

Second Supplementary Product Disclosure Statement

31 May 2021

IMPORTANT INFORMATION

This second supplementary product disclosure statement dated 31 May 2021 (**Supplementary PDS**) supplements both the initial supplementary product disclosure statement dated 30 October 2020 (**Initial SPDS**) and the Product Disclosure Statement for the Zank Income Fund (**Fund**) dated 30 January 2020 (**PDS**) and is issued by Vasco Trustees Limited ACN 138 715 009 AFSL 344486 (**Vasco**).

This Supplementary PDS should be read together and construed together with the Initial SPDS and PDS.

Capitalised terms used in this Supplementary PDS that are not otherwise defined have the meaning given to them in the PDS and Initial SPDS.

To the extent that there is any inconsistency between any statement contained in this Supplementary PDS and any other statement contained in the Initial SPDS, PDS or in any information or in any document incorporated by reference into, and forming part of, PDS, the statements contained in this Supplementary PDS will prevail.

This Supplementary PDS sets out the following important change to the PDS:

1. Investment Manager's Guarantee

As a result of one of the loans in the Fund's portfolio commencing the mortgagee in possession process, and some uncertainty as to the Fund's ability to recover the entire value of the loan, the Investment Manager will be providing a guarantee to the Fund to secure repayment of the amount owing under the loan, and will be paying (and where relevant, has authorised Vasco to pay) to the Fund 30% of any Investment Manager Fee and 100% of any Performance Fee that may be payable from 31 March 2021 onwards until the value of the loan has been recovered.

Should at a later date the Fund recover a portion of the loan that the Investment Manager has already contributed, such amounts will be reimbursed to the Investment Manager.

2. Actual Return may be lower than the Target Return

From 1 April 2020, the Investment Manager has been targeting a return to Investors of 8% per annum (pre-tax, after fees and expenses but before withholding tax payable by foreign resident Investors). Investors should note that this is a target only and is not a forecast or guaranteed return and actual returns may be lower than the target return.

In particular, should the Fund not generate sufficient income in any given month, the actual return to investors may be lower than the target return.

3. Participation arrangements

A new paragraph is included under section 2.5 of the PDS per the heading "Related party transactions":

"Related parties of the Investment Manager may invest in some of the loans in the Fund's portfolio via participation arrangements with Perpetual Corporate Trust Limited as custodian for the Fund (the "Lender").

Under these arrangements, the Lender will have no obligation to make any payment to any participant unless and until it receives payment of principal or interest from or on behalf of the relevant borrower pursuant to the loan documentation.

The participation arrangements will give the participant a right to share in the financial effects of the relevant loan/s but without granting any direct rights against a borrower or any other obligor or their respective assets.

Any right, power, discretion or remedy of the Lender, a receiver or any attorney under any loan documentation or applicable law, is at the Lender's absolute discretion. For example, a participant will have no control over how the Lender chooses to handle a default by a borrower under the loan documentation.

Any participant will be liable to the Lender for the participation proportion of any costs and expenses which are not recovered by the Lender from the obligors and the Lender may set-off those liabilities against any other moneys payable to the relevant participant at any time under the participation arrangements."

4. Applications for Units

Further to the Fund Update dated 30 March 2021, as at the date of the Supplementary PDS, the Fund has recommenced accepting applications for initial investments and any additional investments from investors.

Investors should refer to section 12 under the heading "How to invest" if they wish to make an application for Units.

5. Anticipated change of Responsible Entity

Due to an internal restructure within the Vasco group of companies, the responsible entity of the Fund is anticipated to change from Vasco Trustees Limited to Vasco Responsible Entity Services Limited in the future.

6. COVID-19 Update from the Investment Manager

PLEASE NOTE: The Investment Manager has provided the below summary of the impact of COVID-19. The summary below has not been independently verified by the Responsible Entity, and Investors are advised to undertake their own due diligence prior to investing in the Fund.

Although Australia has been able to control the outbreak of the COVID-19 pandemic more so than other nations, Investors should be aware that the pandemic has had a significant impact on financial markets and the mortgage industry. Due to uncertainty in the market, the Investment Manager cannot predict the effects on the Fund; though, the Investment Manager is aware of potential risks including:

1. Lockdowns may delay construction progress.
2. Borrower serviceability and financial capacity may be affected.
3. Lockdowns may affect market liquidity.
4. Government policy may boost some property prices, while at the same time holding up some property sales.