



## INFORMATION MEMORANDUM

Issued 15 October 2024

# Millbrook Income Fund

**A mortgage scheme for wholesale investors**

Targeting returns of 5% pa above RBA cash rate.

Fixed returns.  
Personal service.  
Proven performance.

**MILLBROOK**  
GROUP





# Table of Contents

Investor introduction	02
1. Highlights of investment with the Fund	03
2. FAQs about the Millbrook Income Fund	06
3. How to invest	08
4. Key features of investment with the Fund	11
5. Fees and costs	17
6. Board of Directors	18
7. Risks of investing	19
8. General information	22
Glossary	25
Guide to completing Application Form	27
Millbrook Income Fund – Membership Application Form	29
Appendix A: Investor Identification Check	32
Corporate Directory	33

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## IMPORTANT NOTICE

This Information Memorandum is the current Information Memorandum of Millbrook Funds Pty Ltd, issued on 15 October 2024, and will continue to have effect until it is replaced or withdrawn.

The Millbrook Income Fund is not a registered management investment scheme under the Corporations Act 2001. This Information Memorandum is not a regulated product disclosure statement for the purposes of Corporations Act, has not been lodged with the Australian Securities and Investments Commission (ASIC) and ASIC has not been notified of its use.

This Information Memorandum does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Information Memorandum in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of the Information Memorandum and should seek advice and observe any such restrictions.

This Information Memorandum is only available to Wholesale Investors (wholesale clients and sophisticated investors as defined in section 761G and 761GA of the Corporations Act). Copies of this Information Memorandum are available on request by calling 03 8663 1800 and from **millbrookgroup.com.au/ifim**

Millbrook Funds lends only for commercial and business purposes and are not regulated under the National Consumer Credit Protection Act.

Certain abbreviations and defined terms used in this Information Memorandum are set in the Glossary to this Information Memorandum.

This document is important. You should read it carefully in its entirety. Before you invest, you should consult a suitably qualified professional advisor to ensure that your investment complies with your needs and meets with your investment criteria.

## Australian Financial Services Licence

Millbrook Funds Pty Ltd is the holder of an Australian Financial Services Licence number 402900. Under its licence, Millbrook Funds may deal in a financial product by issuing, applying for, or disposing of interests in its own schemes and securities and may provide general financial product advice in relation to interests in its own schemes and securities to wholesale clients. Millbrook Funds is not authorised to give personal financial advice to investors and cannot recommend to investors that this investment is suitable for their own specific financial requirements. If you are unsure about any matters explained in this Information Memorandum or any Mortgage Summary provided by us, you should consult a professional advisor.

# Investor introduction

Dear Investor

On behalf of Millbrook Funds Pty Ltd, I am delighted to present this Information Memorandum, giving you the opportunity to invest in loans secured by mortgages over Australian and New Zealand real estate.

Non-bank financiers like Millbrook Funds have been experiencing strong levels of enquiry from borrowers. Investors are shying away from the volatility of the stock market and the low returns offered on term deposits by Australian banks. Our mortgage investments provide an attractive alternative rate of return together with the potential to spread your investment across a range of loans and set your own portfolio parameters for risk and return.

The Millbrook Income Fund is a contributory mortgage fund and an investment in the Fund is only open to Wholesale and Sophisticated Investors, which can include individuals, companies, trusts and superannuation funds.

With Millbrook you choose the security that backs your investment. That can either be one or more individual mortgages by choosing our Select Option or investing in our Enhanced Option, being a parcel of mortgages, we have selected as security for that Option. You have no obligation to invest in any particular loan. This Information Memorandum provides the background information necessary to assist you in deciding if you would like to become a Member in the Fund and receive details of available mortgage investments from time to time.

Our Directors believe that investments in the Millbrook Income Fund offer the opportunity to invest in mortgages backed by expert management while providing competitive returns. I suggest you carefully read the entire Information Memorandum, especially section 7 'Risks of investing' before deciding to invest. You should consult a suitably qualified professional advisor to ensure that an investment in the Millbrook Income Fund suits your individual requirements. I look forward to welcoming you as an investor in the Millbrook Income Fund.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Lyall', with a long, sweeping horizontal stroke extending to the right.

**David Lyall**

Managing Director  
Millbrook Funds Pty Ltd



# 1. Highlights of investment with the Fund

By investing with the Millbrook Income Fund, you receive the following benefits:

- Your investments are managed by professionals with expertise in the mortgage area.
- We assess each Borrower and each Loan to ensure that the Mortgage is suitable to be included in the Scheme.
- You will receive a competitive rate of return on a regular basis (usually monthly) for both Select and Enhanced option investments.
- As the Scheme offers both contributory and pooled investments, you can choose what secures your investments – your choice of Sub Scheme allows you to exercise control in your investment decision.

Highlights for investment with the Millbrook Income Fund are:

Type of investment	Investment in your choice of mortgages, providing a competitive rate of interest for a fixed term (in the case of our Select Option) or a term of 12 months (the Enhanced Option).
Mortgage products	<ul style="list-style-type: none"> <li>• Income 1 Mortgage: traditional registered 1st mortgage loans.</li> <li>• Income 2 Mortgage: registered and unregistered 2nd mortgage loans.</li> <li>• Warehousing facilities for the Millbrook Group.</li> <li>• Millbrook Credit Fund (ARSN 125 042 480).</li> </ul>
Investment suitability	<p>Any person including individuals and entities may invest providing they are a Wholesale or Sophisticated Investor:</p> <ul style="list-style-type: none"> <li>• Individuals</li> <li>• Self-Managed Superannuation Funds</li> <li>• Charities and Foundations.</li> <li>• Trustees</li> <li>• Institutions</li> </ul>
Minimum investment	<p><b>Select Option:</b> \$100,000 or other sum at our discretion.</p> <p><b>Enhanced Option:</b> \$100,000 or other sum at our discretion.</p>
Maximum investment	Unlimited
Fees charged to Members	<p><b>Select Option:</b> NO FEES are charged to Members – see section 5.1.</p> <p><b>Enhanced Option:</b> A management fee of 1% pa is charged to Members.</p>
Term of investment	<p><b>Select Option:</b></p> <ul style="list-style-type: none"> <li>• Fixed term, typically between 1 and 3 years, as disclosed in the Mortgage Summary.</li> <li>• Minimum interest payment of 3 months interest for all loans.</li> </ul> <p><b>Enhanced Option:</b></p> <p>A rolling 12-month fixed term applies with 60 days notice - see 'Withdrawal of funds' below.</p>
LVR (Loan to value ratio)	Select Option loans are made based upon approved LVR's specified in the Mortgage Summary while Enhanced Option LVR's comply with our Credit and Lending Policy and product criteria (See Section 4.10.1 'Borrower Assessment').
Interest rate/payment	<ul style="list-style-type: none"> <li>• Interest on a Select Option investment is payable at a fixed or variable rate, as disclosed in the Mortgage Summary. Interest on Enhanced Option Investments is variable. See Section 4.9.1 'Interest distribution to Members'.</li> <li>• Interest is payable in arrears to your nominated bank account. The frequency of payment is monthly for the Select Option and the Enhanced Option.</li> </ul>

# 1. Highlights of investment with the Fund

## Continued

### Withdrawal of funds

Once allocated, funds can only be withdrawn on the following basis:

#### Select Option:

Withdrawal by investors is funded upon repayment of the loan by the Borrower at the expiration of the term of the Sub Scheme loan, or upon early repayment of funds. Or at our sole discretion we will consider early withdrawal requests if a replacement member is available to take your place in the Sub Scheme at your expense.

#### Enhanced Option:

Redemptions are available after an initial term of 12 months subject to investors advising us in writing of their intention to redeem within 60 days prior to the expiration of that 12-month period. Should investors fail to request redemption in this manner, upon the expiry of the initial or any subsequent 12-month periods, then those monies will remain invested for a further term of 12 months.

Notice of intention to withdraw must be provided by completion of a Redemption Request Form (available upon request from our office) and the Enhanced Option having sufficient surplus liquidity to meet all outstanding redemption requests.

In our absolute discretion we determine surplus liquidity, being an amount of surplus cash appropriate for the continued operation of the Enhanced Option in the best interests of all its investors.

Should the Enhanced Option have insufficient surplus liquidity to meet outstanding redemption requests, your redemption will be put into run-off on a quarterly basis. In run-off, as mortgages in the Enhanced Option that were current at the time of your redemption request are repaid, your pro rata share of each repaid mortgage (being the percentage your redemption request bears to the total investments in the Enhanced Option at the date of your redemption request) will be paid to you at the end of each quarter until such time as your redemption request is paid in full.

You are unable to make a redemption request that would see your remaining investment in the Enhanced Option fall below \$100,000.

At our sole discretion we reserve the right to redeem any Enhanced Option investment that is past its initial term of 12 months. We would only forcibly redeem investments in the event of an economic situation that saw a material decline in the number of acceptable Enhanced Option mortgage loan applications that left the Option with an excess of cash on hand.

Mortgage investments can be made either as Select or Enhanced Options. The difference in these investment Options are detailed below:

	Select Option	Enhanced Option
<b>The nature of the investment</b>	You invest in a single mortgage loan with your risk and return dependent on the performance of that mortgage alone. It enables selection of investments that suit individual investors risk/reward profile.	You invest in a Sub Scheme that contains a number of mortgage loans with their risk to capital dependent on the overall performance of the Sub Scheme's loans. You have no choice regarding the profile of the Sub Scheme loans. See Section 4.10.1 'Borrower assessment' for details of our target profile.
<b>Security type</b>	Registered and unregistered 1 <sup>st</sup> and 2 <sup>nd</sup> mortgages over property.	Registered and unregistered 1 <sup>st</sup> and 2 <sup>nd</sup> mortgages over property, warehousing facilities for the Millbrook Group and Millbrook Credit Fund.
<b>Type of property lent against</b>	Any improved or unimproved residential, commercial, industrial or rural property where a valuation identifies the property as having appropriate resale potential.	
<b>Interest</b>	Interest is calculated monthly in arrears on the last day of each month and paid to you by the 15 <sup>th</sup> day of the following month.  Payment of interest and repayment of capital is dependent on the Borrower of the loan invested in meeting their repayments to the Fund.	Distributions are calculated monthly and paid to Investors by the 15 <sup>th</sup> of the following month.  The amount of each distribution is the total income for the month from all loans in the Enhanced Option less a 1.0% pa management fee. Each investor receives a distribution reflecting the proportion their investment bears to the total Investments in the pool.  Repayment of capital is dependent on sub-scheme Borrowers meeting their repayments to the Fund.  The interest rate on investments is variable depending on the pool performance.  Interest is calculated on the unit value of your investment (See Section 7.2 'Credit risk – capital and income').
<b>Investment term</b>	The same term as the loan invested in – which can be 3 months to 3 years. The average term of a Fund loan is approximately 12 months.	A minimum initial term of 12 months applies. Upon maturity investments will be rolled into a further 12-month term if withdrawal is not requested by written notice to us 60 days prior to maturity. See page 4 'Withdrawal of funds'.
<b>Withdrawals</b>	Withdrawal prior to repayment of the loan invested is not available. However, at our sole discretion, we will consider requests to allocate or substitute another investor.	See page 4 'Withdrawal of funds'
<b>Management fee</b>	Nil	1% pa calculated on the total amount of loans in the Enhanced Option as at each distribution date.

