Maxiron Monthly Income Trust
ARSN 618 038 609

ASIC RG45 Disclosure

As at 30 September 2021

DISCLAIMER

The responsible entity of the Maxiron Monthly Income Trust(Fund) is Primary Securities Ltd (Primary) (ACN 089 812 635, AFSL

224107). This document has been prepared as at 30 September 2021, and was published on 10 November 2021.

This information has been prepared by Primary for general information purposes only, without taking into account any potential investors' personal objectives, financial situation or needs. Before investing, you should obtain a copy of the PDS for the Fund and consider the appropriateness of the Fund for your own objectives, financial situation and needs. You should also consider obtaining financial, legal and/or taxation advice.

Primary does not receive fees in respect of the general financial product advice it may provide, however it will receive fees for operating the Fund which, in accordance with the Fund's Constitution, are calculated by reference to the assets of the Fund.

Entities related to Primary may also receive fees for managing the assets of, and providing resources to the Fund. To contact us, call (618) 9430 5262.

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information, however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Primary. Actual results may vary from any forecasts and any variation may be materially positive or negative.

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ASIC Regulatory Guide 45 Disclosures

The Australian Securities & Investments Commission (ASIC) requires responsible entities of unlisted mortgage schemes in which retail investors invest to provide a statement addressing ASIC's eight benchmarks and eight disclosure principles as set out in Regulatory Guide 45: Mortgage Schemes: Improving disclosure for retail investors (RG45).

The disclosure aims to help retail investors compare risks, assess the rewards being offered and decide whether the investments are suitable to them. Primary Securities Ltd (Primary), as responsible entity (RE) of the Maxiron Monthly Income Trust (Fund), presents the eight benchmarks and eight disclosure principles in this document in relation to the Fund.

This document should be read in conjunction with the following documents, which will be made available on Primary's website www.primarysecurities.com.au:

- the Fund's Product Disclosure Statement (PDS) dated 17 October 2021; and
- the financial statements in respect of the Fund which will be available following the end of each financial year

In accordance with the requirements of RG45, this statement will be updated for any material changes that the RE becomes aware of, and in any event, at least every six months as at 31 March and 30 September each year. The updated statement will be included on the RE's website www.primarysecurities.com.au.

If you need help about investing generally, speak to a licensed financial adviser. The Australian Securities and Investments Commission ("ASIC") can help you check if a financial adviser is licensed.

If you do not have an adviser, contact us and we can put you in touch with someone who can help. If you have questions about this Fund in particular, speak to your Adviser or call Primary on (618) 9430 5262 directly for more information.

Disclosure principles and Benchmarks

Benchmark and Disclosure Principle 1 – Liquidity

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

a) demonstrate the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months;

b) are updated at least every three months and reflect any material changes; and

c) are approved by the directors of the responsible entity at least every three months.

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

a) the current and future prospects of liquidity of the scheme;

b) any significant risk factors that may affect the liquidity of the scheme; and

c) the policy of the scheme on balancing the maturity of its assets with the maturity of its liabilities.

Description

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

Response

The Fund does not meet this benchmark.

The Lender retains at least 2% of Funds provided by each Class in a cash management account (with a target of 5% of Funds to be held in the cash management account). The cash management account is interest bearing and at call.

In addition to the money from Investors held in the cash management account, the Loan Management Agreement requires each Lender to undertake that each Lender will contribute $250,000 initial capital per Class, which sum is deposited in a cash management account.

The Fund meets this disclosure principle, by disclosing this in Section 4 of the PDS.

Benchmark and Disclosure Principle 2 – Fund borrowings

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

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

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

RG 45.76 – A responsible entity should also disclose:

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

Description

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

Response

The Fund meets this benchmark and disclosure principle.

Except the Securities granted to the Trust by the Lenders, neither the Trust nor the Lenders have short-term or long-term liabilities and neither has any intention of granting a security interest against Class Assets or the Lender's assets.

Benchmark and Disclosure Principle 3 – Loan portfolio and diversification

RG 45.44 – For a pooled mortgage scheme:

a) the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region;

b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets;

c) the scheme has no single borrower who exceeds 5% of the scheme assets; and

d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).

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

(a) by number and value:

(i) loans by class of activity (e.g. development or construction projects, industrial, commercial, retail, residential, specialised property, reverse mortgages);

(ii) loans by geographic region;

(iii) the proportion of loans that are in default or arrears for more than 30 days;

(iv) the nature of the security for loans made by the scheme (e.g. first or second ranking);

(v) loans that have been approved but have funds that have yet to be advanced and the funding arrangements in place for any of these undrawn loan commitments;

(vi) the maturity profile of all loans in increments of not more than 12 months;

(vii) loan-to-valuation ratios for loans, in percentage ranges;

(viii) interest rates on loans, in percentage ranges; and

(ix) loans where interest has been capitalised;

(b) the proportion of the total loan money that has been lent to the largest borrower and the 10 largest borrowers;

(c) the percentage of loans (by value) that are secured by second ranking mortgages;

(d) the use of derivatives (if any);

(e) a clear description of the non-mortgage assets of the scheme, including the value of such assets; and

(f) the scheme's diversification policy and how the assets correlate with that policy.

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

(a) the maximum loan amount for any one borrower;

(b) the method of assessing borrowers' capacity to service loans;

(c) the responsible entity's policy on revaluing security properties when a loan is rolled over or renewed; and

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

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

Description

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

Response

The Fund does not meet this benchmark and disclosure principle.

