

These factors are outside the control of the Responsible Entity and the Investment Manager but they may have a negative impact upon the operation and performance of the Fund.

7.20. Tax risk

Tax regulations can change and changes can be adverse. Investors should consider their own circumstances before investing.

7.21. Fees and expenses

The Fund will incur fees and expenses regardless of whether it is successful. The Fund will pay Investment Management fees, Responsible Entity fees and Administration Fees whether or not it receives income from its loan investments or the Fund's capital is fully utilised or not. The Fund must therefore ensure that sufficient liquidity is maintained in order to meet these and other expenses. The Responsible Entity and the Investment Manager expect to incur significant costs and expenses in seeking to source, evaluate, structure, negotiate, close, monitor and exit the investment including, but not limited to, financial, legal, technical, regulatory, commercial advisers, engaged to assist the Responsible Entity and the Manager in seeking to source, evaluate, structure, negotiate, close, monitor and exit the investment. There can be no assurance that the Fund will be successful in being able to recover these fees and expenses from a successfully closed investment. These amounts may be significant and could have an adverse impact on the return that Investors might otherwise realise.

7.22. Cyber security risk

Investors should be aware that while the Responsible Entity has implemented technologies, processes, and practices designed to protect its networks, devices, programs, and data (or IT systems) such IT systems may still be subjected to malicious attack, damage, or unauthorised access.

Such IT systems may include the storage of information concerning an Investor's identity, financial interests or other personal details provided to the Responsible Entity in connection with their investment in the Fund.

In the event serious harm is a likely outcome of a breach of the Responsible Entity's IT systems, the Responsible Entity or Investment Manager (as may be required) will notify the affected individuals and recommend steps that ought to be

taken in response to the breach. The Responsible Entity may also be required to notify any regulatory authority as required by law.

7.23. Other risks

It is important to note that not all risks can be foreseen. It is therefore not possible for the Investment Manager to protect the value of the Fund's investment from all risks. Investors should ensure they obtain appropriate professional advice regarding the suitability of an investment in the Fund having regard to their individual circumstances, including investment objectives, their level of borrowings, their financial situation and individual needs.

The performance of this investment, the repayment of capital or of any particular rate of return, is not guaranteed by the Responsible Entity, the Investment Manager, their directors or their associates. Loan investments, by their nature, carry a level of risk and no guarantee is or can be given that an investment in the Fund will not decrease in value and that Investors will not suffer losses. We strongly recommend that Investors obtain independent financial advice before investing in the Fund.

8. Fees and Expenses

This section sets out the fees and other costs that may be incurred by the Fund. You should read all information about fees and costs carefully as it is important to understand their impact on your investment.

Consumer Advisory Warning

Government regulation requires the inclusion of the following standard consumer advisor warning as set out below. The information in the consumer advisory warning is standardised across all product disclosure statements and does not provide any specific information on the fees and charges in this Fund.

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 contribution fees and management costs where applicable. 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 Investment Commission (ASIC)** website (www.moneysmart.gov.au) has a managed funds fee calculator to help you compare different fee options.

8.1. Fees and Other Costs

This table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns of your investment or from the Fund's assets as a whole.

Taxation information is set out in section 9.

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

| Type of fee or cost ¹ | Amount ² | How and when paid |
|---|---------------------|-------------------|
| Fees when your money moves in or out of the Fund | | |
| Establishment Fee The fee to open your investment. | Nil | Not applicable |
| Contribution Fee The fee on each amount contributed to your investment. | Nil | Not applicable |