## 2. FAQs about the Millbrook Income Fund

	More info
<p><b>What is a contributory mortgage scheme?</b> An investment scheme offering a range of Sub Schemes, each being an investment in specific loan or loans secured by mortgage.</p>	Section 4.1
<p><b>Who can invest?</b> Investment is open to individuals, companies, trusts and superannuation funds, and any other form of legal entity operating in Australia and New Zealand, and must be a Wholesale Investor.</p>	Sections 3.1 to 3.3
<p><b>How do I invest?</b> You need to become a Member of the Fund. You then approve a specific loan for your investment funds.</p>	Sections 3.4 to 3.6
<p><b>Is there a cooling-off period?</b> No, there is no cooling-off period. Once you have approved an investment and your funds have been allocated, you have no right to withdraw from a Sub Scheme.</p>	Section 3.8
<p><b>What fees will I pay?</b> No application fees or withdrawal fees are payable by Members in the Select Option. Investments in the Enhanced Option are charged a management fee of 1.0% pa.</p>	Section 5
<p><b>What is the interest rate?</b> With our Select Option, the return applicable to each investment varies between mortgages. The base rate paid by the Borrower (less our management fee) is passed to our investors. Usually we negotiate a fixed interest rate for the period of the loan.  Enhanced Option investors receive a variable rate of interest, being their proportional share of the total loan interest received from all loans in that pool – see page 5 ‘Enhanced Option: Interest’.</p>	Section 4.8
<p><b>When does the investment commence?</b> The term of your investment commences and you start to earn interest on the day we allocate your investment funds to a Sub Scheme.</p>	Section 3.5
<p><b>Can I withdraw my investment when I want to?</b> There is no entitlement to withdraw from a Select Option investment before repayment by the Borrower. You may be able to sell/transfer your investment. We will consider cases of hardship and special circumstances.  Investors in the Fund’s Enhanced Option can seek to redeem their investment after an initial term of 12 months (see page 4 ‘Withdrawal of Funds – Enhanced Option’ for redemption conditions)</p>	Section 1 – Withdrawal of funds, Section 4.13 and 4.14
<p><b>What happens upon repayment of Select Option loan?</b> Your funds are dealt with in terms of your instructions to us. This could be to either deposit all or part of those funds to your bank account or to the Investor Trust Deposit Account pending reinvestment in a new loan.</p>	Sections 3.6 and 4.13
<p><b>What if a loan is repaid early?</b> Early repayment of Select Option loans occurs from time to time, eg upon sale of the mortgaged property. Early repayment is subject to the loan conditions and your share of any early repayment will be dealt with in terms of your instructions to us – ie either deposit all or part of those funds to your bank account or to the Investor Trust Deposit Account pending reinvestment in a new loan.</p>	Section 4.13
<p><b>Can a loan be renewed by a Borrower?</b> A loan may be extended if the Borrower seeks a renewal, the loan conduct has been satisfactory, and (if this is a Select Option investment) the Members want to continue. New terms may be negotiated. If you want to remain in the Sub Scheme, you are required to sign and return the Investment Approval (Renewal) form.</p>	Section 4.13
<p><b>What information do I receive as an investor?</b> With Select Option investments we provide you with a Mortgage Summary giving full details of the loan for each proposed investment. We then ask that you sign an Investment Approval, approving the specific investment.  Enhanced Option investors also need to sign an Investment Approval and receive a certificate setting out the terms of their investment.</p>	Sections 3.7 and 4.12





	More info
<b>How secure is my investment?</b> Your investment in a Sub Scheme (Income1 Mortgage) will be secured by a mortgage over real property that has been the subject of a valuation at the time of loan approval. Income 2 Mortgages may not have a valuation (refer to Section 4.7, Table 2 for further information) You should carefully read the section of this Information Memorandum on 'Risks of Investing' and make your own assessment before approving the allocation of your investment funds to a particular Sub Scheme. Return of capital and payment of interest on funds invested in Sub Schemes are not guaranteed by Millbrook Funds.	Section 7
<b>What happens if a loan goes into default?</b> If a loan goes into default, our level of management is increased, and we take steps to have the Borrower rectify the default. We report regularly to you if the default is ongoing. If the default is not rectified, we take steps to sell the Sub Scheme Property. We charge the Borrower for our costs incurred relating to the default. Our costs may be deducted from Members' investment funds if there is a shortfall after realisation of the Sub Scheme Property and any other collateral security.	Section 4.10.4
<b>What happens to money held in the Investor Trust Deposit Account (ITD)?</b> Moneys are held in the ITD for a short time pending allocation to a new investment or return to you if we are so instructed. You earn interest on monies held in the ITD at a commercial interest rate, currently 2.5% pa.	Sections 3.4 and 3.6

## 3. How to invest

This section sets out the investment process that you need to follow if you want to invest with the Millbrook Income Fund.

### 3.1 Who can invest in the Millbrook Income Fund?

Investment is open to all types of Wholesale and Sophisticated investors (see section 3.2). Individuals, companies, trusts and self-managed superannuation funds, and any other form of legal entity operating in Australia and/or New Zealand (see section 3.3) can invest. Note that Millbrook Income Fund is not a retail financial product and investors should seek their own advice regarding the suitability of investment in the Fund.

We have the right to accept or reject any application for Membership or any proposed investment by a Member in any specific Sub Scheme, in whole or in part. Where an investment is not accepted, the amount tendered with the relevant Investment Approval will be returned in full or kept on deposit, at your direction.

### 3.2 Wholesale or Sophisticated investor

To invest with us, you need to be a Wholesale or Sophisticated Investor as defined in s761G of the Corporations Act.

For practical purposes, to be a Wholesale or Sophisticated Investor:

- You must invest \$500,000 or more with us;
- OR
- You must provide a qualified accountant's certificate that is not more than two years old, evidencing that you satisfy one of the following tests:
    - You have net assets of at least \$2.5 million;
    - You have a gross income for each of the last two financial years of at least \$250,000.

### 3.3 New Zealand investors

New Zealand (NZ) investors can invest in Australian-based Millbrook Select and Enhanced Options, and also in NZ-based Select Option Sub Schemes. The NZ Sub Schemes have the same procedures, rights and obligations as the Select Option outlined elsewhere in this IM except it will only hold loans to New Zealand borrowers secured by New Zealand real estate. Investors in the Select Option (NZ) are protected from any currency exchange risk due to repayments on loans being made in New Zealand dollars.

### 3.4 First step – Becoming a Member

You can become a Member of the Millbrook Income Fund and invest your funds in a Sub Scheme by completing and

returning to us all of the following:

- the Application Form at the back of this Information Memorandum
- the Identification Check provided with this Information Memorandum, and
- if you are investing less than \$500,000, an Accountant's Certificate.

If you qualify as a sophisticated investor and do not want to provide an Accountant's Certificate, you need to provide the documents necessary to satisfy that test – please call us if you qualify in this category.

You can provide investment funds at this time, or later when you provide an Investment Approval for investment in a Sub Scheme. Funds can be provided by cheque or direct deposit to the Fund's Investor Trust Deposit Account – details of which will be provided once you become a Member.

Upon receipt of the Application Form, the Identification Check and (if you are providing one) the Accountant's Certificate, we will complete our process for you to become a Member. If you provide funds before you approve an investment, your funds will be held in the Investor Trust Deposit (ITD) Account pending your selection of a Sub Scheme.

Minimum investment in the Fund is \$100,000 for either Select or Enhanced Option Investments. Smaller sums may be accepted at our discretion. Some Sub Schemes may have a higher level for minimum investment. Additional investment may be made in increments of \$10,000.

Until your funds are allocated to a Sub Scheme they will be held in our Investor Trust Deposit Account and earn a commercial interest rate, currently 2.5% pa. On request we will inform you of the applicable interest rate.

You have no obligation to invest in any particular loan, although if you remain uninvested for more than six months, we have the option of cancelling your membership.

**Electronic version:** A PDF version of this Information Memorandum is available to Wholesale and Sophisticated Investors within Australia as a download from our website: [millbrookgroup.com.au/investment-funds/millbrook-high-yield](http://millbrookgroup.com.au/investment-funds/millbrook-high-yield)

Applications for Membership from the PDF version can only be made by printing, completing and returning a copy of the Application Form. A hard copy of this Information Memorandum will be provided free of charge to any Wholesale or Sophisticated Investor who contacts us



requesting a copy.

### **3.5 Second step – Selecting one or more Sub Schemes**

After becoming a Member we will offer you a Sub Scheme or multiple Sub Schemes for your investment.

#### **3.5.1 Select Option**

With Select Option investments we will forward to you a Mortgage Summary containing the information relating to a Sub Scheme together with an Investment Approval. Each Mortgage Summary will only relate to one Sub Scheme.

The Mortgage Summary provides the following information about the Sub Scheme:

- Commencement date of the investment
- Your investment sum
- Total loan advance
- Loan period
- Interest rate payable to you
- Frequency of interest payments
- Borrower's details
- Details of Sub Scheme Property
- Amount, method and date of valuation of Sub Scheme property, and LVR
- Mortgage details, including ranking, and details of any other security
- If applicable, the details of the basis and frequency of any interest rate review.

The Mortgage Summary may contain other information relevant to a Sub Scheme. You should read the Mortgage Summary together with this Information Memorandum when making your decision to invest. The Mortgage Summary may be provided in hard copy or in a PDF electronic version.

If you approve of the investment of your funds in a Sub Scheme, you should return the Investment Approval to us as soon as possible but no later than five working days after receipt. You can return the Investment Approval by mail or email.

Your funds will generally be allocated to your selected Sub Scheme at the commencement of the Sub Scheme, or if it is already in operation, upon receipt of the Investment Approval. You will start to earn the interest rate applicable to that Sub Scheme at that time. Other Members may be offered the same investment. We

have no obligation to treat applications in any particular order of receipt. If you do not approve a suggested Sub Scheme, then subject to availability, we will offer alternative Sub Schemes until you are satisfied with the investment of your funds.

Upon making an investment, you will be provided with an Investment Certificate summarising your investment.

#### **3.5.2 Enhanced Option**

Should you choose to invest in our Enhanced Option you will be provided with an Investment Approval. Your monies will be immediately allocated to that Sub Scheme and begin earning Interest from the date those funds are received together with your signed Investment Approval. You will be provided with an Investment Certificate summarising your investment.

### **3.6 Mortgage Allocation Facility**

Members who use the 'Mortgage Allocation Facility' (refer to the Membership Application Form) authorise us to make an initial allocation of part or all of their ITD investment to Select Option Sub Scheme as determined by us. We send you a Mortgage Investment Certificate containing information about your participation in the particular Sub Scheme described in the notice. Your investment in the Sub Scheme will be effective unless within 10 business days of the date of issue of our notice you advise us that you opt-out of (ie choose not to invest in) the selected Sub Scheme.

While the Mortgage Allocation Facility allows Millbrook to allocate investors to a specific mortgage it does not minimise the information we provide to you in the Mortgage Summary or remove or reduce your right to review the proposed Sub Scheme and choose not to invest should you so desire.

Members who do not wish to use the Mortgage Allocation Facility must leave this preference unticked on the Membership Application Form. Where you do not use the facility, you will still be sent Mortgage Summaries, however these will constitute an offer to participate in the Sub Scheme described in the notice. You must advise us if you choose to use all or part of your ITD investment to acquire an interest in the Sub Scheme by signing and returning the Investment Approval that accompanies the Mortgage Summary.



