



INVESTOR NEWS

SEPTEMBER 2018

New Product Disclosure Statement Released

Angas Prime is a fund manager of a pooled first mortgage fund that is owned by its investors. Its objective is to pay market leading returns from investments in the Mortgage Loan Portfolio.

The principal activities of Angas Prime are to raise funds from investors seeking regular return on their capital, source and process applications for mortgage loan advances according to prudential guidelines and administer loans. This includes the collection of interest and principal, management of mortgage security and instructing solicitors, valuers and agents as required. This business is licensed by ASIC and is conducted pursuant to the Corporations Act. Full details are set out in a Product Disclosure Statement ("PDS") including disclosure by Angas Prime against ASIC's eight benchmarks and disclosure principles which are updated from time to time. An investment in Angas Prime is an agreement between Angas Prime governed by the terms and conditions set out in the PDS and the Constitution of the fund.

Loans made by Angas Prime are strictly for business purposes. Borrowers must warrant to Angas Prime that such is the case and provide verification. Angas Prime's borrowers are typically commercial operators with many years experience dealing with commercial lenders and are well used to driving a commercial outcome. Angas Prime is a first registered mortgage lender (no second mortgages). Typically, Angas Prime lends to borrowers for a term of one year with interest pre-paid for the term of the loan. This feature is essential to enable borrowers time to bring their product to the market. Loans will only be extended upon expiry if the value of the security warrants such an extension and other conditions set by Angas Prime have been met over the initial term of the loan. The PDS sets out how Angas Prime builds and operates its Mortgage Loan Portfolio. Some key features appear in the following pages.

Angas Prime borrowers enter into loan contracts of shorter duration and higher rates than those generally offered by banks. Angas Prime is not a bank. Angas Prime is a boutique investment business which provides asset backed loans. The rate of return to investors is not fixed but there is a target rate of return which is currently 6.5% per annum. The PDS sets out how Angas Prime sets this rate. The target has been met every month since Angas Prime commenced operations. Many factors are considered by Angas Prime in setting the target rate. The needs of all Angas Prime stakeholders are taken into account. The needs of investors are paramount. They own the fund which Angas Securities as Responsible Entity for Angas Prime manages on their behalf. Other considerations include the rate at which borrowers are willing to pay. Angas Prime must remain competitive, reward investors and staff,



Angas Directors: Matthew Hower, Andrew Luckhurst-Smith and Clive Guthrie

provide a platform to sustain and grow the business and maintain the focus of Angas Prime on providing market leading service.

In meeting these objectives, Angas Prime strongly supports a regulated financial system. It is true that regulation involves cost, can restrict flexibility in many instances and sometimes prevent innovation. But a licence to operate a financial services business is very valuable, as has been highlighted this year more than ever. Angas Prime could not operate as a commercial lender, were it not for the rule of law. Regulation provides a barrier to entry which benefits existing participants who have met the establishment and ongoing costs of compliance. A competitive financial system will deliver benefits for the broader community. Competition will deliver greater opportunities for both investors in financial products and consumers of the funds invested such as borrowers. The banks have won the battle for term deposits in recent years but at what cost? Bank interest rates are very low yet the amount of funding for commercial property finance by the banks is contracting.

These dynamics provide an opportunity for discerning investors to obtain good returns on a pooled first mortgage investment. By obtaining and carefully considering the Angas Prime PDS (recently updated) investors can make an informed choice between an investment that delivers higher risks (properly disclosed) and delivers higher return as an alternative to an investment which pays a low return. Angas Prime plays a vital role in the private economy of this nation by delivering real choice and value to private investors, and an alternative source of funding for suitably qualified borrowers.

i To learn more, call Angas Prime on 1800 010 800 or visit [Angas Prime in Sydney, Adelaide or Perth](#) to obtain a free copy of the new PDS. It is free and there is no obligation.