| Type of fee or cost ¹ | Amount ² | How and when paid |
|--|--|---|
| Withdrawal Fee The fee on each amount you take out of your investment. | Nil However, an Early Withdrawal Fee of 1% of the withdrawal amount is payable on withdrawals of Units held for less than the Minimum Term, where the Responsible Entity has waived, in its absolute discretion, the Minimum Term (please see section 5.8 for more details). This Early Withdrawal Fee is paid directly to the Investment Manager. | Not applicable Paid to the Investment Manager from the Withdrawal Amount. |
| Exit Fee The fee to close your investment. | Nil | Not applicable |
| Management Costs | | |
| <i>The fees and costs for managing your investment</i> | | |
| Responsible Entity Fees | Conversion Fee of \$33,440 for the Responsible Entity's work in converting the Fund from a wholesale managed investment scheme to a managed investment scheme registered with ASIC under the Corporations Act. | This fee is a one off fee and was payable to the Responsible Entity out of the Fund's assets as follows: <ul style="list-style-type: none"> - \$25,602.50 was payable on the date the Fund was registered, being 17 December 2019, and - \$7,837.50 was payable upon the issue of this PDS. |
| | An annual Responsible Entity Fee of 0.31% per annum of the gross asset value of the Fund's assets subject to a minimum fee of \$62,700 per annum. | Calculated and payable to the Responsible Entity monthly in arrears out of the Fund's assets. |
| | Documentation Execution Fee of \$261.25 for each set of the loan document that requires the review and execution of the Responsible Entity. | Calculated and payable monthly in respect of any loans settled in the previous month out of the Fund's assets. |
| | Default and Arrears Management Fee of \$156.75 per hour for the review and management of recovering proceedings against borrowers in default. | Calculated and payable to the Responsible Entity monthly in arrears out of the Fund's assets. |
| | Termination fee of \$9,927.50 on the replacement of the Responsible Entity or winding up of the Fund. | Payable to the Responsible Entity on the day immediately before the retirement or removal takes effect or the day immediately prior to winding up the Fund out of the Fund's assets. |
| Investment Manager Fees | Investment Management Fee of 1.5% per annum of the gross asset value of the Fund's assets. | Calculated and payable to the Investment Manager monthly in arrears from the Fund's assets. |
| | Performance Fee of all income above the Target Return (being 8.5% per annum (net of fees) as at the date of this PDS). | This fee is calculated and is payable to the Investment Manager on a quarterly basis out of the Fund's assets, subject to an annual adjustment as at 30 June each financial year. |
| Expenses | Expected to be up to 0.18% per annum of the gross asset value of the Fund. | Expenses may be claimed on a monthly basis, and are reimbursed from the assets of the Fund on at least a monthly basis. |
| Indirect Costs | Nil | Not applicable |

| Type of fee or cost ¹ | Amount ² | How and when paid |
|--|---------------------|-------------------|
| Service Fees | | |
| Switching Fee The fee for changing investment options. | Nil | Not applicable |

1. See "Additional explanation of fees and costs" below for further details as to fees and costs you may be charged.
2. All fees are inclusive of GST, any applicable stamp duty less any applicable input tax credits.

8.2. Example of annual fees and costs of the Fund

This table provides an example of how fees and cost in the Fund can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

| EXAMPLE Zank Income Fund | BALANCE OF \$100,000 WITH A CONTRIBUTION OF \$10,000 ¹ DURING THE YEAR | |
|--|---|---|
| Contribution fees | Nil | For every \$10,000 you put in, you will be charged \$0. |
| PLUS Management costs (Indirect cost ratio 'ICR') | 2.33% per annum of the gross asset value of Fund ¹ . | And, for every \$100,000 you have in the Fund, you will be charged \$2,330 each year. ¹ |
| EQUALS Cost of Fund | | If you had an investment of \$100,000 at the beginning of the year, and you put in an additional \$10,000 during that year, you will be charged fees of between \$2,330 and \$2,563 |

¹ 2.33% is the indirect cost ratio (ICR) of the Fund, which is quoted inclusive of GST and net of reduced input tax credits. It is an estimate of the total management costs (which does not include transactional and operational costs) deduced from the Fund and is represented as a percentage of the average gross asset value of the Fund in the previous financial year. As the Fund operated as an unregistered managed investment scheme until it was registered on 17 December 2019, the Responsible Entity reasonably estimates the management costs for the Fund will increase. The Fund's ICR prior to registration on 17 December 2019 was approximately 2.29%.

8.3. Additional Explanation of Fees and Costs

Payment of Fees and Costs by Investment Manager and waiver of fees

The Investment Manager has agreed to pay the Responsible Entity Fees and Expenses (outlined above in Section 8.1) until, in the opinion of the Responsible Entity, such time as they are able to be paid from the assets of the Fund. The Investment Manager may be reimbursed from the Fund at some future date for any Responsible Entity Fees and Expenses it pays at the discretion of the Responsible Entity.

The Investment Manager has also agreed to forego its Investment Manager Fees and Performance Fees, or part thereof, where the payment of these fees is likely to reduce the Unit Price of the Fund to under \$1. The Investment Manager may be reimbursed from the Fund in future years for any Responsible Entity Fees and Expenses it pays at the discretion of the Responsible Entity.

Responsible Entity fees

Under the Constitution, the Responsible Entity is entitled to charge the following fees:

- a) An annual responsible entity fee of 0.31% per annum of the gross asset value of the Fund. This fee is calculated and payable to the Responsible Entity monthly in arrears out of the Fund's assets.

The ongoing responsible entity fee is subject to a minimum annual fee of \$62,700.