### 3.7 Summary of investment documentation

In summary, when you invest with Millbrook Funds, you will receive the following documents from us:

**Table 1: Investment documentation**

Document name	Description requirement
<b>Information Memorandum, including Application Form</b>	This document describes the nature of investment in the Millbrook Income Fund but does not provide for a specific investment. The Application Form is for membership, without designating a specific investment.
<b>Identification Check</b>	List of Investor identification documents provided with this Information Memorandum .
<b>Mortgage Summary</b>	Providing details of any Select Option Sub Scheme offered to you, as set out in section 3.5.1.
<b>Investment Approval</b>	For Specific Option investments this is provided with the Mortgage Summary. Your approval of investment in a Sub Scheme, which should be completed and returned to Millbrook Funds within five working days from the date of receipt. For Enhanced Option investments the Investment Approval will be provided to you by our office.
<b>Investment Certificate</b>	A certificate in an individual Sub Scheme, including a summary of your investment and confirmation that Millbrook Funds stands possessed of your Interest in a Sub Scheme on trust for you.
<b>Investment Approval – Renewal</b>	Applies to Specific Option investments only and is your approval to continue with the investment of your funds in an existing Specific Option Sub Scheme, where we have approved in principle a request by a Borrower for extension or renewal.

### 3.8 No cooling-off period

There is no cooling-off period once you have signed an Investment Approval and your investment funds have been allocated to a Sub Scheme.

### 3.9 Member's representative

As a Member of the Scheme, you may wish to appoint a person as your representative to deal with your investments in the Scheme. Your representative will have the same powers as you, to deal on your behalf with your investments in the Scheme.

If you want to appoint your financial adviser as your representative, please complete the relevant authority in the Application Form. Your representative must also sign the authority. In the Application Form, you may also appoint another person (eg your accountant) to obtain information from us. If you wish to appoint an attorney (under a power of attorney) or your accountant or other professional adviser as your representative to deal with your investments, please let us know and we will provide an authority for that purpose.

If your representative is a corporation or partnership, a duly authorised officer or partner must sign the authority. We may act on the instructions of any person we reasonably believe to be an authorised officer or partner of the corporation or partnership. Your representative does not have the power to appoint other representatives. When a representative is appointed, all communications will be made directly to your representative.

You may at any time revoke the appointment of your representative by notice to us. We may cancel this arrangement or vary these conditions by giving you 14 days' notice.

**Legal release:** In appointing a representative, you release, discharge and indemnify us from and against any liabilities arising out of your representative's conduct on your behalf. You have no claim against us in respect of any payment from a Sub Scheme on the instructions of your representative. If you appoint a representative you cannot later claim that the representative or any person reasonably believed by us to be an authorised officer of a corporate representative or partner of a partnership representative was not acting on your behalf.

### 3.10 Inactive membership

You have no obligation to invest in any particular loan. However if you remain uninvested for more than six months, we have the option of cancelling your membership.

## 4. Key features of investment with the Fund

### 4.1 What is a contributory mortgage scheme?

The Millbrook Income Fund offers investment in loans secured by mortgages over real estate. Each Select Option loan is known as a Sub Scheme and is separate from other Sub Schemes. A Sub Scheme will generally have more than one investor. The Enhanced Option is a single Sub Scheme comprising a number of mortgage loans that change over time as existing loans are repaid and new loans advanced.

You can select one or more Sub Schemes for your investment funds. Prior to investment of your funds, you must expressly choose to invest in the Sub Scheme. Millbrook Funds does not invest your funds in a loan without your approval.

Your entitlement to income and capital is based only on your investment in a specific Sub Scheme. You do not have any right to the income or capital of any other Sub Scheme.

Mortgages are generally registered in the name of Perpetual Corporate Trust Ltd, as custodian for Millbrook Income Fund. However some mortgages may be unregistered but supported by a caveat.

### 4.2 Investment in mortgages

A mortgage is a legal charge over real estate or other property (secured property) owned by the mortgagor (borrower), given to a mortgagee (lender). The mortgage grants legal rights to the mortgagee against the secured property, to secure the mortgagor's obligation to repay the loan at a later date. In the Millbrook Income Fund, the security is real estate and, in this document, is called Sub Scheme Property.

In the case of registration of more than one mortgage on the same secured property, time of registration determines the rights of the competing mortgages. 'First mortgage' is when the mortgage is registered first in time and has the first right to the proceeds from sale of the secured property. In the case of default by the mortgagor, it also has the right to control the secured property, including the sale process. Second and subsequent mortgagees and other unsecured creditors cannot interfere with that right.

### 4.3 About this Information Memorandum

The Millbrook Income Fund is not a registered management investment scheme under the Corporations Act. This Information Memorandum is not a regulated product disclosure statement for the purposes of Corporations Act – see the Important Notice section at the front of this document.

### 4.4 Minimum and maximum investment

Minimum investment in the Fund is \$100,000 for both Select and Enhanced Option investments, or a smaller sum at our discretion. Some Sub Schemes may have a higher level for minimum investment. Additional investment may be made in increments of \$10,000. There is no maximum investment for any Member.

### 4.5 Product criteria

Millbrook Funds establishes and packages mortgages into Sub Schemes. For the Select Option these comprise:

- The Income1 Mortgage: traditional registered first mortgages.
- The Income2 Mortgage: registered and unregistered second mortgages offering higher returns than first mortgages.

### 4.6 The Income1 Mortgage – a 1<sup>st</sup> mortgage with a competitive return

The Income1 Mortgage is a traditional first (1<sup>st</sup>) mortgage product that offers investors the opportunity to earn a competitive rate of return. Our rates for Income1 Mortgages typically start at 7.0% per annum (pa) with an LVR less than 65%.

### 4.7 The Income2 Mortgage – other registered and unregistered mortgages for higher returns

The Income2 Mortgage is a mortgage product that offers investors the opportunity to earn a higher income than a first mortgage investment.

#### Features of the Income2 Mortgage

- Higher income paid during term of investment, reflecting the higher risk. Our rates for Income2 Mortgages typically range from 12% pa to 18% pa.
- Often a shorter term than a first mortgage.
- Maximum LVR is limited to 75% of the value of the Sub Scheme Property.
- The interests of the Income2 Mortgage investor rank second in priority to the interests of the first mortgagee.

The Income2 Mortgage pays investors a higher rate of interest to reflect the higher risks of being exposed at a higher LVR than a first mortgage, and the risks associated with ranking behind any prior mortgage for payments received under the mortgage securities. The typical mortgage structure is set out in Table 2 and demonstrates how the Income2 Mortgage fits between the first mortgage and the equity value of property ownership.

**Table 2: Typical mortgage structures**

Typical first mortgage structure	Typical second mortgage structure
Income1 Mortgage (1 <sup>st</sup> mortgage) LVR up to 65%	Income2 Mortgage (mortgages other than 1 <sup>st</sup> mortgage) LVR up to 75%
Developer/Owner's equity 35% or more of property value	Developer/Owner's equity 25% or more of property value

For other than first mortgage lending, lenders are generally unable to obtain a valuation for reliance as mortgagee, as usually valuers will not provide valuations for this purpose. In this case, we form our own opinion of value based upon a mixture of evidence of value from valuations obtained by the first mortgagee, informal expressions of likely sale price value from local real estate agents or from one or more of our panel valuers (including comparable sales information), and council rate information (valuations undertaken by council valuers and used for rating and land tax purposes). These sources of evidence are not prepared for our purpose and do not provide formal advice intended to create a legal relationship or reliance, if the valuation proves to have been negligently prepared. Details of any prior mortgages, including the name of the lender, the loan amount and other relevant information, are provided in the Mortgage Summary of the Income2 Mortgage, for your approval.

**Additional risk:** We are not valuers and the Income2 Mortgage accordingly has a risk or value assessment different to our other mortgage products – see section 7.3 Valuation risk. Investment in a Income2 Mortgage may not be a suitable investment for persons seeking a more conservative investment of a first mortgage. We recommend that you seek advice from your investment adviser before making any investment in a Income2 Mortgage.

## 4.8 Interest rates/payment – Select Option

### 4.8.1 Interest rates

This option generally offers Borrowers fixed interest rates (but can offer variable rates). Rates are not standard – each loan is individually negotiated.

Variable rates are generally linked to an index like the Reserve Bank's cash rate. Loans with variable rates are reviewed by Directors and changed from time to time. You will be advised in writing within one week of any Directors' resolution regarding a change in the variable interest rate applicable to your Sub Scheme investments. If your Sub Scheme investment earns interest at a variable interest rate, your return may vary during the term of the Sub Scheme.

Interest at the rate agreed with the Borrower is generally passed direct to Members of the Sub Scheme. An exception in limited cases is the difference between the lower rate and the higher rate applicable to a loan – see section 4.8.6.

If for any reason there is an agreed difference between the rate paid by the Borrower and the rate received by the Member, this will be disclosed in the Mortgage Summary.

### 4.8.2 Payment of interest by Borrowers

Interest at the lower rate is required to be paid on time. We generally seek to arrange with Borrowers that interest is paid by direct debit arrangement, however some Borrowers will pay by EFT or cheque.

### 4.8.3 Interest distribution to Members

We pay interest to Members by electronic transfer into your nominated bank account. You should allow 10 working days from receipt of the corresponding interest payment from the Borrower for funds to be cleared and paid to you. Interest payment dates will be specified in the Investment Certificate.

We do not guarantee interest payments to Members

### 4.8.4 Late payment of interest by Borrowers

If a Borrower does not make an interest payment on the due date for payment, the Borrower may be charged interest at the higher rate. The higher rate may be up to 6% more than the lower rate of interest and is disclosed in the Mortgage Summary. Section 4.10.4 describes how defaults are handled.

We have the discretion to pay interest to you at the lower rate on behalf of a Borrower if the Borrower has not paid the interest on the due date for payment. Where we make a payment of interest on behalf of a Borrower you will be informed accordingly. A discretionary payment of interest by us is not deemed to be a guarantee of interest payments by us. If we make a discretionary payment of interest, we will recover those moneys from the Borrower in priority to outstanding moneys due to Members.

If we do not make a discretionary payment of interest to you then 20% of the difference between the higher and lower rates of interest will be retained by us to cover the costs of collection.

### 4.8.5 Re-investment of interest

We do not provide a facility for re-investment of interest for the Select Option. Interest will be paid to your nominated account by direct deposit

### 4.8.6 Interest at the higher rate

In circumstances where interest may be payable at the higher rate, such as repayment of principal moneys after the Due Date, we may elect not to charge the higher rate. This decision is at our discretion. Where we do charge the Borrower the higher rate of interest under the loan, we may retain all or part of the difference between the higher rate and the lower rate as a fee. Your normal rate of interest continues to be payable until the loan is repaid and we will not be paid any part of the margin unless you have been paid all moneys owing to you.

## 4.9 Interest distribution – Enhanced Option

### 4.9.1 Interest distribution to Members

The rate of return for investments in the Enhanced Option is variable as determined by the income earned on loans in the pool.

Our target return for Investors is 5% above the RBA cash rate.

The amount of interest you receive is calculated on the



unit value of your investment in the Enhanced Option.

Initially the value of your investment will be the same as the amount you invest, but it may decrease if we fail to recover the full debt owed under a mortgage. Such a loss would result in a pro rata decrease in the value of all investments in the Enhanced Option. For a detailed example of unit value see Section 7.2 'Credit risk – capital and income'.

#### **4.9.2 Re-investment of interest**

We provide a facility for re-investment of interest for the Enhanced Option. Interest can be reinvested into the Enhanced Fund or paid to your nominated account by direct deposit.

### **4.10 Loan approval and management**

#### **4.10.1 Borrower assessment**

Prior to making a loan, we conduct an assessment of the Borrower's creditworthiness as part of the loan approval process. This assessment includes consideration of:

- The business experience of the Borrower and its principals and their credit background.
- The proposed use of the Sub Scheme Property and the exit strategy of the Borrower for repayment of the loan.
- The interest rate obtainable for the loan.
- The valuation and other evidence of value for the Sub Scheme Property.
- The LVR(s) based on the value(s) in the valuation.
- Any other securities offered by the Borrower.
- Obtaining information concerning the Borrower's financial position including assets and liabilities, and if necessary further information such as copies of financial statements and tax returns.
- One or more meetings with the Borrower's representatives to obtain relevant information and to ascertain the Borrower's requirements and details about the Sub Scheme Property.
- Where the loan involves a construction or development project, full details of all costings, cashflows and all ancillary documents to assess the viability of the project including the ability of the Borrower to complete the project on a timely basis.
- Inspection of the Sub Scheme Property.