The Trust only lends to the Lenders. There is no diversification and all Funds will be paid to the Lenders.
The Lenders will only provide credit that is applied wholly or predominantly to business or investment purposes but for a variety of activities and geographic locations.
Lender M makes Loans to Borrowers secured by mortgages comprising on average no more than 80% of the value of the Property Securities for those Loans, secured mostly by First Mortgages with no more than 20% being Second Mortgages
Lender N makes Loans to Borrowers secured by mortgages comprising on average no more than 80% of the value of the Property Securities for those Loans secured mostly by Second Mortgages and subsequent mortgages with some First Mortgages.
The Loan diversification targets are set out under Lending Guidelines (section 5 of the PDS).

Benchmark and Disclosure Principle 4 – Related party transactions

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

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

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

Description

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

Response

The Fund does not meet this benchmark and disclosure principle.

The Manager and the Lenders are related parties, and their relationships are specified in the Class Loan Agreement.
No Loans are made by the Lenders to related parties.

Benchmark and Disclosure Principle 5 – Valuation policy

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

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

RG 45.91 – The responsible entity should disclose:

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

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

Description

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

Response

The Fund meets this benchmark and disclosure principle.

Except as set out below for Class N, the Lenders obtain full on-site valuations of Property Security prepare by an independent licensed Valuer selected from a panel.

Valuations must not be more than 6 months old and must be done on an "as is" basis.

The Lenders will not rely on any one valuer for more than 33% of the total number of Loan advances during the intended life of the Trust.

For Class N, if an individual Loan is to equal or less than $200,000 or the LVR is 70% or less, the Lenders may exercise their discretion to carry out an internal valuation rather than an on-site valuation.
The Trust may alter its Valuation Policy from time to time but only with the written consent of the Responsible Entity.

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

RG 45.56 – If the scheme directly holds mortgage assets:

a) where the loan relates to property development—funds are provided to the borrower in stages based on independent evidence of the progress of the development;

b) where the loan relates to property development—the scheme does not lend more than 70% on the basis of the latest 'as if complete' valuation of property over which security is provided; and

c) in all other cases—the scheme does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.

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

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

b) where funds are lent for property development:

(i) the criteria against which the funds are drawn down;

(ii) the percentage (by value) of the completion of any property that is under development as at the date of reporting; and

(iii) the loan-to-cost ratio of each property development loan as at the date of reporting.

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

Description

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

Response

The Fund does not meet this benchmark and disclosure principle as the Trust does not hold Mortgage Assets.

Lenders' Maximum Loan to Value Ratios

The Lenders lend to a maximum loan to value ratio (LVR) of 80% on "as is" basis. Lower LVR's will be required for various Property Security types and geographic locations.

Should the main security be a development site the Trust may lend to a maximum LVR of 70% on an 'as if complete' security.

Benchmark and Disclosure Principle 7: Distribution practices

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

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

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

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

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

Description

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

Response

The Fund meets this benchmark and disclosure principle.

The Responsible Entity pays distributions from interest received from the Lenders. The Lenders may fund the interest payable to the Responsible Entity from Fund borrowings.

Benchmark and Disclosure Principle 8: Withdrawal arrangements

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

RG 45.104 – The responsible entity should disclose:

- *a) the scheme's withdrawal policy and any rights that the responsible entity has to change the policy;*
- *b) the ability of investors to withdraw from the scheme when it is liquid;*
- *c) the ability of investors to withdraw from the scheme when it is non-liquid;*

d) *any significant risk factors or limitations that may affect the ability of investors to withdraw from the scheme;*

e) *how investors can exercise their withdrawal rights, including any conditions on exercising these rights;*

f) *the approach to rollovers and renewals, including whether the 'default' is that investments in the scheme are automatically rolled over or renewed;*

g) *if the withdrawals from the scheme are to be funded from an external liquidity facility, the material terms of this facility, including any rights the provider has to suspend or cancel the facility;*

h) *the maximum withdrawal period that applies to the payment of withdrawal requests when the scheme is liquid;*

i) *any rights the responsible entity has to refuse or suspend withdrawal requests; and*

j) *the policy of the scheme on balancing the maturity of its assets with the maturity of its liabilities and the ability of its members to withdraw (e.g. if a scheme has a policy of ensuring that sufficient assets are held in readily realisable investments to meet future withdrawal requests, the responsible entity should state this in its PDS, provide details of the source of the realisable investment and report against this in its ongoing disclosure).*

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

a) *the grounds (which must be verifiable) for the statement;*

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

c) *the basis for the statement (which must not be based only on an opinion of the directors of the responsible entity if there are no objective grounds to support that opinion); and*

d) *any significant risk factors that mean that withdrawal requests might not be satisfied within the expected period.*

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

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

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

Description

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

Response

The Fund does not meet this benchmark and disclosure principle.

This is an illiquid fund because at least 80% (by value) of the Class Assets are NOT:

(a) money in an account or on deposit with a Bank and is available for withdrawal immediately, or otherwise on expiry of a fixed term not exceeding 90 days, during the normal business hours of the bank; or

(b) Class Assets that the Responsible Entity can reasonably expect to realise

After Disclosure Date Events

As at the publication date, no matters or circumstances have arisen since 30 September 2021 which significantly affect or may significantly affect the disclosures found in this document.

Further Information