- b) A conversion fee of \$33,440. This fee is for the Responsible Entity's work in converting the Fund from a wholesale managed investment scheme to a managed investment scheme registered with ASIC under the Corporations Act. This fee is a one off fee and was payable to the Responsible Entity out of the Fund's assets as follows:
 - (i) \$25,602.50 was payable on the date the Fund was registered, being 17 December 2019, and
 - (ii) \$7,837.50 was payable upon the issue of this PDS.
- c) A documentation execution fee of \$261.25 for each set of the loan documents that requires the review and execution of the Responsible Entity. This fee is calculated and payable monthly out of the Fund's assets in respect of any loans settled in the previous month.
- d) A default and arrears management fee of \$156.75 per hour for the review and management of recovering proceedings against borrowers in default. This fee is calculated and payable monthly in arrears out of the Fund's assets.
- e) A termination fee of \$9,927.50 on the replacement of the Responsible Entity or winding up of the Fund. This fee is payable out of the Fund's assets.
- f) The Responsible Entity is also entitled to be reimbursed for costs incurred in relation to the proper performance of its duties

Investment Manager fees

The Investment Manager is entitled to the following fees pursuant to the IMA for managing the Fund's assets:

Investment Management Fee

1.5% per annum of the gross asset value of the Fund. This fee is calculated monthly and paid monthly in arrears from the Fund's assets.

Performance Fee

The Investment Manager is entitled to a performance fee of all income over the Target Return (net of fees but before tax) over a 12 month period as at the 30 June of each year. The Performance Fee is calculated and payable to the Investment Manager on a quarterly basis, and is subject to an annual adjustment on 30 June each financial year.

For the purpose of determining whether the Investment Manager is entitled to a Performance Fee, the following will occur:

| Steps | Calculation Example ¹ |
|---|--|
| 1. The percentage return of the Fund will be determined by calculating the investment returns after fees, other than Performance Fees, and before tax. | Assumes the Fund returns 12.5% per annum (after fees, other than Performance Fees, and before tax). |
| 2. If a return above the Target Return (of 8.5% as at the date of this PDS) is achieved a Performance Fee is calculated as all excess return above the Target Return. | <p>If you invested \$100,000 and the Fund returned 12.5%, the excess income would amount to \$4,000 (being 12.5% less 8.5%).</p> <p>This \$4,000 will be paid to the Investment Manager at the end of the relevant Financial Year.</p> <p>Therefore, you will receive an 8.5% per annum return (after fees and performance fees and before tax).</p> |

1. The example in the table above is illustrative only and does not represent an actual Performance Fee payment by the Fund.

Should the Fund return the Target Return (net of fees but before tax) or less, the Investment Manager would not be entitled to a performance fee.

There is no ability to clawback payments of the Performance Fee made to the Investment Manager in future financial years if the Target Return is not met. Further, the performance fee is not subject to a high watermark, meaning the Investment Manager is not required to make up for underperformance in previous years where the Fund did not meet the Target Return before it is entitled to a performance fee.

Expenses

Expenses means costs incurred by the Responsible Entity in administration of the Fund and include fees payable to the Custodian, Administration Manager, Auditor, Compliance Plan Auditor, incidental expenses of the Investment Manager and also other administrative expenses such as accounting and legal advice, audit fees, insurances, consulting fees, costs relating to Investor meetings and registry fees.

The Responsible Entity reasonably estimates the Fund's expenses to be 0.18% per annum of the gross asset value of the Fund. This estimate does not include abnormal operating expenses which are due to abnormal events such as the cost of running investor meetings for example. This estimate also does not include fees paid to the Investment Manager, which are separately disclosed as Management Costs section of the table above.

It is important to note that this estimate is based on the gross asset value of the Fund as at the date of this PDS, being approximately \$40m. The actual expenses may be higher or lower depending on the actual amount of money raised by the Fund in its first year of operations.

The Constitution does not limit the amount that the Responsible Entity can recover from the Fund as expenses provided they are properly incurred in operating the Fund.

Transactional and operational costs

Most transaction costs are costs incurred by the Fund associated with issuing loans. These transaction costs are usually borne by the borrower.

There are no estimated transactional and operational costs for the Fund.

GST

Unless otherwise stated, all fees set out in this section are inclusive of the net effect of GST. This includes GST, net of input tax credits or reduced input tax credits as applicable.

Indirect costs

Indirect costs are amounts that the Responsible Entity knows, or estimates, will reduce the Fund's returns. The costs are paid from the Fund's assets, or the assets of interposed entities, such as the underlying investment funds, which each Investment Option invests in time to time. Typically, an interposed vehicle will be a trust in which the Fund has invested. The costs may include the cost of making an investment, such as spreads or brokerage costs, and fees charged by an interposed entity, including management fees and performance fees.

No Indirect costs are estimated for the first year of the date of this PDS.

Indirect cost ratio ('ICR')

The ICR is a useful measure of the ongoing fees and expenses of investing in the Fund.