Exceptions are noted in the Mortgage Summary.

Note that renewals of well conducted loans that have been in place for not more than 12 month may be approved without the assessment process applicable to a new loan being undertaken.

#### **Enhanced Option product profile**

While the risk profile of the Enhanced Option will vary as Scheme loans are repaid and new loans are advanced, it is intended that the following target criteria should apply to the Enhanced Option:

- The value of loans secured by second mortgages will not exceed 30% of total loans.

- The value of construction loans will not exceed 50% of total loans.
- A minimum of 80% of loans will be secured by property in cities having a population of 100,000 or more.
- Exposure to any one Borrower (or related Borrowers) will not exceed 20% of total loans.
- The average LVR of loans will not exceed 70%.
- Target return is 5% above the RBA cash rate, currently averaging 9-10%pa
- The Enhanced Option may invest in first mortgages, second mortgages, unregistered second mortgages and warehouse facilities for the Millbrook Group.
- The Enhanced Option may invest in Millbrook Credit Fund's 1<sup>st</sup> mortgage products.
- The Enhanced Option will have no borrowings.

From time to time, at our sole discretion, we may vary the above target criteria to meet changing economic and market conditions.

#### **4.10.2 Insurance of Sub Scheme Property**

If the Sub Scheme Property is vacant land or the valuer indicates (or we determine) that insurance of the improvements is not required (eg a development site with a residual house that is to be removed), then we do not require insurance of the improvements. Otherwise we require that buildings and other improvements on Sub Scheme Property are insured at all times by the Borrower with our interest noted on the policy. We hold a copy of the certificate of currency with the Sub Scheme records.

#### **4.10.3 Valuation of Sub Scheme Property** **Valuation methodology**

For all Income1 Mortgage loans we obtain a Market Value 'as is' valuation of Sub Scheme Property. For construction or development loans, we request separate valuations of the value of the property on an 'as is' basis and on an 'as if complete' basis. We also seek independent professional opinions of estimated work costs at commencement and once work has commenced, a 'cost to complete' valuation/assessment for drawdown purposes either from a valuer or from an appropriately qualified professional advisor (typically a quantity surveyor or a civil engineer). For staged developments we require separate valuations of the stage undergoing works, and the residual land. In addition we may seek a value 'on completion' or 'at date of completion', reflecting the anticipated value of the project at the time the project is actually completed. This is in contrast to a value "as if complete" which assumes the project to be complete at the date of the assessment or feasibility study.

#### **Valuations**

As part of our loan approval process for our first mortgages we obtain an independent valuation (not more than three months old) of the Market Value of the Sub Scheme Property. The valuation must clearly state that it has been undertaken to enable Millbrook Funds to lend funds by way of a mortgage

Where a loan for an initial term of 12 months or less is renewed at maturity, a re-valuation of the Sub Scheme Property is not necessarily made where the previous valuation is dated less than 15 months prior to the renewal date and the Manager has no reason to suspect the value of the Sub Scheme Property may have materially reduced since the previous valuation. Where a loan is for construction or development purposes, then during the period of construction or development works, we can at our discretion accept a valuation or a more limited valuation report, or a report by an independent quantity surveyor or civil engineer instead of a valuer, in relation to the assessment of drawdowns. We use independent valuers, quantity surveyors and engineers with experience and skills in their areas of professional practice. The availability and level of professional indemnity insurance they maintain is also taken into consideration.

It's not usually possible to obtain a formal valuation for the purposes of second mortgage lending. Section 4.7 outlines the processes we can adopt to assess the value of the Sub Scheme property.

#### **Loan to Value Ratios**

The Loan to Value Ratio, or LVR, is the percentage of the Market Value of a property that a lender will accept in determining the amount of a loan to be made against the security of a property. We utilise the valuation to ensure that when we make the loan, the LVR complies with our approved LVR for the Sub Scheme as specified in the Mortgage Summary. Where the loan does not meet the approved LVR, the loan advance will not be made.

**Additional risk:** Investors should note that we are not a valuer and the Income2 Mortgage accordingly has more valuation risk than our other mortgage products – see Section 7.3.

The maximum LVRs applied by us are set out in Table 2 in section 4.7.

#### **4.10.4 Defaults**

If a loan goes into default, we increase our level of management of the loan and take steps to have the Borrower rectify the default. If the default is a financial default and is ongoing, we report regularly to Members of the Sub Scheme about its status. If the default is not rectified, we take steps as mortgagee to sell the Sub Scheme Property and act to recover under any other security held by us, such as personal guarantees from the directors of the Borrower.

If the Borrower defaults, we charge the Borrower for management fees and expenses incurred in rectifying the default and recovering secured moneys. We may charge fees and expenses to participating Members in the process of realising securities of a Sub Scheme to recover the loan funds, prior to realisation of the Sub Scheme Property and any collateral security, or in the event of litigation with a Borrower. Our fees and expenses may be deducted from participating Members' investment funds if there is a shortfall upon realisation of the Sub Scheme Property and any other collateral security. This outcome will be fully disclosed to you.

#### **4.10.5 Security**

Before moneys are advanced under a loan, we ensure the Borrower executes security documents including, but not limited to, a letter of offer, a loan agreement, a mortgage, a guarantee and indemnity (if there are guarantors to the loan) and a company charge (if the Borrower is a company). Other security documentation (such as a caveat over property) may also be required. These documents regulate the terms and conditions of the loan. You may inspect the security documents at our office for any Sub Scheme in which your funds are invested.

#### **4.10.6 No management entitlement as an investor**

An individual Member does not have the capacity to influence the exercise of our rights and discretions to manage a loan or to make a determination about discretionary interest payments by us on behalf of the Borrower. These matters are managed exclusively by us. Where a material default has occurred and continued in relation to a loan, you will be kept informed throughout the period of default.

#### **4.11 Loans involving instalment payment to Borrowers**

Construction and development loans require closer management by lenders like the Millbrook Income Fund. Instalments (progress payments) are drawdown from us by the Borrower and in turn we seek new investment funds from the respective Sub Scheme's Members.

## 4.12 Reporting

To assist you keep track of your investment in the Millbrook Income Fund, we send regular information to Members. This will include the following:

**Table 4: Reports provided to Members**

Report name	What it is	Availability
<b>Annual Income and Investment Summary</b>	A statement showing the amount of interest received by you from Sub Schemes (including our Investor Trust Deposit Account) for each financial year, and the status of your investments at the end of each financial year.	Within one month of the end of each financial year.
<b>Investment Summary</b>	A list stating where your funds are invested, including: <ul style="list-style-type: none"><li>• Sub Schemes</li><li>• deposits in the Investor Trust Deposit Account.</li></ul>	Within 14 days of written request by you.
<b>Notification of Default</b>	If there is an event of material default by a Borrower, notice of the default and the steps being taken by us to rectify the default. Communication regarding the default will continue until the default is rectified or resolved.	Within 14 days following issue of a Notice of Default by us to the Borrower. Note: Applies to Select Option investment only.
<b>Interest rate change advice</b>	<b>Select Option:</b> Advice of a change to the variable interest rate applicable to any variable rate loan. <b>Enhanced Option:</b> The rate of return on the Enhanced Option is variable in line with the performance of the pool. The yield applicable to each distribution will be shown on each quarterly Interest statement.	7 days prior to the change taking effect.

If you have nominated a representative for reporting purposes, we will report directly to them and you will need to consult them to keep track of our reports.

## 4.13 Expiry of loan, early repayment and extension/renewal (Select Option investments only)

### Expiry of loan period

The term of your investment ends on the due date of the loan at the end of the loan period. In some cases there may be a delay between the due date and the return of your funds due to circumstances beyond our control or the Borrower, such as a delay in the settlement date of sale of the property or re-financing. We do not generally call a default in these circumstances. An extension may be granted or a renewal. We may or may not apply the higher rate of interest under the loan. In these cases, interest continues to be payable until the loan is repaid.

### Early repayment by the Borrower

The term of each Sub Scheme (being the term of the loan) is specified in the Mortgage Summary. The term of your investment in a Sub Scheme can be altered by early repayment of the loan, either fully or partially. An example is due to the sale of a Sub Scheme Property or a re-financing of the loan by the Borrower to a lender other than Millbrook Funds. Any early repayment will be subject to the terms and conditions of the loan. The Borrower may incur additional interest for early repayment. This will be retained by the Manager except where that additional interest relates to the minimum number of months interest the Borrower is required to pay after settlement of the loan – in which case it will be passed to the Members. For example if a Borrower agrees to pay a minimum of three months interest and repays the loan one month after settlement, they would be liable to pay a further two months interest which would be passed onto Members.

Upon early full repayment or partial repayment of the loan by the Borrower, where your investment in that

Sub Scheme is terminated early, subject to availability we will provide you with an alternative Sub Scheme in which to invest. Or you may wish to withdraw your funds at this stage. Otherwise your funds will be transferred to our Investor Trust Deposit Account pending allocation to another Sub Scheme.

### Extension of loan repayment date (ie the Sub Scheme due date)

In some cases, our initial loan approval will include an option for the Borrower to extend the loan. Details of the basis of extension will be provided in the initial Mortgage Summary for your approval. In that case you will be bound to remain in the Sub Scheme if the extension right is exercised because the extension right was part of the initial terms and conditions.

In other cases as the loan approaches the due date for repayment, we may offer a Borrower an extension or renewal of a loan, conditional upon availability of funds.

- In an extension, we will allow the loan to continue on the previous terms for an additional period, generally short term, and without new valuation requirements.
- In a renewal, the loan will be offered for a further loan period, generally medium or long term, with an updated interest rate. In that case we will assess the Borrower's current circumstances and loan servicing history before offering a further period to the Borrower. Additionally we may require a new valuation for the Sub Scheme Property to ensure that the relevant LVR is maintained. Loan variation documents will be executed by the Borrower at the Borrower's cost.

If we offer to extend or renew a loan where there was no extension option in the initial loan, we will ask you if you wish to remain in the Sub Scheme. You will receive



a new Mortgage Summary and Investment Approval in order to renew your investment in the same Sub Scheme. If you do not wish to remain in the Sub Scheme, you can redeem your funds or have your funds invested in a new Sub Scheme.

#### **4.14 Early withdrawal – investment liquidity**

Investment in the Millbrook Income Fund should be considered an illiquid investment.

We are under no obligation to provide for the withdrawal of your funds during the agreed term of any Sub Scheme. There is no cooling-off period once funds are allocated to a Sub Scheme. Once allocated to a Sub Scheme, funds invested with our Select Option will be only available for withdrawal in the following circumstances:

1. Upon the repayment of funds by the Borrower at the expiration of the term of the Sub Scheme or upon early repayment of funds; or
2. Prior to the expiration of the term of the Sub Scheme at our sole discretion. We will only consider early withdrawal if a replacement Member is available to take your place in the Sub Scheme at your expense. Expenses may include but are not limited to interest adjustments and fees and expenses set by Millbrook Funds to process the request. The transfer may be at a discount to the capital value of the investment.

You are NOT able to withdraw your funds from a Sub Scheme when the loan is in default UNLESS the replacement Member specifically acknowledges and accepts the default position.

#### **4.15 Funds withdrawal process**

Due to legislative requirements, withdrawal payments will only be made by transfer to a bank account nominated by you in the Application Form or an account in your name subsequently nominated by you in accordance with our compliance procedures. While your funds are in the Investor Trust Deposit Account you may withdraw the funds at any time with 7 days' notice.

