



# QUALITAS

Qualitas Real Estate Income Fund  
ARSN 627 917 971

## PRODUCT DISCLOSURE STATEMENT

### Important information

This Product Disclosure Statement contains important information for you as a prospective investor and requires your immediate attention. It should be read in its entirety. If you have any questions as to its contents or the course you should follow, please consult your stockbroker, accountant, solicitor or other professional advisor immediately.



Responsible Entity

Perpetual 

Manager

 QUALITAS

Lead Arranger and Joint Lead Manager

EVANS  
DIXON

ACN 125 338 785  
AFSL 318 075

Joint Lead Manager

Shaw  Partners  
an EFG company

ACN 003 221 583  
AFSL 236 048

## IMPORTANT NOTICES

The Qualitas Real Estate Income Fund ARSN 627 917 971 (**Trust**) is an Australian registered managed investment scheme.

This document is a Product Disclosure Statement (**PDS**) for the purposes of Part 7.9 of the *Corporations Act 2001* (Cth) (**Corporations Act**).

This PDS is issued by The Trust Company (RE Services) Limited ACN 003 278 831 AFSL 235 150 as responsible entity of the Trust (**Responsible Entity**) of Level 18, Angel Place, 123 Pitt Street, Sydney NSW 2001 Australia (referred to in this PDS as "we", "our" and "us").

The Responsible Entity is a member of the Financial Services Council (**FSC**) and complies with the standards of the FSC (**FSC Standards**) including FSC Standard No. 1: Code of Ethics & Code of Conduct. However, it has appointed service providers to provide certain services in relation to the Trust, some of which may not be members of the FSC. Where a service provider is a member of the FSC, the Responsible Entity has taken reasonable steps to ensure that the service provider will comply with all FSC Standards in providing the services in relation to the Trust. Where a service provider is not a member of the FSC, prior to the appointment of the service provider, the Responsible Entity has undertaken all appropriate and reasonable due diligence, establishes and maintains compliance monitoring, and complies with all applicable laws in relation to the appointment. Accordingly, you may not receive the full benefit or protection of the FSC Standards in relation to any services which are delegated to or provided by a service provider.

The Responsible Entity has appointed QRI Manager Pty Ltd ACN 625 857 070 (**QRI or Manager**) as the investment manager of the Trust and to provide investment services to the Trust pursuant to an Investment Management Agreement entered into between the Responsible Entity and the Manager.

Evans Dixon Corporate Advisory Pty Ltd ACN 137 980 520 (**Evans Dixon**) is acting as the Lead Arranger and Evans Dixon and Shaw and Partners Limited ACN 003 221 583 are acting as Joint Lead Managers to the Offer.

### Offer

This PDS is dated 11 September 2019 and a copy of this PDS has been lodged with the Australian Securities and Investments Commission (**ASIC**).

None of ASIC, ASX or their respective officers take any responsibility for the content of this PDS or the merits of the investment to which this PDS relates.

The Units will be prescribed capital markets products (as defined in the *Securities and Futures (Capital Markets Products) Regulations 2018*) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### References to the Trust and the Board

In this PDS, the term "the Trust" is used to refer to the Trust. The Trust is a registered managed investment scheme established under the *Corporations Act*.

Unless otherwise stated, references to "the Board" in this PDS are references to the board of directors of the Responsible Entity (**Directors**).

### Note to Applicants

This document is important and requires your immediate attention. It should be read in its entirety. You may wish to consult your professional advisor about its contents.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this PDS.

Any information or representation not contained in this PDS may not be relied on as having been authorised by the Responsible Entity or its Directors. You should rely on information in this PDS only.

The information contained in this PDS is not financial product advice and have been prepared without taking into account the investment objectives, financial situation or particular needs of any prospective investor. It is important to read this PDS carefully and in full before deciding whether to invest in the Trust. In particular it is important that, in considering this PDS, you consider the risk factors that could affect the financial performance of the Trust and your investment in the Units. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional advisor before deciding whether to invest. Some of the risk factors that should be considered by prospective Unitholders are set out in Section 8.

**No person named in this PDS, nor any other person, guarantees the performance of the Trust, the repayment of capital by the Trust, or the payment of a return on the Units.**

### ED Securities

Units in the Trust are 'ED securities' under the *Corporations Act*.

As a disclosing entity, the Trust is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Trust may be obtained from, or inspected at, an ASIC office.

Investors and other people may obtain from the Responsible Entity free of charge on request the following documents as soon as practicable and in any event within 5 days after receiving the request:

- the annual financial report most recently lodged with ASIC by the Trust;
- and half-year financial report lodged with ASIC by the Trust after lodgement of that annual financial report and before the date of this PDS; and
- any continuous disclosure notices given by the Trust after the lodgement of that annual report and before the date of this PDS.

Requests should be addressed to the Manager, by telephone at 1300 420 177 within Australia or +61 2 8022 8575 from outside Australia, or via email at [qualitas@automicgroup.com.au](mailto:qualitas@automicgroup.com.au) (between 9.00am and 5.00pm (AEST) Monday to Friday).

In addition, as the Units offered under this PDS are in a class of securities officially quoted on ASX, information is not required to be included in this PDS if the information is included in any of the documents described at paragraph (a), (b) or (c) above.

### Obtaining a copy of this PDS

This PDS is available to Australian investors in electronic form at the Trust Website: [www.qualitas.com.au/listed-investments/QRI](http://www.qualitas.com.au/listed-investments/QRI). The Offer under this PDS is available only to persons within Australia and New Zealand, other than to Eligible Wholesale Unitholders as part of the Wholesale Entitlement Offer. It is not available to persons in other jurisdictions (including in the United States). Persons having read a copy of this PDS in electronic form may, before the Offer Closing Date, obtain a paper copy of this PDS (free of charge) by telephoning 1300 420 177 within Australia or +61 2 8022 8575 from outside Australia during the Offer Period.

Refer to Section 2 for further information on how to apply for Units offered under this PDS.

### Financial Information

Section 9 sets out in detail financial information referred to in this PDS (**Financial Information**). The basis of preparation of the financial information is set out in Section 9.3.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed by the Australian Accounting Standards (**AAS**) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with the International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

The Financial Information is presented in an abbreviated form. It does not include all of the presentation and disclosures, statements and information required by the AAS and other mandatory professional reporting requirements applicable to general purpose financial reports in accordance with the *Corporations Act*.

All financial amounts contained in this PDS are expressed in Australian currency, unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this PDS are due to rounding.

Note, past performance is not a reliable indicator of future performance. There is no guarantee that the Trust will achieve, repeat or outperform the past performance of the Trust or the Qualitas Group and investors are cautioned not to place undue reliance on the Trust's and Qualitas Group's past performance.

### International Offer restrictions

This document does not constitute an offer of New Units in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Units may not be offered or sold, in any country outside Australia or New Zealand except to the extent permitted below.

### United States

This PDS may not be distributed to, or relied upon by, any person in the United States. In particular, the Units have not been, and will not be, registered under the *US Securities Act of 1933*, as amended (the **US Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the Units are registered under the US Securities Act or are offered and sold in transactions exempt from, or not subject to the registration requirements of the US Securities Act and any other applicable US securities laws.

### United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the New Units.

This document is issued on a confidential basis to “professional investors” (within the meaning of the Alternative Investment Fund Managers Directive) who are also “qualified investors” (within the meaning of section 86(7) of the FSMA) in the United Kingdom. The New Units may not be offered or sold in the United Kingdom by means of this document or any other document except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Units has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the issuer of the New Units.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the *Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (FPO)*, (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together “relevant persons”). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The New Units are being marketed in the United Kingdom in compliance with the National Private Placement Regime (within the meaning of *The Alternative Investment Fund Managers Regulations 2013*). The Trust’s most recent annual report and other information it has lodged with the ASX can be found on the websites of the Trust ([www.qualitas.com.au](http://www.qualitas.com.au)) and the ASX ([www.asx.com.au](http://www.asx.com.au)).

### Hong Kong

**WARNING:** This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Units have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO).

No advertisement, invitation or document relating to the New Units has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Units which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

### Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore (**MAS**) and, accordingly, statutory liability under the *Securities and Futures Act*, Chapter 289 (the **SFA**) in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. The Trust is not a collective investment scheme authorised under Section 286 of the SFA or recognised by the MAS under Section 287 of the SFA and the New Units are not allowed to be offered to the retail public.

This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Units may not be circulated or distributed, nor may the New Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to “institutional investors” (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an “institutional investor” (as defined under the SFA). In the event that you are not an “institutional investor”, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Units being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

### Canada (British Columbia, Ontario and Quebec only)

This document constitutes an offering of New Units only in the Provinces of British Columbia, Ontario and Quebec (the **Provinces**) and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such New Units. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are “accredited investors” within the meaning of NI 45-106 – *Prospectus Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Units or the offering of New Units and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Units or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Units in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the New Units outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Units.

The Trust as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Trust or its directors or officers. All or a substantial portion of the assets of the Trust and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against the Trust or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Trust or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

### Statutory rights of action for damages and rescission

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation.



These rights and remedies must be exercised within prescribed time limits and are subject to the defences contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Units purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Trust if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Trust. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Units during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Trust, provided that:

- (a) the Trust will not be liable if it proves that the purchaser purchased the New Units with knowledge of the misrepresentation;
- (b) in an action for damages, the Trust is not liable for all or any portion of the damages that the Trust proves does not represent the depreciation in value of the New Units as a result of the misrepresentation relied upon; and
- (c) in no case shall the amount recoverable exceed the price at which the New Units were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action.

These rights are in addition to and not in derogation from any other right the purchaser may have.

#### **Certain Canadian income tax considerations.**

Prospective purchasers of the New Units should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding, or disposition of the New Units as

any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

#### **Language of documents in Canada.**

Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Units (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

#### **Israel**

The New Units have not been registered, and no prospectus will be issued, under the *Israeli Securities Law – 1968* (the **Securities Law**) or the *Israeli Joint Investment Trust Law – 1994*. Accordingly, the New Units will only be offered and sold in Israel pursuant to applicable private placement exemptions namely (i) the offer will be made to no more than 35 offerees or (ii) to "Sophisticated Investors" described in the First Addendum of the Securities Law, subject to certain conditions. Sophisticated Investors will have to submit written evidence that they meet the definitions set out in the First Addendum to the Securities Law.

Neither this document nor any activities shall be deemed to be the provision of investment advice or invest marketing services. If any recipient in Israel of this document is not the intended recipient, such recipient should promptly return this document to the Trust. This document has not been reviewed or approved by the Israeli Securities Authority in any way.

#### **Offer to New Zealand investor warning**

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (the **FMCA**).

The New Units are not being offered to the public within New Zealand other than to existing unitholders of the Trust with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the **FMCA** and the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016*.

Other than through the Entitlement Offer, the New Units may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the **FMCA**;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the **FMCA**;
- is large within the meaning of clause 39 of Schedule 1 of the **FMCA**;
- is a government agency within the meaning of clause 40 of Schedule 1 of the **FMCA**; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the **FMCA**.

#### **Photographs and diagrams**

Photographs and diagrams used in this PDS that do not have descriptions are for illustration purposes only. They should not be interpreted to mean that any person shown in them endorses this PDS or its contents. Diagrams used in this PDS are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this PDS.

#### **Website**

Any references to documents included on the Trust Website ([www.qualitas.com.au/listed-investments/QRI](http://www.qualitas.com.au/listed-investments/QRI)) are for convenience only and none of the documents or other information available on the Trust Website are incorporated into this PDS by reference.

#### **Defined terms and time**

Defined terms and abbreviations used in this PDS have the meanings given in the glossary in Section 14 of this PDS. Unless otherwise stated or implied, references to times in this PDS are the legal time in Melbourne, Victoria, Australia (**AEST**).

#### **Updated information**

Information regarding the Offer may need to be updated from time to time. Any updated information that is considered not materially adverse to Unitholders will be made available on the Trust Website [www.qualitas.com.au/listed-investments/QRI](http://www.qualitas.com.au/listed-investments/QRI) and the Responsible Entity will provide a copy of the updated information free of charge to any investor who requests a copy by contacting the offer information line on 1300 420 177 within Australia or +61 2 8022 8575 from outside Australia, or via email at [qualitas@automicgroup.com.au](mailto:qualitas@automicgroup.com.au) (between 9.00am and 5.00pm (**AEST**) Monday to Friday).