The ICR shows the cost of investing in the Fund compared to investing directly in assets. It is calculated by dividing the total ongoing fees and expenses by the average Fund size (based on net assets) over the period. The ICR does not include transaction and operational costs, buy/sell spreads, brokerage, borrowing costs, and Government charges incurred by the Fund as these costs would generally also be incurred by an investor investing directly.

The ICR of the Fund is estimated to be around 2.33% **per annum** of the gross asset value of the Fund.

The ICR is based on the gross asset value of the Fund as at the date of this PDS, being approximately \$40m. The actual expenses may be higher or lower depending on the actual amount of money raised by the Fund in its first year of operations.

Abnormal expenses

The Responsible Entity is entitled to be reimbursed from the Fund for abnormal expenses, such as the cost of unitholder meetings, legal costs of any proceedings involving the Fund and terminating the Fund.

Fees for other services

The Responsible Entity or its related party may also provide other services to the Fund or the Fund's Investors in the future. Should that occur, the Responsible Entity or its related party will charge fees for those services at commercial market rates for the provision of those services.

Differential Fees

The Responsible Entity may rebate some of its or the Investment Manager's fees to Investors on an individual basis, provided the provision of such rebate is not excluded by the Corporations Act or any applicable laws. For example, the Investment Manager's fees may rebate to wholesale investors as defined in the Corporations Act.

In the event rebates are offered, they will be paid by the Investment Manager (not the Responsible Entity) and will not affect the fees paid by, or any distributions to, other Unit Holders.

The Investment Manager may negotiate a fee rebate with investors. This fee rebate is subject to the Investment Manager earning enough fees to satisfy any rebate and is not guaranteed by the Trustee. The rebate will be paid within 3 business days after the Investment Manager receive the performance fee from the Trustee.

Changes to fees and expenses

The Responsible Entity may change the fees and expenses referred to in this PDS. The Responsible Entity will provide at least 30 days' notice to Investors of any proposed increase in fees or expense recoveries or introduction of new fees.

Waiver and deferral of fees by the Responsible Entity

The Responsible Entity may, in its discretion, accept lower fees and expenses than it is entitled to receive, or may agree to defer payment of those fees and expenses for any time. If payment is deferred, then the fee or expense will accrue until paid.

All deferred fees and expenses will also be paid upon any retirement or removal of the Responsible Entity.

Maximum fees

The maximum fees chargeable by the Responsible Entity as set out in the Constitution are the same as those outlined in this section.

Advice fees

The Responsible Entity does not pay advice fees.

You may agree with your financial adviser that an initial advice fee will be paid for ongoing financial planning services your financial adviser provides for you in relation to your investment. This advice fee is additional to the fees shown in Section 9.1, and is paid to the Australian financial services licensee responsible for your financial adviser (or your financial adviser directly if they are the licensee). It is not paid to the Responsible Entity.

Other payments and benefits

Your financial adviser may receive payments and/or other benefits from the organisation under which they operate. These payments and benefits are not paid by the Fund.

9. Taxation Information

Investing in the Fund is likely to have tax consequences. Each Investor must take full and sole responsibility for the associated taxation implications arising from an investment in the Fund and any changes in those taxation implications during the term of their investment.

Neither the Responsible Entity nor the Investment Manager have sought any specialist taxation advice in respect of the proposed fund structure.

It is recommended that prospective investors obtain their own independent taxation advice before investing in the Fund.

9.1. Fund structure

The Fund is an unlisted, registered Australian unit trust scheme that will primarily invest in Australian real estate and real estate projects. The Fund structure is described in Section 3 (Structure of the Fund).

As the Fund is a unit trust, the Fund will effectively be treated as a flow-through vehicle for income tax purposes provided that the Fund distributes all of its income to the Investors on an annual basis. To the extent that the Responsible Entity does not distribute income, the Responsible Entity will be taxed at 47% on the income retained.

9.2. Tax File Number and Australian Business Number (Australian Investors only)

It is not compulsory for an Investor to quote a Tax File Number (TFN), claim a valid exemption for providing a TFN, or (in certain circumstances) provide an Australian Business Number (ABN). However, if an Investor does not provide a TFN, exemption or ABN, tax will be required to be deducted from the Investor's distributions at the highest marginal tax rate plus Medicare levy and any other applicable Government charges (currently 49%).