#### **4.16 Transfer of Members' interests**

You may only dispose of your interest in a Sub Scheme as provided in the Constitution. You may transfer the whole or a part of your interest in a Sub Scheme only with our consent. The transfer must be in writing executed by you (as transferor) and the transferee in a form approved by us and accompanied by any other documentation required by us. On giving consent to the transfer and receipt of the written transfer and other documentation, we will make the necessary amendments to the Member Register to reflect the change of ownership of the interest.

A person becoming entitled to an interest in a Sub Scheme on the death, bankruptcy, liquidation, dissolution or other disability of a Member may be entered in the Member Register, on production to us of evidence reasonably required by us.

#### **4.17 Investor Trust Deposit Account**

We maintain arrangements for an Investor Trust Deposit Account where Members' funds are held on trust earning interest at a rate determined by us from time to time. That rate will generally be a premium to rates offered by trading banks for 'at call' deposits. We will inform you of the current rate on request.

You may withdraw your funds from the Investor Trust Deposit Account by giving us at least 7 working days' notice. We will hold your funds in the account until they are allocated to a Sub Scheme or until you request withdrawal. The Investor Trust Deposit Account will also be utilised for your funds after any repayment by a Borrower under a Sub Scheme in which you are invested.

#### **4.18 Taxation**

Investors should consult their own taxation adviser to determine any tax consequences for them of an investment in a Sub Scheme. The following commentary constitutes general comments on Millbrook Funds' understanding of the taxation position but does not constitute tax advice.

Millbrook Funds does not pay income tax on investment returns of a Sub Scheme, as it distributes all taxable income to the Members each year. You will be required to pay income tax on interest as part of your normal assessable income. We are required to report to the Australian Taxation Office (ATO) annually providing details of interest earned, any withholding tax deducted, and tax file numbers quoted for Members of the Scheme.

##### **Australian investors**

The interest distributed to you is taxable income in Australia and must be declared as part of your assessable income in your tax return. You will normally be taxed on interest in the year in which the interest is earned, even if it is received in the next financial year. As an Australian resident taxpayer, you should quote your Tax File Number (TFN) or claim an exemption from doing so by completing the TFN section in the Application Form. If you do not provide your TFN, we are required to withhold tax at the highest marginal rate from interest payments. We remit the tax to the ATO and you must subsequently claim a credit for the tax paid in your income tax return.

##### **New Zealand and International investors**

If you are a non-resident of Australia for tax purposes, you do not need to provide us with a Tax File Number. However where interest is paid to you as a non-resident, we are required to deduct withholding tax from your gross income at the withholding tax rate is set by the ATO and remit it to the ATO. You may receive a tax credit in the country where you are a tax resident, and you may be required to pay additional tax there.

#### **4.19 No guarantee**

We do not guarantee the repayment of capital or the payment of interest to Members.

## 5. Fees and costs

### 5.1 Fees and costs payable by Members

We do not charge fees to Members of the Fund for any of the following:

Fee type	What it is	Cost
<b>Establishment fee</b>	The fee to open your investment.	Nil
<b>Contribution fee</b>	The fee on each amount contributed by you to your investment.	Nil
<b>Withdrawal fee</b>	The fee on each amount you take out of your investment	Nil
<b>Termination fee</b>	The fee to close your investment	Nil

**Select Option:** Fees may only be deducted from Members funds in a specific Sub Scheme if, after a default by the Sub Scheme Borrower, there is a shortfall upon sale of the Sub Scheme Property – see section 5.6 below. Fees may also be charged if a member transfers their interest during the term of a Sub Scheme.

**Enhanced Option:** Investors are charged a management fee of 1.0% pa calculated on the total loan pool outstanding at each distribution date.

### 5.2 Fees and costs payable by Borrowers

The following fees are paid by Borrowers:

- **Loan establishment fee:** Negotiable up to 3.0% one-off of amount of the loan. (Note: Paid by Borrower).
- **Loan management fee:**  
**Select Option:** Our management fees are negotiated for each loan up to 5% pa of the loan amount (Note: Management fees are paid by the Borrower over the term of the loan).  
**Enhanced Option:** Our management fee is the difference between the interest received from Borrowers on loans in the Enhanced Option and the interest paid to Investors in that Sub Scheme. (Note: This a separate fee to the 1.0% pa management fee charged to Investors in this Option (see Item 5.1 Fees and costs payable by Members).

We may also be paid additional fees by a Borrower to extend or renew a loan, increase a loan or make a partial repayment. The amounts of these fees will depend on the circumstances of the request by the borrower and the applicable fees at that time.

Other fees and expenses may be payable by Borrowers, such as our out-of-pocket expenses, valuation fees, legal and other professional fees, and enforcement costs.

### 5.3 Third party fees

We do not generally pay fees to financial planners or advisers who refer investors to the Fund. In limited circumstances, eg where we undertake a joint venture with a financial advisory or investment group, we may pay fees to that referrer. We may also appoint them as an authorised representative. We may also pay fees to referrers where they are providing general access to their clients.

Any payment to referrers is made from our own funds. No commission is deducted from your funds or from interest earned by you. The commission is paid out of the fees that we receive from Borrowers and not from amounts that you pay as an investor in the Fund.

We do not pay fees on your behalf to your financial adviser for any personal financial advice or management services provided to you by your adviser.

### 5.4 Investing through Australian financial advisers

If you invest in the fund through a licensed Australian financial adviser, we will treat you as a separate class of investor. While your rights and obligations as an investor remain the same as those of all other investors.

### 5.5 Brokerage and commissions

We may pay persons introducing loans or investments to us a one-off commission which ranges between 0.25% to 1.25% (plus GST) of the principal amount for the introduced mortgage loan or investment. We may also pay a periodic referral fee between 0.25% to 1.0% pa (plus GST) representing a share of our interest received or paid on the introduced loan or investment. The actual amount paid to each introducer may change from time to time without notice based on commercial requirements. These fees are paid by us from our own resources and not deducted from your earning rate on an investment in the Fund.

### 5.6 Costs upon loan default

If a Borrower defaults, we charge the Borrower for management fees and expenses incurred in rectifying the default and recovering secured moneys. We may charge fees and expenses to participating Members in the process of realising securities of a Sub Scheme to recover the loan funds, prior to realisation of the Sub Scheme Property and any collateral security, or in the event of litigation with a Borrower. Our fees and expenses may be deducted from the participating Members' investment funds if there is a shortfall upon realisation of the Sub Scheme Property and any other collateral security. See section 4.10.4 for more information on our management of defaults.

## 6. Board of Directors

### 6.1 Corporate

Millbrook Funds Pty Ltd is the manager of the Millbrook Income Fund and is an Australian Financial Services licensee, holding licence number 402900. Millbrook Funds manages the Millbrook Income Fund with the objective of providing returns for investors in loans secured by mortgage.

### 6.2 Custodian

Millbrook have appointed Perpetual Corporate Trust Ltd as Custodian of the Fund's assets. All receipts and payments from and to investors will be made by the Custodian, adding an important layer of protection to investors' funds.

### 6.3 Directors of Millbrook Funds Pty Ltd

#### David Lyall

With 20 years' experience in business, David oversees the day-to-day operations and management of the Millbrook Group of Companies of which the principal entities (other than Millbrook Funds) are:

- **Millbrook Finance Pty Ltd:**  
A specialist property lender established in 2005 and operates in a similar market as does Millbrook Funds.
- **Millbrook Asset Management Ltd:**  
The Responsible Entity for the Millbrook Credit Fund, a registered contributory mortgage scheme. The operations of the Millbrook Credit Fund is in many ways identical to the Millbrook Income Fund except it has historically only offered traditional first mortgage investments. The Millbrook Credit Fund has the enviable distinction of never having lost a dollar of any investor's capital or interest on any mortgage investment to which it has introduced them. As a registered scheme both Millbrook Asset Management Ltd and the Millbrook Credit Fund are subject to external financial audits every six months. The Fund is additionally subject to an annual external compliance audit. Millbrook also has an internal compliance committee which monitors the procedures of the company and the Millbrook Credit Fund on an ongoing basis.

David has owned and operated a number of businesses in home building, land subdivision, insurance, finance and farming. He holds a Bachelor of Law from the University of Canterbury in New Zealand and is a Responsible Officer for both the Millbrook Income Fund and the Millbrook Credit Fund.

#### George Lyall

George had several years' experience as a credit analyst for a major mortgage fund manager in Melbourne before moving to the UK and working for a firm of specialist private lenders. He joined Millbrook in 2020.

George holds a Bachelor of Finance from the Swinburne University of Technology and a Diploma of Building and Construction from the Royal Melbourne Institute of Technology (RMIT), Melbourne.



# 7. Risks of investing

Delays in payment of interest and repayment of capital, loss of interest and capital, and fluctuation of investment returns may occur as part of the risks of investing in a Sub Scheme of the Millbrook Income Fund. Risk factors include a borrower's ability to repay, our competence in managing its finance products, the underlying asset of each Sub Scheme, fluctuations in the property market generally and fluctuations in market interest rates. Some risks are external factors outside the control of the Fund, such as general economic conditions and government policy.

**Millbrook Funds Pty Ltd, its directors and employees, any related company or Associate of Millbrook Funds Pty Ltd, and its Authorised Representatives (if applicable) do not guarantee the performance of Sub Schemes, specifically the payment of interest or the repayment of capital invested by Members.**

This section is not intended to be an exhaustive list of the risk factors involved in the Fund's Sub Schemes. Some risks can be mitigated by the use of safeguards and appropriate systems and actions, but others are outside our control and cannot be mitigated. We have adopted policies and procedures in our Compliance Plan to control and limit exposure to risk – see section 8.3.2.

## 7.1 Non-diversification risk

Each Sub Scheme mortgage in the Millbrook Income Fund Select Option is a stand-alone investment, specifically approved by investors for their investment criteria and operating independently and separately from any other mortgage security. The relevant Sub Scheme Property is the only asset available to you as a member of a Sub Scheme for the payment of interest and the repayment of the loan.

You can mitigate the risk of non-diversification by choosing to spread your funds across multiple Sub Schemes, with different risk profiles.

The Enhanced Option consists of a number of mortgage loans with differing risk profiles and as such it offers a greater range of diversification than the Select Option.

## 7.2 Credit risk – capital and income

There is a risk that a Borrower may default in payment of obligations under a loan. We do not guarantee the repayment of your capital or the payment of interest in any Sub Scheme. During the term of a Sub Scheme factors outside of our control may affect property values, such as property market conditions, government policies, inflation and the general economic climate. Your capital may be at risk where we must enforce the security in a default situation and the sale of a property fails to realise sufficient funds to meet the loan balance.

Credit risk is mitigated by our lending criteria and compliance regime, including credit assessment, application of lending ratios, valuations policy and loan management.

If a default occurs, we take prompt action to remedy the default, including:

- pursuing recovery of arrears of income and capital
- issuing and executing all default notices and other notices of demand
- taking possession of the Sub Scheme Property
- exercising the power of sale pursuant to the mortgage, and
- otherwise dealing with the Sub Scheme Property and collateral security to protect the investors' interests.

With an investment in our Select Option your capital and interest is secured solely by the mortgage invested in. With an investment in our Enhanced Option your capital and interest is secured by a parcel of mortgages, each with a different risk profile.

No investment is risk free and there remains a risk of loss of all or part of capital invested in the Enhanced Option Sub Scheme. If the Enhanced Sub Scheme were to realise a loss on a loan it holds, each investor in the Sub Scheme would have the value of their investment reduced by an amount equal to that loss in the proportion that their investment bears to the total value of loans in the Sub Scheme.