In accordance with its obligations under the Corporations Act, the Responsible Entity may issue a supplementary or replacement PDS to supplement or replace any relevant information not disclosed in this PDS. You should read any supplementary or replacement disclosure(s) in conjunction with this PDS prior to making any investment decision.

#### **No cooling-off rights**

Cooling-off rights do not apply to an investment in Units pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

#### **Rights and obligations attached to Units**

The Units issued under the Offer will be fully paid and rank equally with existing Units from issue, including in respect of distributions paid from the date of issue.

Details of the rights and obligations attached to the Units are summarised in Section 2 and set out in the Constitution. A copy of the Constitution is available, free of charge, on request from the Manager.

#### **Electronic PDS**

This PDS will be available and may be viewed online at the Trust Website: [www.qualitas.com.au/listed-investments/QRI](http://www.qualitas.com.au/listed-investments/QRI). The information on the Trust Website does not form part of this PDS.

The Offer pursuant to this PDS is available to persons receiving an electronic version of this PDS. The Responsible Entity is entitled to refuse an Application for Units under this PDS if it believes the Applicant did not receive the Offer in Australia or New Zealand.

Any person accessing the electronic version of this PDS for the purpose of making an investment in the Trust must only access the PDS from within Australia or New Zealand. Applications for Units may only be made on either a printed copy of the personalised Entitlement and Acceptance Form or in the case of the Application Form via the electronic Application Form attached to the electronic version of this PDS, available on the Trust Website.

Units to which this PDS relates will only be issued on receipt of a personalised Entitlement and Acceptance Form or an Application Form issued together with this PDS whether it will be by a printed copy or an electronic Application Form.

### Taxation implications

Taxation implications applicable to Unitholders will vary from investor to investor. The Responsible Entity, their advisors and its directors and officers, do not accept any responsibility or liability for any tax consequences. You should consult your own professional tax advisor before subscribing for Units pursuant to the Offer.

Please refer to Section 10 for a summary of the main tax implications for Australian resident Unitholders who subscribe for Units pursuant to the Offer.

### Pay by BPAY®

Eligible Unitholders will receive a personalised Entitlement and Acceptance Form and can pay for Units using BPAY®.

Any BPAY® payment must be received by the Unit Registry by 5.00pm (AEST) on:

- (a) in relation to the Wholesale Entitlement Offer, the Wholesale Entitlement Offer Closing Date;
- (b) in relation to the Early Retail Entitlement Offer, the Early Retail Entitlement Offer Closing Date; and
- (c) in relation to the Retail Entitlement Offer, the Retail Entitlement Offer Closing Date.

### Applying by post and paying by cheque, bank draft or money order

Eligible Unitholders can apply by post and pay their Application Monies by cheque, bank draft or money order by completing their personalised Entitlement and Acceptance Form and following the instructions on the back of the Entitlement and Acceptance Form to lodge their Application.

Your Application Form and Application Monies must be posted so that they are received by the Unit Registry by 5.00pm (AEST) on:

- (a) in relation to the Wholesale Entitlement Offer, the Wholesale Entitlement Offer Closing Date;
- (b) in relation to the Early Retail Entitlement Offer, the Early Retail Entitlement Offer Closing Date; and
- (c) in relation to the Retail Entitlement Offer, the Retail Entitlement Offer Closing Date.

Applications and Application Monies received after 5.00pm (AEST) on the relevant Offer Closing Date will be returned to Applicants and Application Monies in respect of that Application will be refunded without interest. No brokerage or stamp duty is payable by Applicants.

During the Offer Period, any person may obtain a paper copy of this PDS free of charge by contacting Automic Pty Ltd (**Unit Registry**) on 1300 420 177 within Australia or +61 2 8022 8575 from outside Australia, or via email at [qualitas@automicgroup.com.au](mailto:qualitas@automicgroup.com.au) (between 9.00am and 5.00pm (AEST) Monday to Friday).

### When to apply

Completed Applications under the Offer must be received by 5.00pm (AEST) on the relevant Offer Closing Date.

The Trust may close the Offer at any time after the commencement of the relevant Offer Period or extend the period of the Offer without prior notice in accordance with the Corporations Act.

The Trust reserves the right to allot a number of Units with an aggregate value that is less than the Application Monies received. Where the value of Units allotted is less than the Application Monies received, surplus Application Monies will be refunded (without interest).

### Disclaimer

No person is authorised by the Responsible Entity, the Manager, the Lead Arranger or the Joint Lead Managers to give any information or make any representation in connection with the Offer that is not contained in this PDS. Any information or representation that is not contained in this PDS may not be relied on as having been authorised by the Responsible Entity, the Manager, their directors or any other person in connection with the Offer. The Trust's business, financial condition, operations and prospects may have changed since the date of this PDS.

Certain statements in this PDS constitute forward looking statements. These forward-looking statements are identified by words such as 'aim', 'anticipate', 'assume', 'believes', 'could', 'expects', 'intends', 'may', 'plan', 'predict', 'potential', 'positioned', 'should', 'target', 'will', 'would', and other similar words that involve risks and uncertainties. Investors should note that these statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements expressed, projected or implied in the statements.

These forward-looking statements are based on current expectations, estimates, and projections about the Trust's business and the industry in which the Trust invests and the beliefs and assumptions of the Manager and the Responsible Entity. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Responsible Entity's and Manager's control. As a result, any or all of the forward-looking statements in this PDS may turn out to be inaccurate. Factors that may cause

such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 8.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. The Responsible Entity and Manager do not make any assurance, express or implied, in relation to whether any forward-looking statements will actually eventuate.

These forward-looking statements speak only as at the date of this PDS. Unless required by law, the Responsible Entity or Manager does not intend to publicly update or revise any forward-looking statements to reflect new information, future events or otherwise. They are provided as a general guide only and should not be relied on as an indication or guarantee of future performance. You should, however, review the factors and risks the Responsible Entity describes in the reports to be filed from time to time with the ASX after the date of this PDS.

### Rounding

Some numerical figures in this PDS have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

### ASX Quotation

The Responsible Entity has applied to the ASX for the grant of official quotation of the Units to be issued under the Offer. It is expected that normal trading on the ASX will commence in relation to Units issued under the Entitlement Offer on:

- (a) in relation to the Wholesale Entitlement Offer, the Accelerated Offer Allotment Date;
- (b) in relation to the Early Retail Entitlement Offer, Accelerated Offer Allotment Date; and
- (c) in relation to the Retail Entitlement Offer and the Oversubscription Facility, the Offer Allotment Date.

The Responsible Entity will have no responsibility and disclaims all liability (to the maximum extent permitted by law, including for negligence) to persons who trade Units to be issued under the Offer before they are quoted on the ASX or before they receive their confirmation of issue, whether on the basis of confirmation of the allocation provided by the Responsible Entity, the Unit Registry, the Joint Lead Managers or otherwise.

### Enquiries

Applicants with enquiries concerning the Application Form or relating to this PDS and the Offer should contact the Qualitas Real Estate Income Fund Offer information line on 1300 420 177 within Australia or +61 2 8022 8575 from outside Australia, or via email at [qualitas@automicgroup.com.au](mailto:qualitas@automicgroup.com.au), or by live webchat available at [www.automic.com.au](http://www.automic.com.au).

### Glossary of terms

Defined terms and abbreviations included in the text of this PDS are set out in the glossary in Section 14.

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# KEY DATES & GENERAL INFORMATION

## KEY DATES

Announcement of the Offer and lodgement of PDS with ASIC	<b>Wednesday, 11 September 2019</b>
Wholesale Entitlement Offer Opening Date	<b>Wednesday, 11 September 2019</b>
Wholesale Entitlement Offer Closing Date	<b>Thursday, 12 September 2019</b>
Wholesale Shortfall bookbuild	<b>Thursday, 12 September 2019</b>
Results of the Wholesale Entitlement Offer announced	<b>Before open 10.00am (AEST) on Friday, 13 September 2019</b>
Record Date for Entitlement Offer	<b>7:00pm (AEST) on Friday, 13 September 2019</b>
Dispatch of PDS (including Entitlement and Acceptance Forms)	<b>Monday, 16 September 2019</b>
Early Retail Entitlement Offer Opening Date and Retail Entitlement Offer Opening Date	<b>Monday, 16 September 2019</b>
Early Retail Entitlement Offer Closing Date	<b>5.00pm (AEST) on Friday, 20 September 2019</b>
New Units applied for under the Wholesale Entitlement Offer, Wholesale Shortfall and Early Retail Entitlement Offer quoted on ASX on a deferred settlement basis	<b>Wednesday, 25 September 2019</b>
Allotment and normal trading on ASX of New Units issued under the Wholesale Entitlement Offer, Wholesale Shortfall and Early Retail Entitlement Offer	<b>Thursday, 26 September 2019</b>
Ex-date for the Trust's September monthly distribution	<b>Thursday, 26 September 2019</b>
Dispatch of holding statements for the Wholesale Entitlement Offer and Early Retail Entitlement Offer	<b>Friday, 27 September 2019</b>
Last day to extend the Retail Entitlement Offer Closing Date	<b>Thursday, 3 October 2019</b>
Retail Entitlement Offer Closing Date	<b>5.00pm (AEST) on Tuesday, 8 October 2019</b>
Shortfall Offer bookbuild	<b>Wednesday, 9 October 2019</b>
Announcement of any Shortfall under the Retail Entitlement Offer	<b>Friday, 11 October 2019</b>
Results of the Retail Entitlement Offer announced	<b>Thursday, 17 October 2019</b>
New Units and Additional New Units applied for under the Retail Entitlement Offer, Oversubscription Facility and Shortfall Offer quoted on ASX on a deferred settlement basis	<b>Thursday, 17 October 2019</b>
Allotment and normal trading of New Units and Additional New Units under the Retail Entitlement Offer, Oversubscription Facility and Shortfall Offer	<b>Friday, 18 October 2019</b>
Dispatch of holding statements for the Retail Entitlement Offer and Shortfall Offer	<b>Monday, 21 October 2019</b>

The dates above after 11 September 2019 are indicative only and may be subject to change. The Responsible Entity reserves the right to amend any and all of the above dates (excluding the announcement date of the Offer) without notice subject to the Corporations Act and the Listing Rules (including to close the Offer early, to extend the Retail Entitlement Offer Closing Date, to accept late Applications or to withdraw the Offer before the issue of New Units under the Offer). If the Offer is withdrawn before the issue of New Units, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

# KEY DATES & GENERAL INFORMATION **Continued**

## OFFER INFORMATION

Trust	<b>Qualitas Real Estate Income Fund</b>
ASX Code	<b>QRI</b>
Entitlement Offer ratio	<b>1 New Unit for every existing 1 Unit held at the Record Date</b>
Offer Price per New Unit	<b>\$1.60 per New Unit</b>
Maximum number of New Units that may be issued under the Entitlement Offer	<b>Approximately 166 million New Units</b>
Maximum gross proceeds from the Entitlement Offer	<b>Approximately \$266 million</b>

Any New Units and Additional New Units not applied for under the Entitlement Offer may be issued by the Directors at their absolute discretion within 3 months of the Retail Entitlement Offer Closing Date.

Before making a decision about participating in the Offer, you should seek advice from your stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser to determine whether it meets your objectives, financial situation and needs.

If you have any questions on how to:

- (a) complete the Entitlement and Acceptance Form which is included in or accompanies this PDS; or
- (b) take up your Entitlement either in full or in part; or
- (c) take up your Entitlement in full and apply for Additional New Units,

please call Automic Pty Ltd (**Unit Registry**) on 1300 420 177 within Australia or +61 2 8022 8575 from outside Australia, or via email at [qualitas@automicgroup.com.au](mailto:qualitas@automicgroup.com.au) between 9.00am and 5.00pm (AEST) Monday to Friday during the Offer Period.

If you have lost your personalised Entitlement and Acceptance Form and would like a replacement form, please call the number above.