9.3. Australian Goods and Services Tax (GST)

GST should not be payable on the issue or redemption of units nor on any of the distributions to Unit holders. GST may apply to the fees charged to the Fund by the Investment Manager and in relation to other expenses of the Fund. The Fund may be entitled to claim input tax credits and / or reduced input tax credits for any GST paid

9.4. Foreign Account Tax Compliance Act

In compliance with the United States (US) income tax laws commonly referred to as the Foreign Account Tax Compliance Act (**FATCA**) and the Intergovernmental Agreement signed between the US and Australian Governments in April 2014 in relation to FATCA, the Fund will be required to provide information to the ATO in relation to Investors that are: (a) US citizens or residents; (b) entities controlled by US persons; and (c) financial institutions that do not comply with FATCA.

Where Investors do not provide appropriate information to the Fund, the Fund will also be required to report those accounts to the ATO.

10. Additional Information

10.1. Summary of material documents

The following is a summary of material documents relevant to the Fund. The material documents are:

- (1) Constitution
- (2) Compliance Plan
- (3) Custodian Agreement
- (4) Investment Management Agreement
- (5) Administration Agreement

You should consider whether it is necessary to obtain independent advice on any of the documents.

(1) Constitution

The Constitution is the primary document that governs the way the Fund operates and sets out the rights, liabilities and responsibilities of both the Responsible Entity and Investors.

Each Unit gives you an equal and undivided interest in the Fund. However, a Unit does not give you an interest in any particular part of the Fund. Subject to the Constitution, as an Investor you have the following rights:

- o The right to share in any distributions
- o The right to attend and vote at meetings of Investors
- o The right to participate in the proceeds of winding up of the Fund

The Constitution also contains provisions about convening and conducting meetings of Investors.

The Responsible Entity can amend the Constitution without Investors' approval provided it reasonably considers the change will not adversely affect Investors' rights.

The Constitution can also be amended by a special resolution passed by Investors.

A copy of the Constitution can be viewed at ASIC or is available to Investors from the Responsible Entity free of charge.

(2) Compliance Plan

The Responsible Entity, as required by the Corporations Act, has lodged a Compliance Plan for the Fund with ASIC. The Compliance Plan sets out how the Responsible Entity ensures that the Fund complies with the Corporations Act and how it intends to operate the Fund under the Constitution.

A copy of the Compliance Plan is available free of charge from the office of the Responsible Entity.

If the Compliance Plan is breached in a significant way such that the breach has an adverse effect on Investors, the Responsible Entity is obliged to report such a breach to ASIC.

(3) Custodian Agreement

The Responsible Entity has entered into a Custodian Agreement with Sargon CT Pty Ltd (**Sargon**), whereby the Responsible Entity has appointed Sargon as a service provider to provide custodial services in relation to various schemes, including the Fund.

(4) Investment Management Agreement

The Investment Management Agreement is between the Responsible Entity and the Investment Manager under which the Investment Manager provides investment management services to the Fund.

The Investment Management Agreement sets out the Investment Manager's obligations to the Responsible Entity and to the Fund. The agreement also contains the arrangements in relation to the Fees and Costs that are summarised in Section 9.

The Investment Management Agreement will remain in force until the Fund is wound up, unless the agreement is terminated earlier in accordance with its provisions. The agreement can be terminated by the Responsible Entity if the Investment Manager is in material breach of the agreement, and that breach has not been remedied after a certain time. There are also provisions allowing the Responsible Entity to terminate if, for example, the Investment Manager becomes insolvent.

If the Responsible Entity is replaced then the Investment Management Agreement will continue to operate on the same terms as between the Investment Manager and the new responsible entity of the Fund.

(5) Administration Agreement

The Administration Agreement is between the Responsible Entity and the Administration Manager under which the Administration Manager provides administration services to the Fund.

The Administration Agreement sets out the Administration Manager's obligations to the Responsible Entity and to the Fund, including administrative, accounting, registry, unit pricing, financial and compliance reporting, AML/CTF and back office services in exchange for a fee, subject to the overall supervision of the Responsible Entity.

10.2. Cooling Off Rights

As at the date of this PDS, there is no cooling off period for Applications in the Fund as the Fund is not liquid.

However, if the Fund was to become liquid at some point in the future, a 14-day cooling off period would be available to investors to decide whether to proceed with an application under this PDS. The cooling off period starts on the earlier of:

- the date you receive your initial investment transaction statement; or
- five business days after your Units are issued.

Therefore, if you wish to cancel your investment, it is important that you write to us before the expiration of this period.

The amount repaid to you is adjusted to reflect any increase/ decrease in the value of the investment due to a change in the net asset value of the Fund. We will also deduct any taxes or duties payable and transaction costs. As a result, the amount returned to you may be less than your original investment.

If you are a 'sophisticated' or 'professional' investor or otherwise a 'wholesale client' (as defined in the Corporations Act) the cooling off period is not available to you.

10.3. Privacy

The Application process requires you to provide personal information to the Responsible Entity or any person engaged by the Responsible Entity to process your Application.