# 7. Risks of investing

## Continued

**Example:** Assuming the Enhanced Option holds \$10 million of loans of which \$100,000 is lost on realisation of a loan of \$1 million; then the Sub Scheme will hold \$9,900,000 of assets (\$9 million of loans and \$900,000 cash) backing the \$10 million in funds initially invested in the Sub Scheme by its investors. Each \$1.00 originally invested by you would now be worth \$0.99 and this would be the amount you would receive if you chose to withdraw your investment. It is also the amount on which your future interest distributions would be calculated. Under this scenario if you originally invested \$100,000 prior to the Sub Scheme recording any losses, you would only receive \$99,000 when withdrawing your investment. Conversely new investors in the Sub Scheme would be entitled to \$1.0101 of the assets of the Sub Scheme for each \$1.00 they invest.

The value of the Enhanced Option Sub Scheme's assets is referred to as its 'unit value' and in the example above, unit value would be \$0.9900. The unit value of the Sub Scheme is calculated as at the end of each month and will appear on Enhanced Option investors quarterly interest statements. The current unit value can also be found on our Enhanced Option web page at ([millbrookgroup.com.au/investment-funds/millbrook-high-yield](http://millbrookgroup.com.au/investment-funds/millbrook-high-yield)) or upon request from our office. The unit value applicable to new investments in the Enhanced Option Sub Scheme will be disclosed in the Investment Certificate provided to investors in that Sub Scheme.

### 7.3 Valuation risk

Each Sub Scheme first mortgage property is the subject of valuation and there is a risk the valuation can be wrong. A valuation is generally not available for reliance by investors for other than a first mortgage loan, and in that case we will disclose the position in the Mortgage Summary.

Valuations are not a guarantee of value. Reliance on a valuation relates to the valuer having followed professional standards in accordance with applicable industry codes of conduct and having acted in accordance with instructions in a manner that is not negligent, reckless or fraudulent.

To mitigate valuation risk, we use a panel of independent valuers who are members of the Australian Property Institute or an equivalent professional association and have professional indemnity insurance. We require their valuations to be in accordance with professional standards or guidelines. For construction loans, an independent quantity surveyor or civil engineer will be engaged to certify claims for drawdown payments and to update the 'cost to complete' position.

### 7.4 Property risk

Each Sub Scheme relates to an individual property or connected group of properties.

Where the property includes a building, the Borrower must keep the property insured and the interest of the Fund must be recorded on the policy.

While we seek to ensure insurance policies over Sub Scheme property is maintained, we may not be aware if a policy has not been renewed or perhaps lapsed due to non-payment of premiums. In such cases a loss of improvements due to fire or other disaster may result in a loss a capital.

Security properties may be affected by environmental risks such as contamination from asbestos or other chemical contaminants, infestation by pests, landfill or subsidence. There is no guarantee that this risk will be identified in the loan assessment process. If these risks are identified, we will generally not lend on the security of the subject property. If we decide to lend (eg because the environmental issue has a minor rehabilitation cost), the cost of re-instatement is taken into account in valuing the Sub Scheme Property.

Property risk is mitigated by the valuation and loan assessment processes described in section 4.10 and elsewhere in this Information Memorandum.

For construction or development loans, additional risks arise related to timing, completion and sale of the project. Partially completed projects are generally more difficult to sell upon a default by a borrower. Due to the construction or development process, properties may take longer to come to market and so they may be exposed to downward shifts in the property market, which can affect our ability to recover the amount owing under the loan upon completion of the project. These risks are mitigated by the valuation process described in section 4.10, by a requirement for a fixed price contract with the builder/contractor to ensure that the agreed cost of the project is not exceeded by a requirement for a certain level of presales before loan drawdown, and by ensuring that the amount remaining undrawn on the loan is equal to or more than the 'cost to complete' as certified by the valuer, quantity surveyor or civil engineer.



### 7.5 Operational risk

There is risk associated with our implementation of our management processes.

To mitigate this risk, Millbrook Income Fund has a Compliance Plan, monitored by a Compliance Officer reporting to the Board. Appropriate support services and IT systems are in place and external consultants are utilised to ensure that our procedures are implemented. Board meetings take place at least quarterly at which the Board monitors performance, including a quarterly compliance report.

Exception matters such as a loan default, are flagged and acted upon automatically.

### 7.6 Interest rate risk

**Variable interest rates:** You should be aware that a variable rate investment (including a Enhanced Option investment) has the prospect of decreasing returns as well as increasing returns. Variable rate investments should only be considered if you are aware and accept the risks of fluctuating investment returns given the return on variable rate investments may vary significantly from time to time.

**Fixed interest rates:** A rate fixed for the term of the mortgage investment (such as usually paid by the Fund's Select Option) does not vary, for instance with changes in market rates. If those rates fall you will still be entitled to the interest rate that we have agreed to pay. However if interest rates rise, we are not obliged to increase the rate of interest being paid. Increasing interest rates would also negatively affect the ability for Millbrook to substitute investors in a Select Option investment where an existing investor requests redemption of their investment prior to maturity of the Sub Scheme.

### 7.7 General economic or market risk

All investments including property-related securities, are subject to unforeseeable shifts in the economic climate in and outside Australia from time to time. Each Sub Scheme is a mortgage security over real property, so risk is linked to factors that affect the property market. The Australian property market or any geographic or usage segment of that market may decline in line with trends in the Australian or overseas markets due to various factors like over-supply, vacancy levels, competing developments, interest rates, inflation, rental levels, property outgoings, economic cycles, investor demand, business confidence, government and central bank policies and general market conditions. This could adversely affect your investment in the event of a forced sale of a Sub Scheme Property. These factors are outside of our control.

### 7.8 Regulatory risk

Changes to the Australian regulatory environment may have an adverse material impact on investment products affecting the operations of the Fund. This risk includes changes to:

- taxation legislation and authorised determinations
- accounting standards
- regulatory compliance requirements, including any licensing obligations.

These factors are outside of our control.

## 8. General information

### 8.1 Liability as a Member

You do not have any liability as a Member, other than any commitment to provide investment funds. You are bound by the provisions of the Fund's Constitution. The Fund's Constitution contains a provision limiting your liability to your investment in the Fund, and accordingly we have no claim against you beyond this.

### 8.2 No guarantees and warranties

No guarantees and/or warranties are made by Millbrook Funds Pty Ltd or by any of its Directors, officers and other associated parties as to the performance of any Sub Scheme, including the payment of interest or repayment of capital by Borrowers.

### 8.3 Scheme documents

#### 8.3.1 Constitution

The Constitution of the Scheme regulates the rights and entitlements of Members and is binding upon Members and the Manager. The Constitution creates binding legal obligations between us and the Members of the Scheme. A copy of the Constitution is available on request from us.

Some of the matters covered in the Constitution include:

- the Scheme's objectives
- the investment process, including the steps required for the Mortgage Summary and Investment Approval
- the operation of Sub Schemes
- Members' rights to transfer their Interests
- our powers to deal with Scheme Property
- our right of indemnity from the Scheme Property
- provisions dealing with the winding-up of the Scheme, and
- the complaints-handling process available to Members of the Scheme.

We may vary the Constitution at our sole discretion from time to time.

We are not liable for any loss or damage to any person including any Member arising out of any matter unless, in respect of that matter, we acted otherwise than in accordance with the Fund's Constitution and its duties and without a belief held in good faith that we were acting in accordance with the Fund's Constitution or our duties.

#### 8.3.2 Compliance Plan

The Compliance Plan sets out the processes implemented by us in operating the Scheme to ensure compliance with the Corporations Act, our AFS Licence

and the Constitution of the Scheme. Processes covered by the Compliance Plan include:

- overview of Scheme requirements
- risk analysis and risk management systems
- separation of all Scheme property and Member's funds from the property of the Manager
- functions of the Compliance Officer
- selection of valuers for our panel of valuers, and valuation processes
- conflict of interest identification and management
- staff familiarity and training in relation to the Compliance Plan
- monitoring of complaints and dispute resolution procedures
- any other matters required pursuant to the Corporations Act.

At each Board meeting, the Board considers a compliance report from the Compliance Officer and addresses any unresolved compliance issues at Board level.

#### 8.3.3 Variations from Information Memorandum, Constitution or Compliance Plan

From time to time, we may determine to offer a Sub Scheme where the terms and conditions or other basis of the loan vary from those described in this Information Memorandum or from the express investment standards in the Constitution or Compliance Plan. In that case the applicable Mortgage Summary will disclose the variation.

### 8.4 Directors' and Shareholders' interests

The Directors, their families, associated trusts and superannuation funds have the right to be Members of the Fund and invest in Sub Schemes.

Directors, staff and related parties are prohibited from borrowing from the Fund.

### 8.5 Audit

Millbrook Funds Pty Ltd is audited on an annual basis.

### 8.6 Custodian

Millbrook have appointed Perpetual Corporate Trust Ltd as Custodian of the Fund's assets. All receipts and payments from and to investors will be made by the Custodian, adding an important layer of protection to investors' funds.



## 8.7 Authorised representatives

We may appoint authorised representatives to represent us in the operation of the Scheme. We will notify ASIC of these authorised representatives in accordance with the Corporations Act. ASIC maintains a register of authorised representatives. Our authorised representatives are only authorised to provide the financial services listed on Millbrook Funds' AFS Licence and they are not permitted to provide financial product advice. We are not authorised to give personal financial advice to investors and cannot recommend to investors that an investment in the Fund is suitable for their own specific financial requirements. If you are unsure about any matters explained in this Information Memorandum or any Mortgage Summary provided by us, you should consult a professional advisor.

## 8.8 Consents

Our auditor, Grant Thornton Audit Pty Ltd, has consented to being named in this Information Memorandum but have not made any statements that are included in this Information Memorandum or any statements identified in this Information Memorandum as being based on any statements made by them, and have not withdrawn their consent.

To the maximum extent permitted by law, Grant Thornton Audit Pty Ltd expressly disclaims and takes no responsibility for any part of this Information Memorandum other than the reference to their name.

## 8.9 Privacy

By applying for membership of the Scheme, you are providing personal information to us. We have a Privacy Policy as follows:

"We can gather, hold and use personal information in order to process your application for membership of the Fund and if your application is successful, to administer your investments in the Fund, including:

1. complying with its legal and regulatory obligations
2. maintaining a register of members
3. paying interest and repaying capital to you
4. dealing with complaints and answering queries, and
5. sending you reports, Mortgage Summaries and any other documentation that we wish to send to you.

Your personal information may be provided to service providers and third parties on the basis that they deal with such information in accordance with our Privacy Policy.

The service providers who may be provided with your personal information and the circumstances in which your personal information may be disclosed are:

1. mail houses and their printers for the preparation and distribution of documents to you
2. for administration of the register of members
3. lawyers, accountants, auditors, consultants and other professionals for administering and advising on the Fund and for any associated actions, and
4. other firms to whom we out-source functions.

The third parties that may be provided with your personal information are government, regulatory authorities or other people when permitted or required by law."

You have the right to gain access to your personal information held by us. A reasonable cost for providing access to personal information may be charged. You can request access to your personal information by writing to:

**The Compliance Officer, Millbrook Funds Pty Ltd,  
Level 7, 1 Collins Street, Melbourne VIC 3000**

Email: [invest@millbrookgroup.com.au](mailto:invest@millbrookgroup.com.au)

Our Privacy Policy is available on our website:  
[millbrookgroup.com.au/privacy-policy](http://millbrookgroup.com.au/privacy-policy)

## 8.10 Complaints

We have obligations in how to deal with complaints and have complaints procedures in our Constitution and Compliance Plan. Our Compliance Officer is responsible for the effective operation of the complaints handling process who will attempt to settle it promptly. Complaints are to be submitted in writing to:

**The Compliance Manager, Millbrook Funds Pty Ltd, Level 7, 1 Collins Street, Melbourne Vic 3000**

Email: [invest@millbrookgroup.com.au](mailto:invest@millbrookgroup.com.au)

We will:

- a. within 14 days acknowledge any complaint received from a Member
- b. within 45 days (or longer period as may reasonably be required having regard to the nature of the complaint, the information given by the complainant and the nature and extent of the investigation and other activities necessary to deal fully with the complaint), investigate, properly consider and decide what action (if any) to take or offer regarding the complaint
- c. at the conclusion of the period specified in (b), communicate its decision to the member.