# LETTER TO INVESTORS

Dear Investor,

It is with great pleasure that we invite you to participate in an offer to acquire New Units in the Qualitas Real Estate Income Fund (ASX:QRI) (the **Trust**). The Trust Company (RE Services) Limited ACN 003 278 831 is the responsible entity (**Responsible Entity**) of the Trust and QRI Manager Pty Ltd ACN 625 857 070 is the appointed investment manager (**Manager**).

The Manager is a wholly owned member of the Qualitas Group, a real estate investment management firm with an operating track record of 11 years investing in commercial real estate debt and equity on behalf of its investors with funds under management at the date of this PDS of \$2.3 billion. The Qualitas Team assists the Manager in performing its obligations in relation to the Trust.

In accordance with the Trust's Investment Strategy, investors will gain exposure (via its investment in the Qualitas Wholesale Real Estate Income Fund) to the commercial real estate finance market predominantly in Australia, where alternative lenders are currently able to capture attractive opportunities to provide secured real estate loans to commercial borrowers.

Our long term strategy is to continue to capture opportunities that will support organic growth and increase the scale of the Trust's investment activities, market presence and capital base.

## PERFORMANCE OF THE TRUST

The Trust listed on ASX on 27 November 2018 (**IPO**) with the aim of achieving a Target Return of 8.0% p.a. (net of fees and expenses),<sup>1</sup> and providing monthly cash income, capital preservation and portfolio diversification through a portfolio of quality performing loans secured by real property mortgages.<sup>2</sup> In June 2019, the Trust completed a placement of units to wholesale investors, raising approximately \$34.68 million (**Placement**) to invest in further loan opportunities.

Market conditions since the IPO were characterised by further growth in the commercial real estate debt market; good demand for investment and land loans; increased alternative lender competition; lower demand for mezzanine finance and subdued residential property market conditions.

Other market events centred around the conclusion of the banking Royal Commission, the Federal Election and certainty around policy, and the lowering of the RBA cash rate. The Manager expects that these events will generally improve both demand for, and supply of credit over the medium term.

Senior loans present the deepest pool of opportunities in the current market, as lower construction volumes have reduced demand for mezzanine finance. The Manager, seeing fewer high yielding investments at an acceptable level of risk, has continued to focus on quality deal structuring and risk management, constructing the Trust's portfolio with a lower risk/return profile than originally projected resulting in a higher proportion of capital invested in lower-risk senior loans.

The Manager is pleased with the credit quality and composition of the portfolio and has delivered a risk/return profile that is appropriate for the current market cycle and conditions. The Trust's portfolio as at 31 August 2019 provides exposure to 29 loans, diversified by borrower, loan type, property sector and geography.

Trust returns and distributions have increased with deployment of the Trust's capital. As at 31 August 2019, 81% of the capital raised from the IPO and the Placement had been deployed and the remainder allocated to investments. The Manager was pleased to deliver an annualised net return of 5.27% p.a. for the month of August. Distributions declared by the Trust since the IPO totalled 4.73 cents per Unit.<sup>3</sup> Past performance is however not necessarily indicative of future performance.

1 This is a targeted return only. There is no guarantee that the Trust will achieve its Investment Objective.

2 There is no guarantee that the Trust will achieve its Investment Objective. The payment of stable monthly cash income is a goal of the Trust only.

3 The Trust declared the August 2019 month distribution on 26 August 2019, which will be paid to Unitholders (as at the record date for the distribution) on or around 16 September 2019.

# LETTER TO INVESTORS **Continued**

The Manager believes that it has identified a strong pipeline to deploy the additional capital raised under this Offer into loans for both new and existing borrowers. The Manager believes that the additional capital raised under the Entitlement Offer will allow it to further grow and diversify the Trust's portfolio, capture increased market share within the commercial real estate finance market and reduce the operating costs of the Trust on a cost per Unit basis.

If there is a Shortfall under the Entitlement Offer, the Shortfall may be placed at the discretion of the Directors to new investors, which will expand the Trust's investor base and provide greater liquidity for Unitholders.

## BACKGROUND TO THE TRUST

The benefits of investing in the Trust include:

- Targeted stable monthly cash income;<sup>4</sup>
- Access to a Manager wholly owned by Qualitas Group;
- Diversified portfolio with capital preservation characteristics; and
- Quality risk management and corporate governance.

Investors should refer to Section 1.1 and Section 4 for further details.

Investment in the Trust is also subject to a number of risks including:

- Risks relating to the performance of the Investment Strategy and Manager;
- Risks relating to the operation of the Trust;
- Risks relating to the Trust's investments and portfolio;
- Risks relating to the Units being listed and trading on the ASX; and
- General investment risks relevant to any investment in Units.

Investors should refer to Section 8 for further details in relation to the risks involved in an investment in Units.

The Investment Strategy and processes that the Manager applies to the Trust are the same as those employed by the Qualitas Group across existing Qualitas Funds. However, investors should be aware that the historical performance of the Trust since IPO, and of the other existing unlisted Qualitas Funds, is not indicative of future performance of the Trust and it is important for investors to carefully review the risks associated with an investment in the Trust and Units as set out in detail in Section 8 and summarised in Section 1.1 of this PDS.

## THE OFFER

The Responsible Entity invites Eligible Unitholders to participate in the Entitlement Offer pursuant to which the Responsible Entity is seeking to raise approximately \$266 million (**Offer Proceeds**) at an Offer Price of \$1.60 per New Unit by issuing a maximum of approximately 166 million New Units.

The Entitlement Offer is an accelerated non-renounceable pro rata offer of New Units to existing Eligible Unitholders. Eligible Unitholders are invited to apply for 1 New Unit for every 1 existing Unit held as at the Record Date, being 7:00pm (AEST) on Friday, 13 September 2019. Eligible Unitholders who apply for their Entitlement in full under the Entitlement Offer may also apply for Additional New Units in excess of their Entitlement under the Oversubscription Facility.

Any New Units that are not applied for by Eligible Unitholders under the Entitlement Offer (including by way of the Oversubscription Facility) may be offered and issued to new investors at the absolute discretion of the Directors after the Retail Entitlement Offer Closing Date (**Shortfall Offer**). You should refer to Section 2.10 of this PDS for further information in relation to the Shortfall Offer.

For information in relation to the Trust's proposed use of the Offer Proceeds, you should read Section 2.4 and also Section 2.21 (which sets out the fees and other costs associated with the Entitlement Offer).

<sup>4</sup> The payment of stable monthly cash income is a goal of the Trust only.

The Manager is committed to ensuring an alignment of interests between the Manager, the Trust and the Unitholders. In this regard, the Manager will look to support the Trust as it progressively invests the additional capital raised under the Offer and has agreed with the Responsible Entity to a 50% waiver of its Management Fee. Under the terms of its agreement with the Responsible Entity, the Manager will charge a reduced Management Fee of 0.75% p.a. (exclusive of GST) (from 1.5375% p.a. to 0.7688% p.a.)<sup>5</sup> with respect to the proportion of NAV of the Trust that reflects the capital raised under the Offer that is not invested in qualifying assets, but only for such time that it is not so invested.<sup>6</sup> The Manager believes that sharing in the risks associated with the progressive deployment profile of the Trust's underlying asset class is an important commitment to demonstrate alignment and allow the Trust to grow to be of sufficient scale.

We encourage you to read this PDS carefully as it contains detailed information about the Trust and the offer of Units.

We thank you for your continued support for the Trust and look forward to welcoming any new Unitholders to the Trust.

Yours faithfully,



**Andrew Schwartz**

Group Managing Director and Co-Founder  
Qualitas Group

<sup>5</sup> Inclusive of GST, less RITC.

<sup>6</sup> Reduction in the Management Fee applies to uninvested capital represented by New Units issued under the Offer (including any Additional New Units), less the amount that has been committed and invested since the relevant date of Allotment of New Units (and any Additional New Units, if applicable). Reduction in the Management Fee to apply until such time that 95% of the capital raised under the Offer has been invested. To the extent that capital raised under the IPO and the Placement has not yet been invested in qualifying assets, such capital will be invested in qualifying assets before capital raised under the Offer will be so invested.

# 01.

## SUMMARY OF THE OFFER



# 01. SUMMARY OF THE OFFER

## 1. SUMMARY OF THE OFFER

This section is a summary only. This PDS should be read in full before making any decision to apply for Units in the Trust.

### 1.1 About the Trust

TOPIC	SUMMARY	FOR MORE INFORMATION
<b>What is the Trust?</b>	The Trust is an Australian registered managed investment scheme under Chapter 5C of the Corporations Act and is listed on the ASX. The Trust seeks to provide Unitholders with monthly cash income, capital preservation and portfolio diversification by investing in a diversified portfolio of investments with exposure to Australian and New Zealand secured real estate loans.	Section 4
<b>Who is the Responsible Entity?</b>	The Trust Company (RE Services) Limited ACN 003 278 831, a wholly owned member of Perpetual Ltd, is the Responsible Entity of the Trust. The Responsible Entity is responsible for management of the operations of the Trust. Whilst the Responsible Entity delegates investment management and administrative services to other entities, it retains ultimate responsibility for these functions.	Section 4.2
<b>Who is responsible for managing the affairs of the Trust?</b>	<p>The Responsible Entity has appointed:</p> <ul style="list-style-type: none"> <li>QRI Manager Pty Ltd ACN 625 857 070 as Manager of the Trust under the Investment Management Agreement;</li> <li>QRI Fund Services Pty Ltd ACN 627 791 575<sup>7</sup> (<b>Administrator</b>) as fund administrator under the Fund Services Agreement;</li> <li>Automic Pty Ltd ACN 152 260 814 (<b>Unit Registry</b>) as registry provider to the Trust under the Unit Registry Service Agreement; and</li> <li>Perpetual Corporate Trust Limited ACN 000 341 533 (<b>Custodian</b>) as custodian of the assets of the Trust under the Custody Agreement.</li> </ul> <p>The Responsible Entity may change these service providers without the consent of or provision of notice to Unitholders.</p>	Section 12
<b>Who is the Manager?</b>	<p>QRI Manager Pty Ltd is the Manager of the Trust, and is wholly owned by the Qualitas Group. The Qualitas Group is a real estate investment management firm focused on investing across the capital structure of real estate assets.</p> <p>Established in 2008, the Qualitas Group has been active in the major capital cities of Australia deploying institutional and wholesale capital, as well as investing from the Qualitas Group's own principal balance sheet.</p>	Section 5 for the Manager and Section 6 for the Qualitas Group
<b>What experience does the Qualitas Group have?</b>	<p>Since inception in 2008, the Qualitas Group has achieved a track record of strong returns and successful management of Invested Capital, with support from institutional and wholesale investors, both internationally and domestically.</p> <p>The Qualitas Group has experienced senior personnel specialising in commercial real estate debt and equity investments and has approximately \$2.3 billion<sup>8</sup> in funds under management.</p>	Section 6

<sup>7</sup> QRI Fund Services Pty Ltd is a wholly owned member of the Qualitas Group.

<sup>8</sup> As at 30 June 2019.