The Responsible Entity collects personal information so that it can process and administer any Application you make. Additionally, the Responsible Entity collects this information in order to administer, manage and generally service your investment in the Fund. The Responsible Entity also may collect personal information about you from third parties, such as the Investment Manager, Administrator Manager or other third party service providers of the Responsible Entity.

If you do not provide the personal information requested by the Responsible Entity or provide incomplete or inaccurate information, the Responsible Entity may not be able to accept or process your application for an investment in the Fund or may be limited in the services or assistance the Responsible Entity can provide with respect to the administration of any investment you subsequently make in the Fund.

The Responsible Entity may disclose your personal information to organisations such as the Administrator Manager, Investment Manager, any third party service provider it may engage to provide custody, administration, technology, auditing, mailing, printing or other services and our professional advisers (including legal and accounting firms, auditors, consultants and other advisers).

Such third parties may use and disclose your personal information for a purpose described in this Privacy Statement which may involve the transfer of your personal information outside of Australia (including to countries where there may be less stringent data protection laws) to process personal information on our behalf. Where this is the case, it may not be possible to ensure that the overseas recipient does not breach the Australian Privacy Principles ('APP') in relation to your personal information.

In providing us with your personal information, you consent to the possibility that your personal information may be transferred outside of Australia for processing and agree that APP 8.1 shall not apply to the disclosure, nor will the Responsible Entity be liable under the Privacy Act 1988 (Cth) ('Privacy Act') in the event that the recipient does not act consistently with the APPs.

The Responsible Entity may also collect certain personal information from you and/or disclose your personal information to government or regulatory bodies where permitted or required to do so by law. For example, the Responsible Entity may be required to collect and disclose certain information in order to comply with the identification and verification requirements imposed under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006. For certain investors, the Responsible Entity may also be required to collect and disclose certain personal information to the ATO in order to comply with the Foreign Account Tax Compliance Act

If you notify the Responsible Entity that you have a financial adviser, either on your Application Form or in writing (at a later date), you consent to the Responsible Entity disclosing to that financial adviser details of your investment in the Fund and/or other related personal information.

The Responsible Entity will take reasonable steps to ensure that the personal information about an investor or other relevant person that it collects, uses or discloses is accurate, complete and up to date. You or another relevant person can request access to your personal information or a copy of the Responsible Entity's Privacy Policy by telephone or writing to the Privacy Officer at:

Privacy Officer
Level 5, 488 Bourke Street
Melbourne, Victoria 3000
info@vasco.com
+61 3 8352 7120

The Responsible Entity's Privacy Policy is also available on its website at www.vascofm.com.

Custodian Privacy Disclaimer

Sargon CT Pty Ltd (**Sargon**) may collect your personal information for primarily purpose of providing custodial services to the RE and for ancillary purposes detailed in their Privacy Policy. Sargon may disclose your personal information, such as, your name and contact details, along with your account information to its related bodies corporate, the trustee, manager, professional advisers, the land titles office and/or as otherwise instructed by the manager. We are also permitted to collect and disclose your personal information when required or authorised to do so by law. Sargon is not likely to disclose your personal information to overseas recipients. Your personal information will be used in accordance with Sargon's Privacy Policy. The Privacy Policy contains information about how you may access or correct your personal information held by Sargon and how you may complain about a breach of the Australian Privacy Principles. You may obtain a copy of Sargon's Privacy Policy at <https://cdn.sargon.cloud/66460bcf-423f-45d1-9c38-397277dbcc30/Sargon%20-%20Privacy%20Policy.pdf>

10.4. Complaints Handling

Applicants and Investors who wish to make a complaint about the Fund should contact the Responsible Entity by telephone on (03) 8352 7120 by email to info@vascofm.com or in writing addressed to:

The Complaints Officer
Vasco Trustees Limited
Level 5, 488 Bourke Street
Melbourne VIC 3000

The Responsible Entity will acknowledge a complaint as soon as practicable after receiving it and will notify the complainant of its decision, remedies and other information within 45 days of the complaint being made.

Complaints that cannot be resolved internally by the Responsible Entity to the Investor's satisfaction can be taken to the Australian Financial Complaints Authority Limited (**AFCA**). AFCA provides fair and independent financial services complaint resolution that is free to consumers. You can contact the AFCA as follows:

Website: www.afca.org.au
Telephone: 1800 931 678 (free call within Australia)
Facsimile: (03) 9613 6399
Email: info@afca.org.au
Post: GPO Box 3, Melbourne, Victoria, 3001

10.5. Statement regarding Labour Standards and Environmental, Social and Ethical Considerations

The Responsible Entity does not, in the context of making decisions relating to the Fund, take into account labour standards or environmental, social or ethical considerations, except to the extent that the Responsible Entity considers these issues have the potential to materially impact on the merits of its decisions in relation to the Fund. This means that if the sustainability or value of the Fund is adversely affected due to unacceptable labour standards or environmental, social or ethical factors, the Responsible Entity may choose not to invest further or to dispose of the investment.

