

ANGAS
PRIME



INVESTOR NEWS

JUNE 2018

End of Financial Year Is Approaching

Invest Now for a Target Rate of 6.5% p.a. Paid Monthly

As the end of the Financial Year approaches, many private investors are reviewing their portfolios with an eye to balancing capital growth with cash returns. The Angas Prime Income Fund ("Angas Prime") offers investors a Target Rate of cash paid monthly which is based on the expected performance of the Fund over the next quarterly period. Angas Prime has met its Target Rate each and every month since the Fund was launched. A Target Rate may vary from time to time during the 12 month term of the investment. It is reviewed by Angas quarterly in February, May, August and November each year. At its May 2018 meeting, the Angas Board confirmed the Target Rate of 6.5% for Angas Prime. Any change to the Target Rate will be advised to Angas Prime investors in writing and reflected immediately in distributions paid.

Angas Prime minimises the risk of a distribution shortfall by maintaining a Dedicated Reserve Account and adequately managing the income risk. The Dedicated Reserve Account comprises money specifically set aside by Angas Prime to meet losses arising from shortfalls of loan principal and interest which cannot be recovered from a Borrower or the realisation of Security Property. Once the management fee and target returns (currently 6.5%) have been paid, excess funds generated by the Fund are directed to the Dedicated Reserve Account. Angas Prime must manage market forces, and where possible, mitigate risk when determining the target rate. Often obtaining a better class of asset (security property) may result in lower rates being charged by the fund and a commensurate adjustment to the target rate of return.

Angas Prime keeps its investors informed of the performance of the Fund by means of a Quarterly Update published on its website. You can find the latest Quarterly Update by going to www.angasprime.com.au and following these links: **About Angas Prime > Updates**. Investors who wish to learn more about Angas Prime should contact Investor Relations Staff on 1800 010 800 and ask for a copy of the Product

Disclosure Statement ("PDS"). A copy of the PDS can also be downloaded from the Angas Prime website or by visiting an Angas office in Perth, Adelaide or Sydney. The PDS explains that the legal structure of Angas Prime is that of a Managed Investment Scheme being ARSN 091 887 400. Angas Prime has established a Compliance Committee whose role is to monitor its performance to ensure that investor funds are managed in accordance with its Constitution, Compliance Plan, the PDS, any subsequent disclosure document, and the law.

Welcome Back and Farewell Amongst Angas Administration Staff

We welcomed back Ariana Woods, our Office Manager, to Angas early in March this year after a period of parental leave. At the end of that month, we were sad to farewell Lyn Clare, Receptionist, after nearly ten years of service. Lyn was contacted by a number of Angas investors to wish her well in retirement. After an emotional day, Lyn thanked everyone at Angas for making her retirement day special. Lyn plans to spend her time volunteering with causes she is passionate about and caring for her grandchild. Angas wishes Lyn well and thanks her for her dedicated and professional service.



Administration Team: Ariana Woods and Lyn Clare

Brian Doherty Head of Funds Management

For the last two years, Brian Doherty in his role as Head of Funds Management, has consistently delivered results for Angas Prime investors.

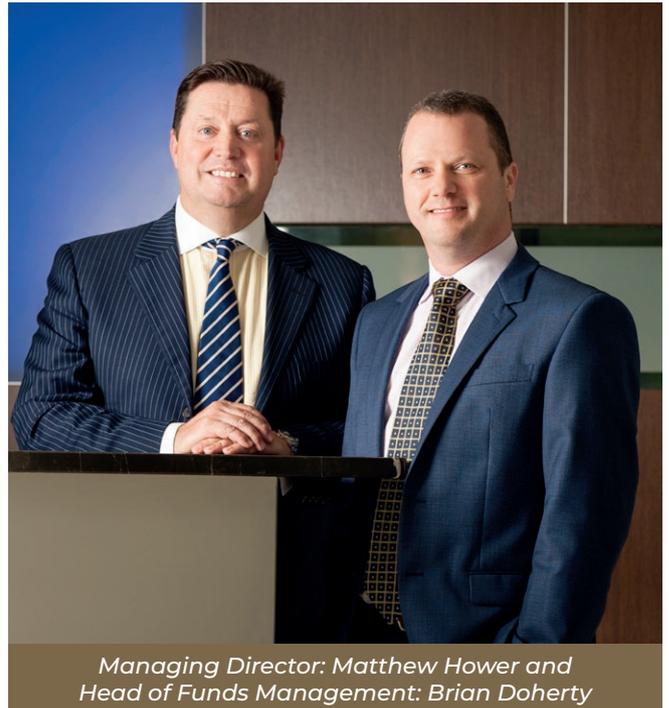
Since its establishment on 29 March 2000, Angas Securities Limited ("Angas"), the Responsible Entity for Angas Prime, has specialised in raising funds from the public for investment in first registered mortgages over real property.

There remains strong demand for the funding of commercial property loans within the qualitative lending parameters that Angas Prime requires. This has been enhanced by a drop in competition in recent years amongst non bank lenders. Angas holds AFSL number 232479 issued by ASIC and must meet all legislative requirements, including those relating to capital and reporting.

Angas Prime applies a security based lending approach to mortgage securities as an investment. There is a pooling of investments in the Angas Prime portfolio. The Fund is made up of cash and all individual mortgage investments in the portfolio. Angas Prime selects a range of securities and sets the loan to value ratio for each security without any input from an investor. The Angas Board of Directors determines the tolerance for risk of Angas Prime after taking into account the strategic objectives of the Fund and other factors including investor expectations.