# 01. SUMMARY OF THE OFFER Continued

TOPIC	SUMMARY	FOR MORE INFORMATION
<b>What is the Trust's Investment Objective?</b>	The Trust's Investment Objective is to achieve a Target Return of 8.0% p.a. (net of fees and expenses), <sup>9</sup> and provide monthly cash income, capital preservation and portfolio diversification. The Trust seeks to achieve these objectives by investing in a diversified portfolio of investments that provides Unitholders with exposure to Australian and New Zealand secured real estate loans.	Section 4.5
<b>What is the Trust's Investment Strategy?</b>	The Manager invests the Trust's capital in a diversified portfolio of investments that provides Unitholders with exposure to predominantly Australian secured real estate loans. The Manager is also mandated to invest up to 20% of the portfolio in New Zealand secured real estate loans from time to time.	Section 4.6
<b>What is the Qualitas Wholesale Real Estate Income Fund?</b>	<p>The Trust gains exposure to a diversified portfolio of investments with direct and indirect exposure to predominantly Australian secured real estate loans via its investment in the Qualitas Wholesale Real Estate Income Fund (<b>Sub-Trust</b>). Other wholesale investors may also invest in the Sub-Trust from time to time.</p> <p>The Sub-Trust is an unregistered Australian unit trust. A wholly owned member of the Perpetual Group, The Trust Company Limited ACN 004 027 749 is the trustee of the Sub-Trust (<b>Sub-Trustee</b>).</p> <p>The Sub-Trustee has appointed the Manager as the investment manager of the Sub-Trust.</p> <p>The Sub-Trust will make direct investments or invest in various other wholesale funds (<b>Qualitas Funds</b>) which are managed by the Qualitas Group. The Sub-Trust is an open-ended, unlisted trust and is open to accept applications direct from wholesale investors.</p>	Section 4.7
<b>What is the Trust's Target Return?</b>	<p>The Target Return is 8.0% p.a. (net of fees and expenses).</p> <p>The Trust's Target Return is only a target and the actual return of the Trust may be lower than the Trust's Target Return. There is no guarantee that the Trust will achieve its Investment Objective or realise the Target Return.</p> <p>The actual net return of the Trust is dependent on a number of factors as outlined in Section 4.10, the Investment Timeline outlined in Section 4.12 and the prevailing market conditions as outlined in Section 3.1.</p> <p>There will be an Investment Timeline of a minimum of six months for the Manager to progressively invest the capital raised as part of the Offer (<b>Investment Timeline</b>). The actual pace of deployment of capital and the Investment Timeline (which may be earlier or longer than six-months) can impact Trust returns during the Investment Timeline. See Section 4.12 for further details.</p>	Sections 3.1, 4.5, 4.10 and 4.12

<sup>9</sup> This is a targeted return only. There is no guarantee that the Trust will achieve its Investment Objective.

## TOPIC

## SUMMARY

## FOR MORE INFORMATION

### What is the historical performance of the Trust since IPO?

The Manager has progressively invested the capital of the Trust raised at the IPO and through the Placement in accordance with the Trust's Investment Strategy and having regard to market conditions.

As at 31 August 2019, the Manager has invested 81% of the Trust's total capital since the IPO, including additional \$34.68 million of funds raised in the Placement completed on 27 June 2019.

Whilst capital has been progressively deployed in line with available and suitable investment opportunities, the pace of deployment has been slower than expected at the time of the IPO due to the slower holiday period in January 2019 and loans taking longer to settle in the current market. The undeployed capital of the Trust has been allocated to investments that the Manager expects to be deployed in due course.

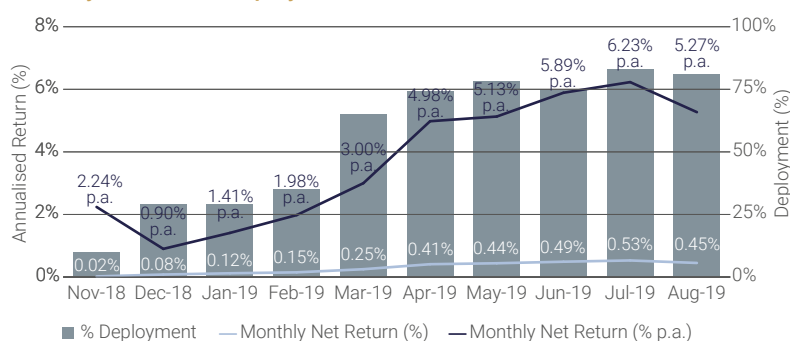
Trust returns and distributions have increased with deployment of capital. The Trust's annualised net return was 5.27% p.a.<sup>10</sup> for the month of August.

As at August 2019, the Trust's annualised net return since inception of 3.90% p.a.<sup>11</sup> is reflective of progressive deployment of capital.

The Trust's portfolio is presently characterised by lower risk-adjusted returns due to higher weighting to senior loans (first mortgage). The Manager is confident that the risk/return profile and composition of the Trust's portfolio is appropriate for the current market cycle and conditions and continues to focus on risk management, disciplined deployment and capital preservation.

The chart below outlines the Trust's monthly return and deployment since the IPO of the Trust up to August 2019:<sup>12</sup>

### Monthly Return and Deployment



The Trust has paid a monthly distribution since January 2019 whilst maintaining a relatively stable monthly NAV.

Past performance is not necessarily indicative of future performance. There is no guarantee that the Trust will achieve, repeat or outperform the past performance of the Trust or the Qualitas Group and investors are cautioned not to place undue reliance on the Trust's past performance.

<sup>10</sup> Monthly net return p.a. is calculated as the annualised net income earned for the month, divided by the weighted average NAV for that month.

<sup>11</sup> Net return since inception based on the average month end NAV since the Trust's IPO.

<sup>12</sup> Deployment represents the % of the Trust's total capital that has been committed and invested as at month end in investments, including the Trust Loan Receivable. Deployment as at 30 June 2019 includes the additional capital raised in the placement. Monthly net return p.a. is calculated as the annualised net income earned for the month, divided by the weighted average NAV for that month. Refer to the Trust's monthly performance reports released to the ASX on or about the 15th of each following month.

# 01. SUMMARY OF THE OFFER Continued

TOPIC	SUMMARY	FOR MORE INFORMATION
<b>What does the Qualitas Team do for the Qualitas Group?</b>	<p>The Qualitas Team is responsible for:</p> <ul style="list-style-type: none"> <li>• Originating and executing secured real estate loans for the Qualitas Group;</li> <li>• Portfolio and asset management for the Qualitas Group; and</li> <li>• Risk management for the Qualitas Group.</li> </ul> <p>The Qualitas Team will assist the Manager in performing its obligations in relation to the Trust.</p>	Section 4 for the Trust and Section 6 for the Qualitas Group
<b>How is the Trust's portfolio constructed?</b>	<p>The Trust's portfolio is constructed in accordance with the Investment Strategy and the Investment Principles and policies agreed with the Responsible Entity from time to time.</p> <p>The Manager adheres to the target portfolio composition. As at the date of this PDS, the existing target portfolio composition remains unchanged from that represented in the Trust's Supplementary PDS dated 9 November 2018. The following additional portfolio characteristics have been adopted by the Manager since the Supplementary PDS to reflect the Manager's current risk tolerance at the date of this PDS:</p> <ul style="list-style-type: none"> <li>• Investment in mezzanine loans with a target range representing 20-35% of Trust capital; and</li> <li>• No more than 15% of Trust capital to be invested in Arch Finance Warehouse Trust (AFWT) notes.</li> </ul>	Sections 4.6 and 4.8
<b>What is the current status of the Trust's target portfolio construction?</b>	<p>The Trust's portfolio has been constructed in accordance with the Investment Principles and is at the date of this PDS within the target portfolio composition:</p> <p><b>Loan type</b></p> <ul style="list-style-type: none"> <li>• Predominantly focused on senior (first mortgage) secured real estate loans, investing via the Qualitas Funds or directly into secured real estate loans; and</li> <li>• Exposure to mezzanine loans within a target range that represents 20-35% of Trust capital.</li> </ul> <p><b>Within target:</b> As at 31 August 2019, 83.3% senior loans</p> <p><b>Underweight:</b> As at 31 August 2019, 16.7% mezzanine exposure (comprising 11.9% AFWT notes, 4.8% mezzanine loans)</p>	Sections 4.8 and 4.9

TOPIC	SUMMARY	FOR MORE INFORMATION
What is the current status of the Trust's target portfolio construction? continued	<p><b>Geography and location</b></p> <ul style="list-style-type: none"><li>• ≤30% of the Trust's investments located in non-capital cities;</li><li>• Australian and New Zealand cities with resident population 100,000;<sup>13</sup> and</li><li>• ≤20% of the Trust's capital to be invested in loans (directly or indirectly) secured by property located in New Zealand.</li></ul> <p><b>Within target:</b> As at the date of this PDS, &lt;4% of the Trust's capital is invested in non-capital cities, 100% in Australian cities with population &gt; 100,000, 0% in New Zealand.</p> <p><b>Investment type</b></p> <ul style="list-style-type: none"><li>• ≤40% of the Trust's capital is to be directly invested in any single Qualitas Fund; and</li><li>• ≤15% of the Trust's capital to be invested in AFWT notes.</li></ul> <p><b>Within target:</b> As at the date of this PDS, the largest investment in a single Qualitas Fund is &lt; 21% of the Trust's capital and &lt;10% of the Trust's capital is invested in the Arch Finance Warehouse Trust notes.</p> <p>The diagram below shows the composition of the Trust's total capital as at 31 August 2019:</p> <div><div><div>Fund Commitments 4%</div><div>Investment Loans 16%</div><div>Construction Loans 19%</div><div>Pre-development Loans 39%</div><div>Trust Loan Receivable 3%</div><div>Cash 19%</div></div><div></div></div> <p>The Trust's portfolio is also constructed to achieve diversification by investment type, loan type, geography, property sector and borrower as detailed in Section 4.8.</p> <p>The Manager is pleased with the current composition of the portfolio which it considers reflects a lower risk/return profile that originally projected and appropriate for the Trust on the basis of current market conditions.</p>	Sections 4.8 and 4.9

<sup>13</sup> Excludes investments in the AFWT.

# 01. SUMMARY OF THE OFFER Continued

TOPIC	SUMMARY	FOR MORE INFORMATION
<b>What distributions has the Trust paid since the IPO?</b>	<p>The Responsible Entity declared the Trust's first distribution on 21 December 2018 and commenced paying distributions to Unitholders monthly on and from 10 January 2019. Distributions declared by the Trust since IPO have totalled 4.73 cents per Unit as at the date of this PDS, which includes the distribution declared on 26 August 2019 of 0.737 cents per Unit and will be paid to Unitholders (as at the record date for the distribution) on or around 16 September 2019. Past performance is not necessarily indicative of future performance.</p> <p>The Responsible Entity intends that the quantum of distributions match the income (net of fees and expenses) generated by the Trust. Investors should note that distributions are paid at the discretion of the Responsible Entity on the recommendation of the Manager and whether or not a distribution is paid, and the quantum of such distribution (if one is paid), may depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects and other factors the Responsible Entity deems relevant. The Responsible Entity reserves the right to amend the distribution policy of the Trust having regard to the Manager's recommendations.</p> <p>The Trust has established a Distribution Reinvestment Plan (<b>DRP</b>). Please refer to the <b>DRP</b> available on the Trust's website and lodged with the ASX on 25 July 2019. Unitholders who have not provided the Unit Registry with bank account details for the payment of cash distributions will be deemed to have elected to reinvest the whole of any cash distributions to which they are entitled to receive in additional Units in the Trust in accordance with the terms of the <b>DRP</b>.</p>	Section 4.11
<b>How are the Trust's investments structured?</b>	<p>To achieve the Investment Strategy and target portfolio construction, the Trust invests in the Sub-Trust.</p> <p>The Sub-Trust invests in direct secured real estate loans, units in Qualitas Funds and Arch Finance Warehouse Trust notes consistent with the Investment Objectives and Investment Strategy detailed in Sections 4.5 and 4.6 of this PDS, respectively.</p>	Section 4.7



TOPIC	SUMMARY	FOR MORE INFORMATION
<b>What are the key highlights of the Offer?</b>	<p>The Trust seeks to provide Unitholders with the following:</p> <ul style="list-style-type: none"> <li>• <b>Targeted stable monthly cash income<sup>14</sup></b> <ul style="list-style-type: none"> <li>» Monthly cash distributions,<sup>15</sup> which the Manager expects will continue.</li> <li>» The Manager continues to focus on risk management and disciplined deployment of the Trust's Capital.</li> </ul> </li> <li>• <b>Access to a Manager, wholly owned by Qualitas Group</b> <ul style="list-style-type: none"> <li>» The Trust has been operating for 9 months and the Manager has delivered an annualised Trust net return of 5.27% p.a.<sup>16</sup> for the month ended 31 August 2019.</li> <li>» The Qualitas Group has an 11-year track record of strong returns and successful management of Invested Capital on behalf of institutional and wholesale investors, both internationally and domestically; and</li> <li>» The Qualitas Team has extensive experience encompassing all aspects of origination, structuring, negotiation and execution of secured real estate loans as well as managing portfolio risks.</li> </ul> </li> <li>• <b>Diversified portfolio with capital preservation characteristics</b> <ul style="list-style-type: none"> <li>» The Trust offers exposure to the commercial real estate finance market which has been historically inaccessible by retail investors.</li> <li>» All loans within the portfolio are secured by either a first or second real property mortgage as the primary source of security, which supports capital preservation.</li> <li>» The Trust portfolio is currently characterised by lower risk-adjusted returns and sound loan performance, with no loans in arrears.<sup>17</sup></li> <li>» The portfolio is diversified by investment type, loan type, property sector and geography.</li> </ul> </li> <li>• <b>Quality risk management and corporate governance</b> <ul style="list-style-type: none"> <li>» The Qualitas Advisory Board and dedicated internal committees maintain oversight over finance, operations, internal governance and investment policies.</li> <li>» The Qualitas Group applies a highly selective investment filtering and due diligence process, involving the Qualitas Group's Investment Approval Group and various investment committees (amongst others) as well as active asset management throughout the life of the investment involving the Portfolio Asset Management Committee.</li> </ul> </li> </ul>	

<sup>14</sup> The payment of stable monthly cash income is a goal of the Trust only.