## 8.11 Anti-Money Laundering and Counter-Terrorism Financing

We are a 'reporting entity' pursuant to Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) and must meet stringent investor identification and verification requirements. We are managing the issues of interests pursuant to this Information Memorandum. This means that prior to interests being issued, we must be 'reasonably satisfied' that you exist, and you are who you claim to be.

If you are investing directly with us, you need to provide us with the identification information required pursuant to the AML/CTF Act as set out in our Investor Identification Check, along with the completed Application Form. We may request additional information from you where we reasonably consider it necessary to satisfy our obligations under the AML/CTF Act. If you are investing via a financial adviser or through an IDPS, then that person or entity should request and collect any verification materials.

## 8.12 Email

If you provide us with your email address, you agree that we may send you information about the Scheme by email, and we may send you electronic copies of Mortgage Summaries and Investment Approvals for the investment of your funds. You also agree that we may accept Investment Approvals and other correspondence sent by email from you. You have the right to opt out of receiving emails from us by advising us in writing.

## 8.13 Environment, Social and Governance Statement

At Millbrook Group, our commitment to Environmental, Social, and Governance (ESG) principles help guide our business practice and shapes the society we wish to leave for future generations. We recognise that our responsibility goes beyond investor returns and are on a journey to create a positive impact throughout all aspects of our business including:

### Environmental

**Digital transition:** We are on a journey towards a digital future. Currently transitioning to paperless, digital first distribution of products, communications, and application forms, not only ensures efficiency but also reduces our carbon footprint.

**Loan security:** We have integrated environmental considerations into our loan security acceptance process, excluding certain securities that could harm the environment, such as assets related to petrol stations or mining. We are ambitiously working to strengthen this process and introduce a more thorough screening system in the upcoming year.

**Environmental responsibility:** We are aware of the environmental impact of our business operations. As such, we actively pursue strategies to reduce our carbon footprint and offset our environmental impact wherever feasible.

### Social

**Foundation of trust and respect:** At the heart of Millbrook's ethos are the twin pillars of trust and respect – values that guide our interactions with stakeholders, clients and communities.

**Diversity and inclusion:** We take immense pride in the diversity of our workforce. With a gender-balanced team and 35% of our members from countries outside of Australia and NZ, we celebrate multiculturalism, respect and the rich contribution everyone brings to our organisation.

**Community engagement:** We are passionate about supporting our local community with a particular focus on initiatives that uplift children's education and well-being, actively backing organisations like Cottage by the Sea and JCAS.

**A safe workplace for employees:** Being a family-owned company, we understand the importance of a nurturing environment. We strive to provide a safe, inclusive, and welcoming workspace.

## Governance

**Transparent and robust compliance:** We ensure that an independent and experienced compliance manager undertakes management of our compliance plan. Our compliance management stands as a pillar of expertise and integrity, prioritising risk management and providing regular comprehensive compliance reporting to the board.

**Prioritising risk management:** Risk management is at the very core of our business. We never want to lose money, and to that end, we deploy rigorous risk management strategies and review these regularly.

**AML commitment:** Our responsibility towards Anti-Money Laundering (AML) regulations is taken with utmost seriousness. We have a robust framework in place to ensure that all the necessary regulations are consistently met.

**Credit policy:** Recognising the ever-changing financial landscape, we ensure our credit policy is not static. It undergoes regular updates and reviews to stay relevant and efficient. This commitment reflects who we are as an organisation.

## 8.14 New Zealand investors

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

New Zealand investors will normally have Australian Withholding Tax deducted from their interest distributions; however this can usually be claimed back as an income tax offset when the investor lodges their New Zealand tax return.

# Glossary

<b>Accountant's Certificate</b>	A certificate by a qualified accountant (as defined in the Corporations Act) which must not be more than two years old, certifying that the person who is the subject of the certificate: <ul style="list-style-type: none"> <li>i. has net assets of at least the amount specified in the Corporations Regulations 2001 (currently \$2.5 million); or</li> <li>ii. has a gross income for each of the last two financial years of at least the amount specified in the Corporations Regulations 2001 a year (currently \$250,000 pa).</li> </ul>
<b>AFSL</b>	Australian Financial Services Licence. Millbrook Funds' AFSL is number 402900.
<b>Application Form</b>	The application form to be completed and submitted to Millbrook Funds, in order for an Applicant to become a Member of the Scheme.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Associate</b>	An associate as defined in sections 10 to 17 of the Corporations Act.
<b>ATO</b>	Australian Taxation Office.
<b>Authorised Representative</b>	An authorised representative appointed by Millbrook Funds as contemplated in the Corporations Act.
<b>Bank</b>	Westpac Banking Corporation or any other major bank in Australia used by Millbrook Funds.
<b>Board</b>	The board of directors of Millbrook Funds Pty Ltd.
<b>Borrower</b>	The entity who borrows funds under a Mortgage comprising a Sub Scheme.
<b>Compliance Plan</b>	The Compliance Plan of the Millbrook Income Fund from time to time, summarised in section 8.3.2.
<b>Corporations Act</b>	Corporations Act 2001 (C'th).
<b>Custodian</b>	Perpetual Corporate Trust Limited (ABN 99 000 341 533 AFSL 392673) acts as Custodian for the Fund.
<b>Director</b>	A director of Millbrook Funds Pty Ltd.
<b>Due Date</b>	The date when the capital or principal moneys under a loan are due to be repaid by the Borrower.
<b>Fund</b>	The Millbrook Income Fund.
<b>Identification Check</b>	The identification form required by Millbrook Funds to comply with its obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (C'th).
<b>Income Tax Assessment Act or ITAA</b>	Income Tax Assessment Act 1936 or 1997 (C'th) (as applicable).
<b>Information Memorandum</b>	This document.
<b>Investor Trust Deposit Account (ITD)</b>	A Sub Scheme that holds in trust Member's funds prior to their allocation to a mortgage investment. The monies invested in the ITD are held in a Trust Account with an Australian or New Zealand (for NZ investors) trading bank.
<b>Investment Approval</b>	The Investment Approval provided with a Mortgage Summary, for you to approve investment of your investment funds in a Sub Scheme.

<b>Investment Certificate</b>	A certificate including a summary of your investment in the individual Sub Scheme and confirmation that Millbrook Funds is in possession of your funds along with your interest (collectively with other Members) in the Mortgage documents specific to your nominated Sub Scheme held in trust for you.
<b>Lender</b>	The mortgagee named in a Mortgage.
<b>Loan/loan</b>	The sum(s) of money advanced to a Borrower on the security of a Mortgage. See also: "Sub Scheme".
<b>Loan period</b>	The period of a loan proposed for investment. At the end of a loan period, your investment funds will be due for repayment.
<b>LVR</b>	Loan to Value Ratio (LVR), the percentage of the Market Value of a property that a lender will accept in determining the amount of a loan to be made against the security of a property.
<b>Manager</b>	Millbrook Funds Pty Ltd, us.
<b>Market Value</b>	Market value as described in section 4.10.3.
<b>Member</b>	A person who has been accepted by us as a member of the Scheme.
<b>Member Register</b>	The register of Members maintained by Millbrook Funds recording the details of Members and the interests of Members in each Sub Scheme.
<b>Millbrook Credit Fund</b>	A registered managed investment scheme regulated by the Australian Securities & Investment Commission (ASIC) under the Corporates Act 2001. ARSN 125 042 480.
<b>Mortgage</b>	The primary security given by a Borrower over Sub Scheme Property, to secure a loan.
<b>Mortgage Summary</b>	A document provided by us containing details of a Select Option Sub Scheme, prior to you giving approval for investment of your investment funds. If you choose to invest in a Sub Scheme, you must follow the procedure set out on section 3.
<b>Notice</b>	Prior written notice.
<b>Scheme</b>	The contributory mortgage scheme constituted by the Millbrook Income Fund.
<b>Millbrook Funds</b>	Millbrook Funds Pty Ltd, ABN 34 149 711 419.
<b>Sub Scheme</b>	The loan in which your funds will be invested, with your approval as evidenced by an Investment Approval. See also: "Loan".
<b>Sub Scheme Property</b>	The property over which a Mortgage is taken, as part of a Sub Scheme.
<b>Unit value</b>	The value in dollar terms of one unit in the Enhanced Option Sub Scheme.
<b>Warehousing facilities</b>	From time to time investor funds may be placed in warehousing facilities that are managed by Millbrook Group with Australian banks.
<b>We, us</b>	Millbrook Funds Pty Ltd and/or the Millbrook Income Fund.
<b>Wholesale investor</b>	A "wholesale client" as defined in section 761G or a "sophisticated investor" as defined in section 761GA of the Corporations Act. See section 3.2
<b>You</b>	A Member of the Fund.



# Guide to completing the Application Form

## Lodging your application

Before completing the Application Form, you should read the whole Information Memorandum. If you decide to invest with Millbrook Funds Pty Ltd, you need to do all the following:

- Complete and sign the Application Form – original form.
- Provide the required Investor identification documents as listed in Appendix A for AML/CTF identification and verification.
- Include your Application cheque or provide it later with an Investment Approval once you have selected a Sub Scheme.
- Lodge the application at our address.

## Advice on Application Form

Please ensure you write your full name, including a middle name, if any. If there are two Applicants, include both Applicants' names in full.

If you are making the application on behalf of a trust, please ensure the full legal name of the trustee is inserted in the Applicant section, and the full legal name of the trust or superannuation fund is included in the trust name section.

Please include your tax file number (TFN) or ABN, otherwise we are obliged to withhold tax at the highest marginal rate plus the Medicare levy from all interest payments.

Please provide your phone number and/or email address, so we can contact you to discuss your application in the event there is a problem.

If you are applying using a power of attorney, a certified copy of the power of attorney must accompany the application. Companies must execute their application in accordance with section 127 of the Corporations Act.

You should fill in the amount of investment funds you propose to invest with us. This amount is in Australian currency and you can either attach your cheque in that amount with your application or deposit the funds to our account at the time of Application or provide the funds at the time you select a Sub Scheme. Payment by cash will not be accepted. Applications with dishonoured cheques or that are incorrectly made out, will be returned to the Applicant.

### **Cheques should be payable to:**

PERPETUAL CORPORATE TRUST LIMITED ACF MILLBROOK INCOME FUND

**If you want to transfer funds by EFT** direct to our bank account:

**Account name:** Perpetual Corporate Trust Limited

**BSB:** 032-016 **Account number:** 672668

YOU MUST ALSO reference your name with the transfer and advise us by phone or email of your deposit.

If you have any questions regarding the correct way to fill in the Application Form, you can contact us on (03) 8663 1800 during business hours.