10.6. Anti-Money Laundering and Counter Terrorism Financing

In 2006, the Federal Government enacted the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act). The Responsible Entity is a 'reporting entity' pursuant to this Act and, as such, must be 'reasonably satisfied' that an investor exists and is who they claim to be prior to issuing Units to them. This means that all new Investors in the Fund must provide the identification information as set out in the Application Form. The Responsible Entity will not issue Units to a new investor unless satisfactory identification documents are attached to the Application Form or provided to your financial advisor.

The Responsible Entity will maintain all information collected from Investors in a secure manner in accordance with AML/CTF Act and relevant privacy principles. Information about a prospective investor or Investor will only be disclosed where required by the laws of Australia.

This means that identification information may be disclosed to the Australian Transaction Reports and Analysis Centre or other government or law enforcement agencies. The Responsible Entity may also disclose this information to other entities involved with the Fund to the extent that this information is required to fulfil that entity's AML/CTF obligations. The Responsible Entity is not liable for any loss you may suffer as a result of its compliance with the AML/CTF Act.

10.7. Common Reporting Standards (CRS)

CRS is the single global standard set by the Organisation for Economic Co-operation and Development (OECD) for the automatic exchange of information with revenue authorities for tax non-residents that invest in certain financial accounts. The standard covers both the identification of tax non-residents and reporting on the applicable financial accounts. The Responsible Entity will be a 'Reporting Financial Institution' under CRS and intends to comply with its CRS obligations under any relevant Australian laws and regulations, including obtaining and disclosing information about certain investors to the ATO or other foreign tax authorities as required. To facilitate these disclosures, Investors will be required to provide certain information such as that relating to their country of tax residence and their relevant taxpayer identification number (if applicable).

10.8. 'Disclosing entity' obligations

If the Fund has 100 Investors or more, it will be considered a 'disclosing entity' under the Corporations Act. As a disclosing entity, the Fund will be subject to regular reporting and disclosure obligations.

Copies of any documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office. Investors will have the right to obtain a copy of the following documents from us free of charge:

- the most recent annual financial report for the Fund lodged with ASIC;
- any half year financial report for the Fund lodged with ASIC after the lodgement of the annual financial report; and
- any continuous disclosure notices for the Fund lodged with ASIC.

Copies of these documents will also be available on our website for download.

10.9. Consent of experts and other parties

Each of the following parties has given their written consent to act in the position and role set out in the directory:

- Sargon CT Pty Ltd
- Vasco Trustees Limited
- Vasco Fund Services Pty Limited
- Zank & Company Pty. Ltd.
- Zank Capital Ltd
- Kehlmann Berleys Capital Pty Ltd

Where applicable, they have consented to the information attributed to them in this PDS in the form and context in which they have been included. Further, none of these parties have withdrawn their consent prior to the date of this PDS.

11. Glossary of Terms

| | |
|------------------------|--|
| Administration Manager | Means Vasco Fund Services Pty Limited (ACN 610 512 331). |
| AFSL | Means an Australian financial services licence. |
| AML/CTF | Means <i>Anti-Money Laundering and Counter Terrorism Financing Act 2006</i> . |
| Application Form | Means the application form attached to or accompanying this PDS. |
| Application | Means an application for Units in accordance with this PDS. |
| Applicant | Means an applicant for Units under this PDS. |
| ASIC | Means the Australian Securities and Investments Commission. |
| Business Day | Means a day other than Saturday or a Sunday on which banks are open for general business in Melbourne, Victoria. |
| Compliance Plan | Means the compliance plan for the Fund as amended from time to time. |
| Constitution | Means the constitution for the Fund including any supplementary or replacement constitution, which are available free of charge upon request. |
| Corporations Act | Means the <i>Corporations Act 2001</i> (Cth). |
| Custodian | Means the custodian of the Fund which, at the date of this PDS, is Sargon CT Pty Ltd (ACN 106 424 088). |
| Custodian Agreement | Means the agreement entered into between the Custodian and the Responsible Entity dated 14 July 2016 and inclusion letter in respect of the Fund dated 8 February 2018. |
| Expenses | Means costs incurred by the Responsible Entity in administration of the Fund as detailed in Section 8. |
| Financial Year | Means each year commencing on 1 July and ending on 30 June. |
| Fund | Means Zank Income Fund (ARSN 637 888 307). |
| Income Entitlement | Means the entitlement of Investors to the income of the Fund. |
| Investment Manager | Means Zank & Company Pty. Ltd. (ACN 167 559 364). The Investment Manager is a corporate authorised representative (no. 001276430) of Zank Capital Ltd (ACN 106 064 644 AFSL 246943) and a corporate authorised representative (No. 001244738) of Kehlmann Berleys Capital Pty Ltd (ACN 136 522 211 AFSL 337968). |
| Investor | Means the holder of a Unit. |
| Management Fee | Means the amount paid to the Manager as referred to in Section 8.1. |