<sup>15</sup> The Responsible Entity reserves the right to amend the distribution policy of the Trust.

<sup>16</sup> Monthly net return p.a. is calculated as the annualised net income earned for the month, divided by the weighted average NAV for that month.

<sup>17</sup> As at 31 August 2019, on a look through-basis (excluding AFWT loan portfolio), in arrears by 90 days or more.

# 01. SUMMARY OF THE OFFER Continued

TOPIC	SUMMARY	FOR MORE INFORMATION
<b>What are the key risks associated with an investment in the Trust?</b>	<p>There are a number of risks associated with investing in the Trust which are set out in detail in Section 8. A summary of those risks is outlined below:<sup>18</sup></p> <ul style="list-style-type: none"> <li>• Risks relating to the Investment Strategy and Manager <ul style="list-style-type: none"> <li>» There is no guarantee the Trust will be successful in meeting the Investment Objective;</li> <li>» The Responsible Entity has limited rights to terminate the Investment Management Agreement including for underperformance;</li> <li>» There is a risk relating to key staff, including the departure of key personnel; and</li> <li>» There are risks in relation to the Trust Loan Receivable.</li> </ul> </li> <li>• Risks relating to the Trust <ul style="list-style-type: none"> <li>» The Trust has a limited operating history or track record;</li> <li>» There is risk that distributions may not be paid;</li> <li>» There is no guarantee the Manager will find appropriate investments or be able to fully deploy the Trust's capital;</li> <li>» There are risks in relation to currency and interest rate hedging;</li> <li>» The Trust's service providers may fail to comply with their contractual obligations;</li> <li>» There are risks relating to conflicts of interest that the Manager or Responsible Entity may encounter; and</li> <li>» There may be risks associated with regulatory approvals.</li> </ul> </li> <li>• Risks relating to the portfolio <ul style="list-style-type: none"> <li>» The risk of underperforming investments;</li> <li>» The risk that borrowers with respect to the underlying secured real estate loans may be unable to meet obligations;</li> <li>» This risk that the due diligence processes undertaken by the Qualitas Group may not reveal relevant facts or risks;</li> <li>» There is a risk that the security provided by borrowers may be insufficient;</li> <li>» There are risks relating to construction and development loans;</li> <li>» There may be systemic risks;</li> <li>» There is a risk relating to movements in interest rates;</li> <li>» There may be risks resulting from early repayment of secured real estate loans;</li> <li>» There are risks relating to commercial real estate being a relatively illiquid asset;</li> <li>» There are risks relating to real estate valuations;</li> <li>» There may be force majeure risk; and</li> <li>» There may be political and regulatory risks.</li> </ul> </li> </ul>	Section 8

<sup>18</sup> The risks in this section are not an exhaustive list; not all risks can be predicated or foreseen.

TOPIC	SUMMARY	FOR MORE INFORMATION
<b>What are the key risks associated with an investment in the Trust?</b> continued	<ul style="list-style-type: none"> <li>Risks relating to the Units being quoted on the ASX <ul style="list-style-type: none"> <li>» There is a risk that units may trade at a discount to NAV per Unit;</li> <li>» There is the risk that Unit prices may be volatile; and</li> <li>» There is a risk relating to liquidity of Units.</li> </ul> </li> <li>General investment risks including economic, taxation, litigation, and cyber security risks are also relevant to any investment in Units.</li> </ul>	Section 8
<b>Has the Trust incurred any debt since the IPO?</b>	<p>The Trust has not to date (since IPO) incurred any debt.</p> <p>In accordance with the Trust's borrowing policy, The Trust may use debt for general working capital and capital management purposes. The Trust's gearing policy limits debt borrowings to up to 10% of the Trust's NAV.</p>	Section 4.17
<b>What are the fees and costs payable by the Trust?</b>	<p>The fees payable by the Trust include:</p> <ul style="list-style-type: none"> <li>A <b>Responsible Entity Fee</b> of between 0.03% to 0.05% p.a. (inclusive of GST, less RITC<sup>19</sup>) of the Trust's NAV, payable quarterly in arrears by the Trust to the Responsible Entity;</li> <li>A <b>Management Fee</b> of 1.5375% p.a. (inclusive of GST, less RITC) of the Trust's NAV, payable monthly out of the Trust to the Manager;</li> <li>A <b>Performance Fee</b> of 20.5% (inclusive of GST, less RITC) over any monthly Net Income of the Trust that is above 8.0% p.a. of Average Adjusted NAV over the Performance Calculation Period (Section 7). The Performance Fee is calculated and accrued monthly on and from 1 July 2019 and paid annually in arrears to the Manager. As per the Trust's IPO PDS, the Performance Fee was not payable in respect of the period from the Trust's IPO to 30 June 2019;</li> <li><b>Recoverable expenses</b> of between 0.29% to 0.42% p.a. (inclusive of GST, less RITC) of the Trust's NAV, payable monthly out of the Trust to the Manager; and</li> <li><b>Indirect costs</b> of between 0.03% and 0.05% (inclusive of GST, less RITC) of the Trust's NAV, payable by the Qualitas Funds.</li> </ul> <p>While the Investment Management Agreement remains in force, the Trust will not be required to pay any management or performance fees in respect of investments in the Sub-Trust or the Qualitas Funds other than the fees payable to the Manager under the Investment Management Agreement. To the extent any such fees are paid by the Trust, they will be rebated to the Trust.</p> <p>The Manager is committed to ensuring an alignment of interests between the Manager, the Trust and the Unitholders. In this regard, the Manager will look to support the Trust as it progressively invests the additional capital raised under the Offer and has agreed with the Responsible Entity to a 50% waiver of its Management Fee. Under the terms of its agreement with the Responsible Entity, the Manager will charge a reduced Management Fee of 0.75% p.a. (exclusive of GST) (from 1.5375% p.a. to 0.7688% p.a. inclusive of GST less RITC) with respect to the proportion of NAV of the Trust that reflects the capital raised under the Offer that is not invested in qualifying assets, but only for such time that it is not so invested.<sup>20</sup></p>	Section 7.2

<sup>19</sup> RITC means Reduced Input Tax Credit.

<sup>20</sup> Reduction in the Management Fee applies to uninvested capital represented by New Units issued under the Offer (including any Additional New Units), less the amount that has been committed and invested since the relevant date of Allotment of New Units (and any Additional New Units, if applicable). Reduction in the Management Fee to apply until such time that 95% of the capital raised under the Offer has been invested. To the extent that capital raised under the IPO and the Placement has not yet been invested in qualifying assets, such capital will be invested in qualifying assets before capital raised under the Offer will be so invested.

# 01. SUMMARY OF THE OFFER Continued

TOPIC	SUMMARY	FOR MORE INFORMATION
<b>Examples of fees payable to the Manager</b>	Worked examples of the Management Fee payable following completion of the Offer are set out in Section 7.3.	Section 7.3
<b>What are the key terms of the Investment Management Agreement?</b>	<p>The Manager has entered into an Investment Management Agreement with the Responsible Entity. The Investment Management Agreement has an initial term of 10 years from the date of the Trust's IPO, being 27 November 2018. After the initial term, the Investment Management Agreement will be automatically extended until terminated.</p> <p>The Manager is responsible for:</p> <ul style="list-style-type: none"> <li>Identifying investment opportunities through in-depth analysis;</li> <li>Undertaking due diligence to provide information necessary for the Responsible Entity to consider each investment opportunity. Subject to its duties at law, the Responsible Entity may not acquire or dispose of assets unless it has received a recommendation from the Manager, confirming that the Manager has followed all appropriate processes and controls in assessing the acquisition or disposal of an investment;</li> <li>Managing the execution of the Trust's Investment Strategy;</li> <li>Assisting in procuring third party advisors to provide support, where required, in the assessment of investment opportunities and provide other third-party services as reasonably required; and</li> <li>Advising, providing recommendations and executing exit strategies.</li> </ul> <p>The Investment Management Agreement contains clauses which govern the Manager's duties and obligations, provides reciprocal indemnities in favour of the Manager and the Responsible Entity, details how the Responsible Entity may be retired and replaced, legislates how the agreement may be terminated, details the fees payable to the Manager and contains other clauses which are common for an investment management agreement.</p>	Sections 5, 7 and 12.1
<b>What is the Trust Loan Receivable and has its terms been varied since the IPO?</b>	<p>The Trust initially provided a working capital loan to the Manager to pay the costs and expenses incurred in relation to the IPO, which was varied and extended for the purposes of paying the costs and expenses of the Placement (<b>Trust Loan Receivable</b>). The Trust Loan Receivable is limited to an amount of 3.5% of the NAV of the Trust at any time. The outstanding balance on the Trust Loan Receivable was \$8.80 million as at 31 August 2019.</p> <p>The Manager is required to pay principal and interest on the Trust Loan Receivable each month, over a 10 year term from the date of the most recent drawdown.</p> <p>Qualitas Property Partners Pty Ltd ACN 137 928 155 (<b>QPP</b>), a member of the Qualitas Group, has guaranteed the Trust Loan Receivable.</p> <p>Details are contained in the Trust Loan Receivable agreement between the Responsible Entity and the Manager.</p>	Sections 4.21 and 12.3
<b>Who is the Custodian of the Trust?</b>	Perpetual Corporate Trust Limited ACN 000 341 533, a wholly owned member of the Perpetual Group, is the Custodian of the assets of the Trust.	Section 4.22

TOPIC	SUMMARY	FOR MORE INFORMATION
<b>What is the financial position of the Trust?</b>	<p>The financial accounts for the Trust for the half year ended 31 December 2018 were audited by KPMG and were released to the ASX on 20 February 2019.</p> <p>The financial accounts for the Trust for the year ended 30 June 2019 were audited by KPMG and were released to the ASX on 22 August 2019.</p> <p>Unaudited pro-forma financial information (<b>Financial Information</b>) of the Trust's current financial position and expected financial position on completion of the Offer are set out in Section 9.</p>	Section 9
<b>Will any related party have a significant interest in the Trust or Offer?</b>	<p>QPP currently holds Units in the Trust valued at \$10.0 million.<sup>21</sup></p> <p>Employees of the Manager will be given an opportunity to participate in the Shortfall Offer.</p>	Section 2.10
<b>Information on the Constitution</b>	<p>The Constitution is the document which governs the relationship between the Responsible Entity and Unitholders. The key terms of the Constitution are summarised in Section 12.4.</p>	Section 12.4
<b>What are the Trust's Material Contracts?</b>	<p>The Trust's material contracts (together, <b>Material Contracts</b>) are the:</p> <ul style="list-style-type: none"> <li>• Investment Management Agreement;</li> <li>• Offer Management Agreement;</li> <li>• Trust Loan Receivable agreement; and</li> <li>• Trust Constitution.</li> </ul>	Section 12
<b>What is the Trust's valuation policy?</b>	<p>The Trust's valuation policy is set out in Section 4.24.</p> <p>The Trust's NAV is calculated and released to the ASX monthly. The value of the Trust's investments are calculated in a way that is consistent with current market practices and regulatory requirements.</p> <p>The NAV of the Trust will reflect the fair value of the investments, specifically the carrying value of the secured real estate loans at amortised cost less any impairment until the date of expiry of the loan, in accordance with the ASX Listing Rules and Australian Accounting Standards (<b>AAS</b>).</p>	Section 4.24

<sup>21</sup> Calculated based on NAV of \$1.60.