Mortgage Loan Portfolio

INVESTMENT OBJECTIVE AND STRATEGY

Angas Prime provides Investors with a Target Rate of return from a pool of loans secured by registered first mortgages. Investors' money is pooled together and invested collectively. Each Investor has a proportionate share in the entire mortgage portfolio rather than a specific interest in any particular mortgage. Angas Prime does not warrant to deliver a fixed rate of return. Angas Prime has a Target Rate. The ability to achieve this Target Rate is enhanced through the use of a Dedicated Reserve Account. This means that Angas Prime does not have to rely solely on borrower performance in order to meet its distributions to Investors each month.

Angas Prime aims to provide investors with income in line with the Target Rate by investing in a wide range of commercial loans secured by registered first mortgages primarily 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 maximise returns to Investors. There is no pre-determined liquidity reserve but a small amount of cash will be held by Angas Prime to meet forecast cash requirements.

To optimise performance in a range of market conditions, Angas Prime'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 obtain additional collateral, such as personal guarantees, general security agreements (company charges) and director guarantees. Where required, a current property insurance policy which adequately covers 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 income are amongst the class of typical borrowers from Angas Prime. Credit impairment will 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.



Investor Relations Manager Linley Vogel providing personalised service

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 never for longer than three years; and
- the nature of Borrowers who obtain loans from Angas Prime and the short terms for which loans are advanced can 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.

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, the amount of any such loan in terms of the maximum LVR, 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 risk mitigant of 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.

Mortgage Loan Portfolio

INVESTMENT PARAMETERS OF A LOAN

PARAMETER	COMMENT
Type of Loan	All loans must be secured by a first mortgage over Real Property in Australia
Loan to Value Ratio (LVR)	70% maximum when advanced (for construction loans, loan not to exceed 70% of the "on Completion" value)
Registered First Mortgage Security	All loans will be secured by way of registered first mortgage
Minimum Size of Loan	\$250,000.00 (Angas has a discretion to lend a lesser amount)
Target Loan Term	1-2 years
Geography	May be located in any geographic region of Australia
Asset Type	May be any type of Real Property, including office, retail, industrial, residential, land, construction or developments. Land zoned rural will not normally be accepted.

LOAN APPROVAL

The Credit Committee is a committee of Angas Prime that is responsible for the overall investment governance of Angas Prime and which closely monitors risks that affect the loans from the initial application until repayment. The members of the Credit Committee are skilled credit professionals with experience in credit management, property investment, property development, construction, commercial property finance, asset management and loan recovery.

Specifically the Credit Committee is responsible for the overall credit risk and investment strategy of Angas Prime including:

- recommending and approving investments for the fund;
- managing delegated lending authorities in relation to approving loans of the fund;
- monitoring loan positions and individual loan performance;
- monitoring loan covenants and ensuring Borrowers compliance with specific loan conditions;
- developing and reviewing the credit policies and procedures;
- monitoring implementation of credit policies and procedures; and
- setting risk limits, benchmarks and ranges.

LOAN TO VALUATION RATIO (LVR)

Angas Prime determines and regularly reviews the LVR policy for mortgage securities in the Fund. The Constitution permits lending to a maximum of 80% (but Angas Prime's policy is to lend to a maximum LVR of 70%). Different type of security properties will attract different LVR levels. A valuation for construction and development loans will set out the current valuation of the security property on an "as is" basis, the cost to complete the project, and a valuation based on "as if complete". For these loans, Angas Prime will retain sufficient funds to pay the costs to complete the project, Angas Prime will not release any funds until certified by the valuer or quantity surveyor that works to be completed have been completed satisfactorily and there is confirmation of costs required to complete the project.

ONGOING ASSET MANAGEMENT

Angas Prime is responsible for the active and ongoing management of each loan. Specifically, each loan is monitored to determine whether loan conditions are being satisfied and to instigate remedial action where necessary. Angas Prime discloses all defaults in its reports circulated to the Company's Board and the Compliance Committee. Where an interest payment is not made by the Borrower on or before the due date, the Borrower is contacted by Angas Prime within 3 days of the due date and immediate payment sought. Depending on the Borrower's response to the payment request Angas Prime may issue a default notice. Upon the issue of a default notice (whether immediately, or upon the continued failure of the Borrower to satisfy the relevant payment) recovery action will be taken.

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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.

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