| | |
|-------------------------|--|
| Minimum Term | There is a Minimum Term of 12 months before Investors can request a withdrawal from the Fund, commencing on the date an Investor's Units are issued. The Responsible Entity retains the discretion to allow Investors to withdraw prior to the end of their Minimum Term and charge an Early Exit Fee of 1% of the Investor's redemption amount. |
| Offer | Means the invitation to apply to invest in the Fund, set out in this PDS. |
| Performance Fee | Means the fee paid to the Manager for exceeding the Target Return as referred to in Section 9. |
| PDS | Means this Product Disclosure Statement dated 28 January 2020 and any supplementary or replacement PDS. |
| Responsible Entity | Means Vasco Trustees Limited (ACN 138 715 009, AFSL No. 344486). |
| Responsible Entity Fee | Means the amount paid to the Responsible Entity as referred to in Section 8.1. |
| Target Return | Means, as at the date of this PDS, a current target return to Investors of 8.5% per annum (after all fees and charges but before tax). |
| Unit | Means a unit in the Fund. |
| Unit Price | Means, at any point in time, the net asset value of the Fund divided by the number of Units on issue from time to time. |
| Withdrawal Price | The Withdrawal Price is defined and calculated according to the Constitution. |
| Withdrawal Request Form | A withdrawal request form is available on the Responsible Entity's website, at www.vascofm.com . |

12. How to invest

An application for Units can only be made by completing and lodging the “Application Form” form that is attached to this PDS (**Application**). Instructions relevant to completion of the Application are set out in the form.

A completed and lodged Application, together with payment of the relevant application monies should be returned to the Administration Manager at the address shown on the Application. This will constitute a binding and irrevocable application for the number of units noted on the Application.

If the Application for Units is not completed correctly or if the payment of the application monies is for the wrong amount, it may still be treated as a valid Application at the sole discretion of the Responsible Entity. However, where the payment is for less than the number of units applied for, the Application will be deemed to be for the lower number of units.

The Responsible Entity (through the Custodian) has the discretion to retain the application monies in the application account for a period of up to 30 days before deciding to accept (for the next application time) or reject the Application in whole or in part.

The Applicant agrees to accept any number less than the number of Units applied for that may be issued to the Applicant and a refund of the excess application monies for Units not allotted. Applicants whose Applications are not accepted, or are accepted for a lower number of Units than the number applied for, will receive a refund of all or part of their application money (as applicable) without interest within 10 Business Days of the Responsible Entity’s determination not to accept the Application (in whole or in part).

If an Applicant’s Application Form is incomplete, the Administration Manager will endeavour to contact the Applicant or their financial advisor to make arrangements to correct the Application Form. If the Administration Manager is unable to contact the Applicant or their financial advisor, the Administration Manager will return the application monies within 30 days.

The Responsible Entity reserves the right to reject an Application (in whole or in part) without reason.

Applications along with application monies should be posted or delivered to:

Zank Income Fund
Vasco Fund Services Pty Limited
Level 5, 488 Bourke Street
Melbourne, Victoria, 3000, Australia
T +61 3 8352 7120
F +61 3 8352 7199
E info@vascofm.com

All application monies received in relation to the Offer will be held in the account of the Responsible Entity until allotment. Any interest earned on Application Monies will be retained by the Trustee and will not form part of the Fund’s assets.

*The Application Form originally attached to this Product Disclosure Statement for the Zank Income Fund (**Fund**) dated 30 January 2020 is no longer applicable.*

If wanting to invest in the Fund, please instead complete the Application Form attached to the Second Supplementary Product Disclosure Statement for the Fund dated 31 May 2021.

14. Corporate Directory

Investment Manager

Zank & Company Pty. Ltd.

ACN 167 559 364

Level 2, 115 Collins Street

Melbourne, Victoria, 3000

Phone +61 1300 501 817

Web www.zank.com.au

Responsible Entity

Vasco Trustees Limited

ACN 138 715 009 AFSL No. 344486

Level 5, 488 Bourke Street

Melbourne, Victoria, 3000

Phone +613 8352 7120

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