# 01. SUMMARY OF THE OFFER Continued

## 1.2 ABOUT THE OFFER

TOPIC	SUMMARY	FOR MORE INFORMATION
Who is the issuer?	The Trust Company (RE Services) Limited in its capacity as Responsible Entity of the Trust.	Section 4.2
What is the Offer?	<p>This PDS relates to an offer to subscribe for New Units in the Trust comprising:</p> <ul style="list-style-type: none"> <li>• <b>Entitlement Offer:</b> an accelerated pro rata non-renounceable entitlement offer under which Eligible Unitholders are invited to apply for 1 New Unit for every 1 existing Unit held on the Record Date at \$1.60 per New Unit (the <b>Offer Price</b>);</li> <li>• <b>Oversubscription Facility:</b> an oversubscription facility, which provides Eligible Unitholders who take up their Entitlement in full the opportunity to apply for Additional New Units in excess of their Entitlements at the Offer Price; and</li> <li>• <b>Shortfall Offer:</b> any New Units that are not taken up by Eligible Unitholders under the Entitlement Offer (including by way of the Oversubscription Facility) may be offered to new investors at a price not less than the Offer Price.</li> </ul> <p>All New Units (and Additional New Units, if applicable) issued under the Offer will rank equally with existing Units on issue including any entitlement to distributions paid after the relevant date of Allotment for those Units.</p> <p>The Record Date for the Entitlement Offer is 7.00pm (AEST) on Friday, 13 September 2019.</p> <p>The dates of Allotment of Units under the Entitlement Offer are:</p> <ul style="list-style-type: none"> <li>• In relation to the Wholesale Entitlement Offer, Early Retail Entitlement Offer and the Wholesale Shortfall (defined below), the Accelerated Offer Allotment Date, being Thursday, 26 September 2019;*</li> <li>• In relation to the Retail Entitlement Offer, the Offer Allotment Date, being Friday, 18 October 2019; and</li> <li>• In relation to the Oversubscription Facility (including any Additional New Units applied for by Wholesale Unitholders during the Wholesale Entitlement Offer Period and not issued to new investors under the Wholesale Shortfall), the Offer Allotment Date, being Friday, 18 October 2019.</li> </ul> <p>* Any New Units not applied for by Eligible Wholesale Unitholders under the Wholesale Entitlement Offer (<b>Wholesale Shortfall</b>) may be offered to new wholesale investors during the Wholesale Entitlement Offer Period before being made available under the Oversubscription Facility. Allotment of New Units applied for under the Wholesale Shortfall will occur on the Accelerated Offer Allotment Date, being Thursday, 26 September 2019.</p> <p>Any New Units and Additional New Units not applied for under the Entitlement Offer (the <b>Shortfall</b>) may be issued by the Directors at their absolute discretion within 3 months of the Retail Entitlement Offer Closing Date.</p> <p>These dates are subject to change without prior notice.</p>	Section 2.1

TOPIC	SUMMARY	FOR MORE INFORMATION
<b>What is my Entitlement?</b>	<p>Your Entitlement is the invitation personal to you under the Entitlement Offer to apply for 1 New Unit at the Offer Price for every 1 Unit you hold as at the Record Date. Your Entitlement will be noted on your personalised Entitlement and Acceptance Form that accompanies this PDS.</p> <p>If you apply for your Entitlement in full, you may also apply for Additional New Units in excess of your Entitlement under the Oversubscription Facility.</p>	Section 2.2
<b>What can I do with my Entitlement?</b>	<p>As an Eligible Unitholder, your options in respect of your Entitlement are to do any one of the following:</p> <ul style="list-style-type: none"> <li>• Take up all or part of your Entitlement;</li> <li>• Take up all of your Entitlement and also apply for Additional New Units in excess of your Entitlement under the Oversubscription Facility; or</li> <li>• Do nothing in which case your Entitlement will lapse and you will not be issued New Units.</li> </ul> <p>You should note that if you do not take up all or part of your Entitlement, then your percentage voting interest in the Trust will be diluted as a result of your non-participation in the Entitlement Offer.</p>	Section 2.2
<b>Can I apply for New Units in excess of my Entitlement?</b>	<p>If you are an Eligible Unitholder and you take up your Entitlement in full, you may apply for Additional New Units in excess of your Entitlement under the Oversubscription Facility.</p> <p>Additional New Units (if any) will have the same terms as New Units and existing Units.</p> <p>Additional New Units will only be allocated to Eligible Unitholders if available under the Oversubscription Facility. Applications for Additional New Units may be subject to a pro rata scaleback at the discretion of the Responsible Entity (in consultation with the Manager and the Joint Lead Managers (each acting reasonably)), subject to the Responsible Entity's obligations under the <i>Corporations Act 2001</i> (Cth) and to treat Unitholders equally.</p> <p>Any Excess Amount paid by you, as an Eligible Unitholder, on an Application may be treated by the Responsible Entity as an application by you to apply for as many Additional New Units as your Excess Amount will pay for in full.</p> <p>No Additional New Units will be issued to an Eligible Unitholder which will result in them increasing their voting power in the Trust above 20%.</p> <p>All Units issued under the Oversubscription Facility will be issued on the date that Units taken up under the Retail Entitlement Offer are issued, being the Offer Allotment Date.</p>	Section 2.6
<b>Can I trade my Entitlement?</b>	<p>Your Entitlement to participate in the Entitlement Offer is non-renounceable and cannot be traded on the ASX or any other financial market, nor can it be privately transferred.</p> <p>If you do not take up your Entitlement in full you will not receive any payment or value for that part of your Entitlement that you do not take up. Your Entitlement for New Units may be taken up by other Eligible Unitholders under the Oversubscription Facility or may become part of the Shortfall Offer.</p>	Section 2.7

## 01. SUMMARY OF THE OFFER Continued

TOPIC	SUMMARY	FOR MORE INFORMATION
<b>What is the Shortfall Offer?</b>	Any New Units or Additional New Units not taken up by Eligible Unitholders under the Entitlement Offer (including by way of the Oversubscription Facility) ( <b>Shortfall</b> ) will be offered to certain new investors under the Shortfall Offer.	Section 2.10
<b>How much will I pay per New Unit or Additional New Unit?</b>	\$1.60 per New Unit (or Additional New Unit, if applicable) ( <b>Offer Price</b> ). The Responsible Entity, on behalf of the Trust, will retain any interest earned on Application Monies.	Section 2.1
<b>What will the impact of the Offer be on the Trust?</b>	The Offer is not expected to have any material effect on the control of the Trust.	Section 2.20
<b>When will I receive Distributions on New Units?</b>	New Units will be eligible for all distributions declared and payable by the Trust following the relevant date of Allotment of New Units and Additional New Units (if applicable).  The first distribution which will be paid on New Units and Additional New Units is expected to be declared in late October 2019 and paid in early November 2019.	Section 2.1
<b>Is brokerage, commission or stamp duty payable?</b>	No brokerage, commission or stamp duty will be payable on the issue or taking up of Entitlements, or the issue of New Units (or Additional New Units, if applicable) under the Offer.	Section 7.3.8
<b>What are the terms of the New Units and Additional New Units (if any)?</b>	New Units and Additional New Units (if any) will rank equally with existing Units on issue, including in respect of entitlement to distributions paid after the date of Allotment of the New Units and Additional New Units.	Section 2.1
<b>Who is the Lead Arranger and the Joint Lead Managers?</b>	Evans Dixon Corporate Advisory Pty Ltd ACN 137 980 520 ( <b>Evans Dixon</b> ) is the Lead Arranger.  Evans Dixon and Shaw and Partners Limited ACN 003 221 583 ( <b>Shaw and Partners</b> ) are together the Joint Lead Managers.	Section 12.2
<b>What is the purpose and intended use of proceeds raised under the Offer?</b>	The Trust is seeking to raise new capital to undertake additional investments in accordance with the Trust's Investment Strategy. The Offer is not expected to impact the Trust's ability to pay monthly distributions to Unitholders, however the level of distributions paid will depend on several factors, including the timing and ability to deploy the additional capital. <sup>22</sup>	Section 2

<sup>22</sup> There is no guarantee that the Trust will achieve its Investment Objective. The payment of stable monthly cash income is a goal of the Trust only.

TOPIC	SUMMARY	FOR MORE INFORMATION									
<b>How will the capital raised by the Offer be invested?</b>	<p>From the date of the final issue of Units in the Trust, the Manager will seek to invest the Trust's existing capital and capital raised as part of the Offer progressively over a period of a minimum of six-months (<b>Investment Timeline</b>).</p> <p>The actual pace of deployment and the Investment Timeline (which may be earlier or longer than six-months) of undeployed Trust capital will be determined by prevailing market conditions as well as available and suitable loan opportunities consistent with the Manager's current risk/return appetite for the Trust. See Section 4.12 for further details on what can impact the Investment Timeline.</p> <p>The undeployed existing capital of the Trust as at 31 August 2019 has been fully allocated<sup>23</sup> by the Manager to investments that are awaiting settlement, which is targeted for September 2019, subject to outstanding due diligence and conditions being satisfied.</p> <p>The Manager also intends to invest a portion of the capital raised under the Offer in further units in the Qualitas Senior Debt Fund soon after the completion of the Offer.</p>	Section 4.12									
<b>Is the offer underwritten?</b>	Neither the Entitlement Offer or the Shortfall Offer is underwritten.	Section 2.11									
<b>What will the capital structure of the Trust be following completion of the Offer?</b>	<p>On completion of the Offer, the Trust's capital structure will be approximately as set out below and depending on the overall level of subscription under the Offer:<sup>24</sup></p> <table> <tr> <th></th><th><b>Minimum Subscription (\$100 million)*</b></th><th><b>Maximum Subscription (\$266 million)</b></th></tr> <tr> <td>Units (000's)</td><td>228,682</td><td>332,364</td></tr> <tr> <td>NAV per Unit</td><td>\$1.60</td><td>\$1.60</td></tr> </table> <p>* The subscription levels included in this table have been inserted purely for illustrative purposes only and are not intended to represent any expectation or belief of the Directors as to the likely subscription levels under the Entitlement Offer (including under the Oversubscription Facility) or the Responsible Entity's ability to fully allocate the Shortfall (if any) under the Shortfall Offer.</p>		<b>Minimum Subscription (\$100 million)*</b>	<b>Maximum Subscription (\$266 million)</b>	Units (000's)	228,682	332,364	NAV per Unit	\$1.60	\$1.60	Section 9
	<b>Minimum Subscription (\$100 million)*</b>	<b>Maximum Subscription (\$266 million)</b>									
Units (000's)	228,682	332,364									
NAV per Unit	\$1.60	\$1.60									
<b>How can investors apply?</b>	Instructions on how to apply for New Units (and Additional New Units) are set out in Section 2.	Section 2									

<sup>23</sup> The Manager has allowed for an appropriate cash buffer at all times, which will generally be up to 5% of the Trust's capital.

<sup>24</sup> Pro-forma units based on accounts as at 30 June 2019. An additional 20,389 units were issued on 16 August 2019 under the DRP.