All applications should be forwarded to:

Millbrook Funds Pty Ltd  
Level 9, 30 Collins Street  
Melbourne VIC 3000  
Australia

Guide to completing the Application Form – correct forms of registrable name(s)

Type of investor	Correct form ✓	Samples of incorrect form ✕
<b>Individual</b> Use given name(s), not initials	Mr John Alfred Smith	J A Smith
<b>Joint</b> Use given name(s), not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
<b>Companies</b> Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
<b>Trusts</b> Use trustee(s) personal name(s) Do not use the name of the trust	Ms Janet Smith <Janet Smith Family A/C>	Janet Smith Family Trust
<b>Minor</b> Apply in name of adult Do not use name of minor	Mr John Alfred Smith <David Smith>	Mr David Smith
<b>Deceased estates</b> Use executor(s) personal name(s) Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
<b>Partnerships</b> Use the partners' personal names Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
<b>Clubs/unincorporated bodies/ business names</b> Use office bearer(s) personal name(s) Do not use the name of the club etc.	Miss Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
<b>Superannuation funds</b> Use the trustee of fund Do not use the name of the fund	Mr John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Insert name(s) of any joint Applicant(s) and/or account description using <> as indicated above in designated space(s) on the Application Form.

# Millbrook Income Fund – Membership Application Form

Complete this form using BLACK ink and print well within the boxes in CAPITAL LETTERS. Mark appropriate answer boxes with a cross (X). Do not use this form unless it is attached to the current Information Memorandum dated 15 October 2024 issued by Millbrook Funds Pty Ltd.

Advisor stamp

## SECTION 1: Investment

Please mark with a cross (X) one of the boxes to indicate who is making the investment; and indicate preference for Select OR Enhanced investment.

Minimum application is \$100,000.

**Electronic Funds Transfer (EFT)** direct to our bank account as detailed below is preferred but YOU MUST ALSO reference your name with the transfer and advise us by phone or email of your deposit.

**Account name:** Perpetual Corporate Trust Limited  
**BSB:** 032-016 **Account number:** 672668

- ☐ Individual Investor
- ☐ Joint Investor
- ☐ Trustee for Super Fund
- ☐ Executor of an estate
- ☐ Company
- ☐ Trustee for Family Trust

Investment amount \$

### INVESTMENT OPTIONS:

- ☐ Select (min. \$100,000)
- ☐ Enhanced (min. \$100,000)
- with ☐ Interest re-invested
- OR with ☐ Interest paid into my nominated bank account as in section 6

## SECTION 2: Applicant(s) details

Tax File Number(s): Please include your TFN in the space provided to ensure tax is not deducted from distributions.

A Individual Investor 1, Joint Investor 1, Executor 1, Trustee 1 or Company Director 1

Title Given names (s)

Surname

Date of birth

TFN (Individual and Joint Investors only)

A B

If any of the investors above are exempt from providing a TFN, please provide the reason for the exemption:

C Name of Investing Company, Association, Body or Trustee Company of applicable

ABN

TFN

D Account designator (name of Super Fund, Trust, Deceased Estate or other entity of person)

ABN

TFN

If exempt from providing a TFN and/or ABN, please provide the reason for the exemption:

SECTION 3: Contact details

Please enter all relevant contact details, including your daytime telephone number, in case we need to contact you in relation to your application.

If investor is an individual and contact is another person, they must hold a power of attorney, a copy of which must be provided.

All administration correspondence in relation to this investment will be sent to the nominated mailing address. Email will be used for communications unless indicated otherwise.

Contact person for this investment

Email address

Mailing address

StatePostcode

Daytime phone numberAfter hours phone number

Fax numberMobile number

Indicate how you would like to receive communications from us:EmailMail

SECTION 4: Adviser details (optional)

If you use a Financial Adviser, please have them sign this section and stamp the front of the application form.

By stamping this application the Adviser confirms that they hold, or are an authorised representative under, a current AFS Licence, allowing provision of financial advice.

TitleAdviser full given nameAdviser surname

Adviser company (if applicable)

Licensed dealer

Dealer Licence Number

ADVISER SIGNATURE

I/We request Millbrook Funds Pty Ltd to provide my/our financial advisor with access to my/our financial records in relation to my/our investment in the Millbrook Income Fund, and I/we agree that my/our financial advisor has the same powers as I/we do to make further investments in or withdrawals from Sub Schemes of the Fund. I/We release and discharge and agree to indemnify Millbrook Funds Pty Ltd from and against all actions, proceedings, accounts, claims and demands however arising out of the release of my/our information to our named financial advisor and Millbrook Funds Pty Ltd allowing our financial advisor to make further investments in or withdrawals from Sub Schemes of the Fund on our behalf.

SECTION 5: Additional investment enquirer

If you would like someone other than the Contact or Adviser to enquire about this investment, please provide us with their details here.

TitleGiven nameSurname

Company (if applicable)

I/We request Millbrook Funds Pty Ltd to provide my/our named additional person with access to my/our financial records in relation to my/our investment in the Millbrook Income Fund. I/We release and discharge and agree to indemnify Millbrook Funds Pty Ltd from and against all actions, proceedings, accounts, claims and demands however arising out of the release of my/our information to that person.

SECTION 6: Bank account details for distribution payment

Name that appears on the account

Name of financial institution

BSBAccount number

SECTION 7: Mortgage Allocation Facility (optional)

While invested in the ITD, Investors can participate in the Mortgage Allocation Facility (refer to the Information Memorandum Section 3 How to Invest 3.6 Mortgage Allocation Facility). Participating Investors will automatically be allocated available Mortgage Investments and then may opt out within the specified notice period. Refer to Information Memorandum for full details prior to completion. To participate you must tick the box.

Please tick

SECTION 8: Declaration and authorisation

(You should read the Information Memorandum before you apply for membership of the Fund)

I/We as Applicant declare (i) that I/we have read the entire Information Memorandum; (ii) that if an electronic copy of the Information Memorandum has been used, that I/we obtained the entire Information Memorandum, not just the application form; and (iii) that I/we have not obtained any personal financial advice from MILLBROOK FUNDS PTY LTD ABN 34 149 711 419 or any of its employees. I/We agree to be bound by the Information Memorandum, and provisions of the Fund's Constitution (as amended from time to time) and acknowledge that neither Millbrook Funds Pty Ltd nor any of its employees guarantee the performance of any Sub Scheme, the payment of interest or the repayment of capital. I/We acknowledge that any investment is subject to investment risk (as per section 7 of the Information Memorandum). I/We confirm that we have provided accurate and complete documentation requested for AML/CTF investor identification and verification purposes.



SECTION 9: Signing instructions for Joint Applicants and Multi-director Companies

If the application is signed by more than one person, who is authorised to give instructions to Millbrook Funds?

Signature A

☐ Any to sign

☐ All to sign

☐ Other (specify):

Name

Date

D

D

/

M

M

/

Y

Y

If a Company Officer or Trustee, SPECIFY your title:

☐ Director

☐ Sole Director

☐ Trustee

Name

Date

D

D

/

M

M

/

Y

Y

If a Company Officer or Trustee, SPECIFY your title:

☐ Director

☐ Sole Director

☐ Trustee

Signature B

☐ Director

☐ Sole Director

☐ Trustee

Name

Date

D

D

/

M

M

/

Y

Y

If a Company Officer or Trustee, SPECIFY your title:

☐ Director

☐ Sole Director

☐ Trustee

Signature C

☐ Director

☐ Sole Director

☐ Trustee

Name

Date

D

D

/

M

M

/

Y

Y

If a Company Officer or Trustee, SPECIFY your title:

☐ Director

☐ Sole Director

☐ Trustee

SECTION 10: How did you hear about Millbrook Group?

Cheques must be made payable to PERPETUAL CORPORATE TRUST LIMITED ACF MILLBROOK INCOME FUND. Only cheques in Australian currency and drawn on an Australian bank will be accepted. Your cheque(s) should be crossed NOT NEGOTIABLE.

Mail this completed Application Form with Identification and (if applicable) cheque to: Millbrook Funds Pty Ltd, Level 9, 30 Collins Street, Melbourne Vic 3000  
FOR DETAILS OF IDENTIFICATION REQUIREMENTS SEE PRECEDING "GUIDE TO COMPLETING APPLICATION FORM".

OFFICE USE ONLY

Member ID:

Date entered: / /

Entered by:

Approved:

Information Memorandum 31

# Appendix A

## Investor Identification Check

Investor type	Documents required
<b>Individual/Trustee/Director</b>	<p>You must supply <b>at least one Primary</b> document <b>OR at least two Secondary</b> documents</p> <p><b>Primary documents</b></p> <ul style="list-style-type: none"> <li>• Certified copy of Passport (Australian)</li> <li>• Certified copy of Australian Driver's Licence</li> <li>• Certified copy of Foreign Passport</li> <li>• Certified copy of Australian Citizenship Certificate</li> <li>• Certified copy of Full Birth certificate (not birth certificate extract)</li> </ul> <p><b>Secondary documents</b></p> <ul style="list-style-type: none"> <li>• Certified copy of Centrelink Card with reference</li> <li>• Certified copy of Australian Government Pension card</li> <li>• Certified copy of Department of Veterans Affairs card</li> <li>• Certified copy of Medicare Card</li> <li>• Certified copy of Notice from Australian Taxation Office</li> <li>• Certified copy of Notice issued by a Utilities Provider</li> <li>• Certified copy of Credit Card or Bank Account Card</li> <li>• Certified copy of Bank statement (showing transactions)</li> <li>• Certified copy of Taxation assessment notice</li> <li>• Certified copy of Property lease agreement – current address</li> </ul> <p><b>AND</b> As required for Wholesale investors – A Wholesale Investors Certificate from a CPA certifying net assets of \$2.5m</p>
<b>Companies</b>	<p><b>Provide the following:</b></p> <ul style="list-style-type: none"> <li>• One Primary document or Two Secondary documents (as above) for each director</li> <li>• ASIC Annual Company Statement</li> </ul> <p>As required for Wholesale investors – A certificate from a CPA certifying net assets of \$2.5m for the company</p>
<b>Trusts (including superannuation funds)</b>	<p>Provide <b>ALL</b> of the documents listed below and attach them to the Application Form:</p> <ul style="list-style-type: none"> <li>• Certified copy or Certified extract of the Trust Deed</li> <li>• Document listing each beneficiary or the details of each class of beneficiary if not included in the Trust Deed</li> </ul> <p><b>AND</b> in relation to the trustee, select the appropriate item:</p> <ul style="list-style-type: none"> <li>• if the trustee is an individual, provide verification material for individuals set out above, <b>OR</b></li> <li>• if the trustee is a company, provide verification material for the type of company set out above.</li> </ul> <p><b>Note: Each director/beneficiary with a stake of 25% or greater should be identified with One Primary document or Two Secondary documents.</b></p>

PEOPLE AUTHORISED TO CERTIFY DOCUMENTS (As described in Sect 39 of the Oaths and Affirmation Act 2018) such as:

- Member of the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants.
- Bank officer with 5 or more continuous years of service
- Financial adviser or financial planner
- Legal practitioner
- Medical practitioner – (Doctor, Chiropractor, Dentist, etc.)
- Nurse
- Occupational therapist
- Optometrist
- Pharmacist
- Post Office employee

# Corporate directory

## MANAGER

Millbrook Funds Pty Ltd  
Level 7, 1 Collins Street  
Melbourne VIC 3000

Telephone: 03 8663 1800

Email: [invest@millbrookgroup.com.au](mailto:invest@millbrookgroup.com.au)  
[millbrookgroup.com.au](http://millbrookgroup.com.au)

## DIRECTORS

David Lyall  
George Lyall

## AUDITOR

Derek Ng  
Grant Thornton Audit Pty Ltd  
Collins Square, Tower 5, Level 22, 727 Collins Street  
Melbourne VIC 3008

## CUSTODIAN

Perpetual Corporate Trust Ltd  
ABN 99 000 341 533 AFSL 392673  
Level 18, 123 Pitt Street  
Sydney NSW 2000

Millbrook Funds  
ABN 34 149 711 419

Level 7, 1 Collins Street  
Melbourne, Victoria 3000 Australia

03 8663 1800  
[millbrookgroup.com.au](http://millbrookgroup.com.au)

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