Angas is responsible for ensuring material risks have been identified and appropriate and adequate control monitoring mechanisms and reporting are in place. Angas management is required to analyse the business risk in the context of Board expectations, specific business objectives and risk tolerance. Brian Doherty as Head of Funds Management is directly involved in this analysis together with members of his team.

Brian enjoyed a long association with Angas prior to his appointment in 2016 as Head of Funds Management. Brian's background is that he has worked in private practice in accountancy as well as stock broking. He joined Angas



*Managing Director: Matthew Hower and
Head of Funds Management: Brian Doherty*

from Morgans Stock Brokers who have previously been the nominated advisor to Angas for its listed securities. (Note, investments in the Angas Prime mortgage trust are not listed securities.) Brian regularly speaks to investors and prospective investors about the benefits and characteristics of investments in Angas Prime.

i Please feel free to contact Brian Doherty or any of the Angas Prime investor relations staff on 1800 010 800 or by visiting the Angas offices in Adelaide, Sydney and Perth. You may request a Product Disclosure Statement free of charge. There is no obligation to invest.

Investment Objective and Strategy

Angas Prime aims to provide its investors with income in line with the Target Rate by investing in a wide range of commercial loans secured by registered first mortgage primarily over security comprising residential and development land with broad geographic diversification across Australia. Almost all of the assets of the Fund will be invested in mortgages to enable Angas Prime to maximize returns to investors. There is no pre-determined liquidity reserve but a small amount of cash is always held by Angas Prime to meet expected cash requirements. To optimize performance in a range of market conditions, the Fund's portfolio will be diversified at a number of levels, including:

- number of loans;
- size of loans;
- loan sector (eg residential, commercial, etc); and
- geographic location.

SECURITY

In all cases, Angas Prime obtains a registered first mortgage over Real Property in Australia to support each and every loan accepted into the Fund. These mortgages must be first mortgages. Angas Prime will never accept a second mortgage as prime security. In addition to the registered mortgage, Angas Prime may and often will obtain additional collateral, such as general security agreements (company charges) and director guarantees. Where required, a current property insurance policy adequately covering any improvements on the Security Property is taken. Borrowers who take out secured loans from Angas Prime are often those who do not deal with traditional lenders such as banks or who may not meet the lending criteria of such lenders. Business proprietors, self employed or investors in property that do not generate sufficient income are amongst the class of typical borrowers from Angas Prime. Credit impairment may not necessarily be an impediment to Angas Prime making a loan. As a specialist non-bank lender, Angas Prime has the resources, expertise and lending criteria to deal with such Borrowers. Some of the features of the commercial property lending business conducted by Angas Prime are:

- as an asset based lender, Angas Prime places primary reliance on the first mortgage security that is held. Angas Prime can and does realise such security to obtain recovery of loan advances. This is done by

Angas Prime acting as mortgagee exercising power of sale or by the appointment of Receivers and Managers;

- loans are typically advanced for shorter periods than traditional lenders and initial loan terms are generally for one year; and
- the nature of Borrowers who obtain loans from Angas Prime and the short terms for which loans are advanced may lead to loan defaults at a higher rate than those of traditional lenders. The occurrence and management of such defaults are an ordinary part of the lending business carried on by Angas Prime.

The assessment of mortgage loan applications by Angas Prime involves consideration of the Real Property that Angas Prime will take as prime security together with any collateral security and an assessment of the credit worthiness of the Borrower and any other transacting parties to the loan. Angas Prime obtains current valuations, credit reference reports, undertakes general reference checking, reviews financial statements and assesses the impact of any other borrowings. The analysis is undertaken to determine the likelihood of recovering the loan advance that is to be made. The outcome of such analysis will determine whether or not Angas Prime will make a loan at all (many loan applications are denied), the amount of any such loan in terms of the maximum loan to value ratio, the length of the loan term and the necessary credit support such as collateral security. Associated with this analysis is a process of identity verification undertaken by Angas Prime in accordance with statutory requirements.

Another important aspect of risk mitigation in Angas Prime's commercial lending operations is for loan terms to generally coincide with investment terms. This is important for maintaining liquidity. Loans will generally not exceed one year for the initial term but may be extended from time to time subject to formal approval by Angas Prime.



Lending Team: Angelo Ciano, Esther Yong and Craig Williams

ANGAS
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ADELAIDE

Level 14, 26 Flinders Street,
Adelaide SA 5000

GPO Box 2948,
Adelaide SA 5001

Phone 08 8410 4343

Fax 08 8410 4355

SYDNEY

3 Spring Street,
Sydney NSW 2000

PO Box R1835,
Royal Exchange NSW 2000

Phone 02 9259 0777

PERTH

Suite 12, 448 Roberts Road,
Subiaco WA 6008

PO Box 1602,
Subiaco WA 6904

Phone 08 9380 4983

Fax 08 9380 4480

ANGAS PRIME

6.5%

TARGET RATE P.A.

INCOME PAID MONTHLY | VISIT WWW.ANGASPRIME.COM.AU

REGULATORY ADVICE

The investment offer is contained in the current Product Disclosure Document (PDS) which should be read carefully before investing. An investment in Angas Prime is not a bank deposit. There is a risk you could lose some or all of your principal and that you may receive lower than expected returns. There are certain limitations on your ability to withdraw from the Fund and withdrawal requests may take up to 12 months to process.

IMPORTANT NOTICE

This newsletter does not contain investment advice. You should carefully consider the content of our disclosure document and seek advice from your own qualified financial adviser. This newsletter contains general information only and does not take into account your individual objectives, financial situation or needs.

INVESTOR SERVICE LINE
1800 010 800