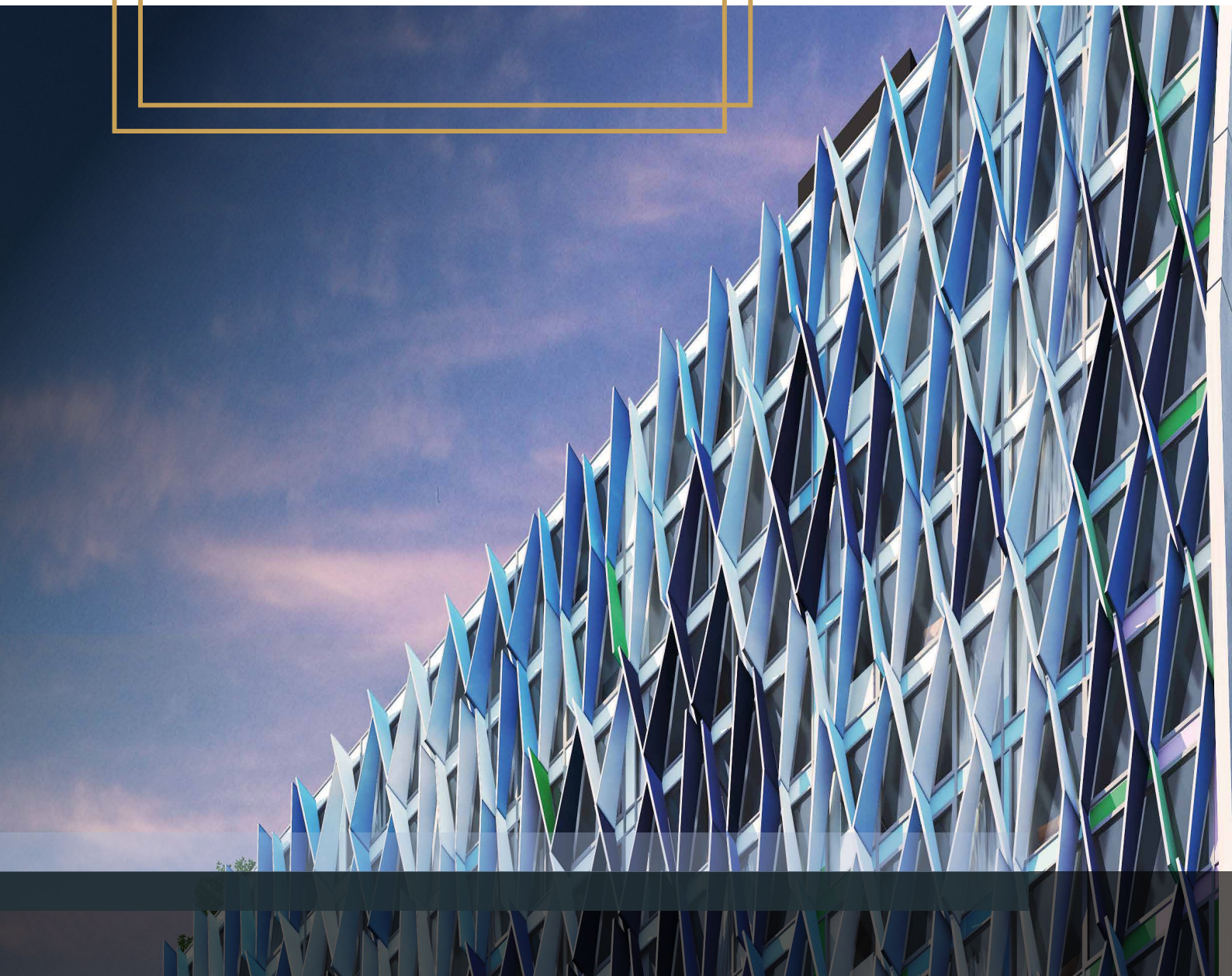
# 01. SUMMARY OF THE OFFER Continued

TOPIC	SUMMARY	FOR MORE INFORMATION
<b>Who can participate in the Entitlement Offer?</b>	<p>Only Eligible Unitholders will be eligible to participate in the Entitlement Offer.</p> <p>If you are an Eligible Wholesale Unitholder, the Joint Lead Managers or Manager will contact you directly with details in relation to the Wholesale Entitlement Offer.</p> <p>To qualify as an Eligible Retail Unitholder in the Entitlement Offer, a Unitholder must:</p> <ul style="list-style-type: none"> <li>• Be registered as a holder of Units as at the Record Date;</li> <li>• Have a registered address on the Trust's Unit register in Australia or New Zealand;</li> <li>• Not be in the United States and not be acting for the account or benefit of a person in the United States (to the extent such a person holds Units in the Trust for the account or benefit of such persons in the United States); and</li> <li>• Have not participated in the Wholesale Entitlement Offer.</li> </ul> <p>The Offer 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.</p>	Section 2
<b>What are the fees and costs of the Offer?</b>	<p>All fees and costs of the Offer will be ultimately borne by the Manager.</p> <p>The fees and costs associated with the Offer include:</p> <ul style="list-style-type: none"> <li>• To the Lead Arranger, a lead arranger fee equal to 0.4% (exclusive of GST) of the Offer Proceeds, where the Offer Proceeds to which the management fee applies excludes the Excluded Qualitas Proceeds;</li> <li>• To the Joint Lead Managers, a management fee of up to 1.0% (exclusive of GST) of the Offer Proceeds raised by the Joint Lead Managers under the Offer, where the Offer Proceeds to which the broker firm selling fee applies excludes the Excluded Qualitas Proceeds; and</li> <li>• To the Joint Lead Managers, a broker firm selling fee equal to 1.25% (exclusive of GST) of the Offer Proceeds raised by the Joint Lead Managers under the Offer.</li> </ul> <p>The Manager will also pay other fees and costs associated with the preparation of the PDS and the issue of Units, including legal, advisory, accounting and taxation costs.</p>	Sections 2.21 and 12.2
<b>Is there a cooling off period?</b>	No, a cooling off period does not apply to the acquisition of Units under the Offer.	Section 2.14
<b>How do investors obtain further information?</b>	<p>Please contact the Qualitas Real Estate Income Fund Offer information line on 1300 420 177 within Australia or +61 2 8022 8575 from outside Australia if you have questions relating to the Offer.</p> <p>If you are uncertain about whether an investment in the Trust is suitable for you, please contact your stockbroker, financial advisor, accountant, lawyer or other professional advisor.</p>	



02.

**DETAILS OF  
THE OFFER**



## 02. DETAILS OF THE OFFER

This is a summary only. This PDS should be read in full before making any decision to apply for New Units (or Additional New Units, if applicable). The performance of the Trust is not guaranteed by the Responsible Entity, the Manager or any of their respective advisors.

### 2.1 THE OFFER

This PDS includes an invitation to Eligible Unitholders to participate in the Entitlement Offer (including by way of the Oversubscription Facility) to subscribe for up to \$266 million worth of New Units (and Additional New Units, if applicable) in the Trust at an Offer Price of \$1.60 per Unit.

The Offer comprises:

- **Entitlement Offer:** an accelerated pro rata non-renounceable entitlement offer under which Eligible Unitholders are invited to apply for 1 New Unit for every 1 existing Unit held on the Record Date at \$1.60 per New Unit (the Offer Price);
- **Oversubscription Facility:** an oversubscription facility, which provides Eligible Unitholders who take up their Entitlement in full the opportunity to apply for Additional New Units in excess of their Entitlements at the Offer Price; and
- **Shortfall Offer:** any New Units that are not taken up by Eligible Unitholders under the Entitlement Offer (including by way of the Oversubscription Facility) may be offered to new retail or wholesale investors under this PDS.

All New Units (and Additional New Units, if any) issued under the Entitlement Offer (including by way of the Oversubscription Facility) will rank equally with existing Units on issue, including any entitlement to distributions paid after the respective dates of Allotment of the New Units and Additional New Units.

The first distribution which will be paid on New Units and Additional New Units (if applicable) is expected to be declared in late October 2019 and paid in early November 2019.

The Record Date for the Entitlement Offer is 7.00pm (AEST) on Friday, 13 September 2019.

The dates of Allotment under the Entitlement Offer are proposed to be:

- in relation to the Wholesale Entitlement Offer, Early Retail Entitlement Offer and the Wholesale Shortfall, the Accelerated Offer Allotment Date, Thursday, 26 September 2019;
- in relation to the Retail Entitlement Offer and Shortfall Offer, the Offer Allotment Date, Friday, 18 October 2019; and
- in relation to the Oversubscription Facility (including any Additional New Units applied for by Wholesale Unitholders during the Wholesale Entitlement Offer Period), the Offer Allotment Date, Friday, 18 October 2019.

Investors should note that any New Units and Additional New Units not applied for under the Entitlement Offer may be issued by the Directors at their absolute discretion within 3 months of the Retail Entitlement Offer Closing Date. Such New Units will be entitled to distributions that are declared after the date in which those respective New Units are issued.

Note, subject to the ASX Listing Rules, these dates may be changed without prior notice.

### 2.2 THE ENTITLEMENT OFFER

The Responsible Entity is conducting a 1 for 1 accelerated pro rata non-renounceable entitlement offer to Eligible Unitholders as at the Record Date to raise up to approximately \$266 million.

#### 2.2.1 Wholesale Entitlement Offer

Eligible Wholesale Unitholders will be informed by the Joint Lead Managers or the Manager as applicable, the details of their Entitlements and how to apply under the Wholesale Entitlement Offer at the commencement of the Wholesale Entitlement Offer Period. The Wholesale Entitlement Offer Period commences on the Wholesale Entitlement Offer Opening Date, which is proposed to be 9.00am (AEST) on Wednesday, 11 September 2019 and closes on the Wholesale Entitlement Offer Closing Date, which is proposed to be Thursday, 12 September 2019.

Eligible Wholesale Unitholders who participate in the Wholesale Entitlement Offer will be allotted New Units on the Accelerated Offer Allotment Date, which is proposed to be Thursday, 26 September 2019.

Eligible Wholesale Unitholders who take up their Entitlements may also apply for Additional New Units in excess of their Entitlement under the Oversubscription Facility. Additional New Units will only be allocated to Eligible Unitholders if available under the Oversubscription Facility. Eligible Wholesale Unitholders should note that any Additional New Units applied for in excess of an Entitlement will, if allotted, be allotted on the Offer Allotment Date, which is proposed to be Friday, 18 October 2019.

The Entitlements of Eligible Wholesale Unitholders who do not take up some or all of their Entitlements (and, in the case of Ineligible Unitholders who are Wholesale Unitholders, the entitlements which would otherwise have been available to them) will be made available:

- to new wholesale investors during the Wholesale Entitlement Offer Period (**Wholesale Shortfall**); and
- to the extent not taken up by new wholesale investors under the Wholesale Shortfall, under the Oversubscription Facility for Eligible Unitholders who decide to take up all of their Entitlement and to apply for Additional New Units.

New wholesale investors who apply for New Units under the Wholesale Shortfall will be allotted New Units at the same time as New Units under the Wholesale Entitlement Offer and the Early Retail Entitlement Offer on the Accelerated Offer Allotment Date, which is proposed to be Thursday, 26 September 2019.

### 2.2.2 Retail Entitlement Offer

All other Eligible Unitholders who are not Eligible Wholesale Unitholders are Eligible Retail Unitholders. Eligible Retail Unitholders will be emailed or mailed a PDS in accordance with existing communication preferences on Monday, 16 September 2019 accompanied by a personalised Entitlement and Acceptance Form that sets out the number of New Units for which you are entitled to subscribe for under the Retail Entitlement Offer.

Eligible Retail Unitholders who apply for their Entitlement in full may also apply for Additional New Units in excess of their Entitlement under the Oversubscription Facility. Additional New Units will only be allocated to Eligible Unitholders if available under the Oversubscription Facility. Additional New Units applied for in excess of an Entitlement will, if allotted, be allotted on the Offer Allotment Date, which is currently proposed for Friday, 18 October 2019.

The Retail Entitlement Offer Opening Date is Monday, 16 September 2019. Eligible Retail Unitholders can apply for New Units under the Retail Entitlement Offer by submitting their personalised Entitlement and Acceptance Form after the Retail Entitlement Offer Opening Date and payment of the Application Monies for the New Units they apply for so that both are received on or before **5.00pm (AEST) on the Retail Entitlement Offer Closing Date, being Tuesday, 8 October 2019**. If paying by BPAY®, Unitholders should ensure that payment is received by 5.00pm (AEST) on the Retail Entitlement Offer Closing Date. If you pay by BPAY®, you do not need to post your Entitlement and Acceptance Form.

Alternatively, Eligible Retail Unitholders may participate in the Early Retail Entitlement Offer by applying and paying your Application Monies before **5.00pm (AEST) on the Early Retail Entitlement Offer Closing Date, being Friday, 20 September 2019** via BPAY®. Eligible Retail Unitholders who apply for New Units under the early Retail Entitlement Offer will be allotted New Units on the Accelerated Offer Allotment Date, being Thursday, 26 September 2019 (which is the same date that New Units will be issued under the Wholesale Entitlement Offer).

Eligible Retail Unitholders who submit a valid Entitlement and Acceptance Form and Application Monies for New Units under the Retail Entitlement Offer and Additional New Shares under the Oversubscription Facility (if any) will be allotted those New Units and Additional New Units (if applicable) on the Offer Allotment Date, being Friday, 18 October 2019.

The Entitlements of Eligible Retail Unitholders who do not take up some or all of their Entitlements (and, in the case of Ineligible Unitholders who are Retail Unitholders, the entitlements which would otherwise have been available to them) will be made available under the Oversubscription Facility for Eligible Unitholders who decide to take up all of their Entitlement and to apply for Additional New Units.

In order for Eligible Retail Unitholders to ensure that they receive their Entitlement (or the lesser number of New Units applied for), completed Entitlement and Acceptance Forms must be accompanied by payment of the Offer Price for each New Unit and Additional New Unit (if applicable) for which the Eligible Retail Unitholder has applied.

Applications for Additional New Units may be subject to a pro rata scaleback at the discretion of the Responsible Entity (in consultation with the Manager and the Joint Lead Managers), subject to the Responsible Entity's obligations under the Corporations Act to treat Unitholders equally. Additional New Units applied for in excess of an Entitlement will, if allotted, be allotted on the Offer Allotment Date.

## 02. DETAILS OF THE OFFER **Continued**

### 2.3 WHO IS AN ELIGIBLE UNITHOLDER FOR THE PURPOSES OF THE ENTITLEMENT OFFER?

Only Eligible Unitholders will be eligible to participate in the Entitlement Offer and the Oversubscription Facility.

If you are an Eligible Wholesale Unitholder the Joint Lead Managers or the Manager will contact you directly with details in relation to the Wholesale Entitlement Offer.

To qualify as an Eligible Retail Unitholder in the Entitlement Offer, a Unitholder must:

- be registered as a holder of Units as at the Record Date;
- have a registered address on the Trust's Unit register in Australia or New Zealand;
- not be in the United States and must not be acting for the account or benefit of a person in the United States (to the extent such a person holds Units in the Trust for the account or benefit of such persons in the United States); and
- not have participated in the Wholesale Entitlement Offer.

The Offer 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.

Unitholders who do not satisfy all of the above criteria are **Ineligible Unitholders**. The Responsible Entity has determined that it is unreasonable to make offers under the Retail Entitlement Offer to holders of Units who are in the United States or, in respect of Eligible Retail Unitholders, who have a registered address outside of Australia or New Zealand having regard to the number of Unitholders in those places, the number and value of the New Units that they would be offered and the cost of complying with the relevant legal and regulatory requirements in those places.

The Responsible Entity reserves the right to determine, in its absolute discretion, whether a Unitholder is an:

- Eligible Unitholder and is therefore able to participate in the Entitlement Offer; or
- Ineligible Unitholder and is therefore unable to participate in the Entitlement Offer.

The Responsible Entity may, in its absolute discretion, extend the Entitlement Offer to any Unitholder in other foreign jurisdictions (subject to compliance with applicable laws). The Responsible Entity, to the maximum extent permitted by law, disclaims all liability in respect of any determination by it as to whether a Unitholder is an Eligible Unitholder or an Ineligible Unitholder.

### 2.4 WHAT IS THE INTENDED USE OF FUNDS RAISED UNDER THE OFFER?

The Trust is seeking to raise new capital to undertake additional investments consistent with the Investment Strategy. The Offer is not expected to impact the Trust's ability to pay monthly distributions to Unitholders, however the level of distributions paid will depend on several factors, including the timing and ability to deploy the additional capital raised under the Offer.<sup>25</sup> The Manager believes funds raised under the Offer and deployed in accordance with the Investment Objective will achieve the following:

- a) Additional scale to invest in new loans directly and indirectly, increasing diversification of the portfolio;
- b) If there is a Shortfall under the Entitlement Offer, expand the Trust's investor base through the Shortfall Offer, providing greater liquidity for Unitholders; and
- c) Reduce the operating costs of the Trust on a cost per Unit basis.

Refer to Section 4.12 for further details on how the Manager seeks to invest the capital raised as part of the Offer.

### 2.5 WHAT ARE THE ENTITLEMENTS OF ELIGIBLE RETAIL UNITHOLDERS TO NEW UNITS?

The number of New Units to which an Eligible Retail Unitholder is entitled to subscribe for under the Entitlement Offer will be shown on their Entitlement and Acceptance Form that is included in and accompanies this PDS and which has been calculated as 1 New Unit for every 1 existing Unit held by the Eligible Retail Unitholder as at the Record Date. Unitholders with more than one (1) registered holding of Units will be sent more than one personalised Entitlement and Acceptance Form and will have separate Entitlements for each separate Unit holding.

Eligible Unitholders who have subscribed for their Entitlement in full may also apply for Additional New Units in excess of their Entitlement at the Offer Price under the Oversubscription Facility.

<sup>25</sup> There is no guarantee that the Trust will achieve its Investment Objective. The payment of stable monthly cash income is a goal of the Trust only.



If you decide to take up all or part of your Entitlement, and to apply for Additional New Units under the Oversubscription Facility (if applicable to you), please refer to the accompanying personalised Entitlement and Acceptance Form and apply for New Units (and Additional New Units, if applicable to you) pursuant to the instructions set out on the personalised Entitlement and Acceptance Form.

If you take no action or your Application is not supported by cleared funds, your Entitlement will lapse and you will not be issued with New Units. Your Entitlement will then become available to other Eligible Unitholders as Additional New Units under the Oversubscription Facility. If those Additional New Units are not applied for by Eligible Unitholders, they will form part of the Shortfall under the Shortfall Offer.

Eligible Unitholders should note that if you do not take up all or part of your Entitlement, then your percentage unitholding in the Trust will be diluted as a result of your non-participation in the Entitlement Offer. If you do not take up your Entitlement under the Entitlement Offer, whether in full or part, you will not receive any payment or value for any part of your Entitlement that you do not take up.

See Section 2.8 for further details in relation to applying for Additional New Units.

## 2.6 WHAT ARE THE ADDITIONAL NEW UNITS AND WHO MAY APPLY FOR THEM?

Eligible Unitholders who have subscribed for their Entitlement in full under the Entitlement Offer have the option to apply for Additional New Units in excess of their Entitlement under the Oversubscription Facility. The allocation of any Additional New Units will be limited to the extent there are sufficient New Units available from:

- in relation to the Wholesale Entitlement Offer, Eligible Wholesale Unitholders who do not take up their full Entitlement and which is not subsequently subscribed for by new wholesale investors under the Wholesale Shortfall; and
- in relation to the Retail Entitlement Offer, Eligible Retail Unitholders who do not take up their full Entitlement.

Applications for Additional New Units may be subject to a pro rata scaleback at the discretion of the Responsible Entity (in consultation with the Manager and the Joint Lead Managers), subject to the Responsible Entity's obligations under the Corporations Act to treat Unitholders equally.

Any Excess Amount paid by you with your Application may be treated by the Responsible Entity as an application to apply for as many Additional New Units as the Excess Amount will pay for in full.

No Additional New Units will be issued to any Eligible Unitholder which will result in them increasing their voting power in the Trust above 20% or otherwise cause a breach of section 606 of the Corporations Act.

## 2.7 WHAT OPTIONS ARE AVAILABLE TO ME IN RESPECT OF ENTITLEMENTS?

If you are an Eligible Unitholder, you may do any one of the following:

- take up all or part of your Entitlement (**see Section 2.8(a) below**); or
- take up all of your Entitlement and also apply for Additional New Units in excess of your Entitlement under the Oversubscription Facility (**see Section 2.8(b) below**); or
- do nothing, in which case your Entitlement will lapse and you will receive no value for those lapsed Entitlements (**see Section 2.8(b) below**).

Entitlements cannot be traded on the ASX or any other financial market, or privately transferred.

The Entitlements of Eligible Unitholders who do not take up some or all of their Entitlements (and, in the case of Ineligible Unitholders, the entitlements which would otherwise have been available to them), and that are not taken up as Additional New Units under the Oversubscription Facility will be offered to certain institutional investors pursuant to the Shortfall Offer (see Section 2.10 for further information).

## 02. DETAILS OF THE OFFER **Continued**

### 2.8 HOW DO ELIGIBLE RETAIL UNITHOLDERS APPLY UNDER THE OFFER?

#### **(a) If you decide to take up all or part of your Entitlement or take up all of your Entitlement and apply for Additional New Units**

If you are a Retail Unitholder and decide to take up all or part of your Entitlement, or take up all of your Entitlement and also apply for Additional New Units in excess of your Entitlement, please:

- pay your Application Monies via BPAY®; or
- complete and return the personalised Entitlement and Acceptance Form with the requisite Application Monies, by following the instructions set out on your personalised Entitlement and Acceptance Form.

The Responsible Entity will treat you as having applied for as many New Units as your Application Monies will pay for in full up to your full Entitlement. Amounts received by the Responsible Entity in excess of your full Entitlement (**Excess Amount**) may be treated by the Responsible Entity as an application for as many Additional New Units as your Excess Amount will pay for in full, subject to any pro rata scaleback which may be implemented by the Responsible Entity (in consultation with the Manager and the Joint Lead Managers) in respect of Additional New Units, subject to the Responsible Entity's obligations under the Corporations Act to treat Unitholders equally.

If you take up and pay for all or part of your Entitlement before the close of the Retail Entitlement Offer or the Early Retail Entitlement Offer, you will be issued your New Units on:

- in relation to the Early Retail Entitlement Offer, the Accelerated Offer Allotment Date, being Thursday, 26 September 2019; and
- in relation to the Retail Entitlement Offer, the Offer Allotment Date, being Friday, 18 October 2019.

If you apply for Additional New Units in excess of your Entitlement, subject to:

- Additional New Units being available from Eligible Unitholders who do not take up their full Entitlement (or, in the case of Ineligible Unitholders, the entitlements which would otherwise have been available to them);
- Units allocated to new wholesale investors under the Wholesale Shortfall; and
- any pro rata scaleback of your allocation of Additional New Units as determined by the Responsible Entity (in consultation with the Manager and the Joint Lead Managers), subject to the Responsible Entity's obligations under the Corporations Act to treat Unitholders equally,

you will also be issued with these Additional New Units on the Offer Allotment Date, being Friday, 18 October 2019. The Responsible Entity's decision on the number of Additional New Units to be allocated to you will be final.

Other than to the extent that Additional New Units are issued to you, any surplus Application Monies received for more than your Entitlement will be refunded after the close of the Entitlement Offer on or around 5.00pm (AEST) on Tuesday, 8 October 2019 (except for where the amount is less than \$1.50, in which case it will be donated to a charity chosen by the Responsible Entity). Refunds will be made by sending a cheque to you by regular post to the address recorded for you on the Trust's unit register. No interest will be paid to Eligible Unitholders on any Application Monies received or refunded (wholly or partially).

The Responsible Entity also reserves the right (in its absolute discretion following consultation with the Lead Arranger and the Manager) to reduce the number of New Units allocated to Eligible Unitholders or persons claiming to be Eligible Unitholders if their claims prove to be incorrect or overstated or if they fail to provide information to substantiate their claims.

To participate in the Entitlement Offer your payment must be received no later than:

- in relation to the Wholesale Entitlement Offer, the Wholesale Entitlement Offer Closing Date, being Thursday, 12 September 2019; and
- in relation to the Early Retail Entitlement Offer, 5.00pm (AEST) on the Early Retail Entitlement Offer Closing Date, being Friday, 20 September 2019; and
- in relation to the Retail Entitlement Offer, 5.00pm (AEST) on the Retail Entitlement Offer Closing Date, being Tuesday, 8 October 2019.

Eligible Unitholders who wish to pay via cheque, bank draft or money order will need to also ensure that their completed personalised Entitlement and Acceptance Form is also received by that time using the reply paid envelope provided with this PDS or otherwise.

### **(b) If you decide to do nothing**

If you take no action, you will not be issued New Units and your Entitlement will lapse. Your Entitlement to participate in the Entitlement Offer is non-renounceable and cannot be traded on ASX or any other financial market, nor can it be privately transferred. Eligible Unitholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up.

New Units that are not applied for by Eligible Unitholders will be made available to Eligible Unitholders who take up their Entitlement in full as Additional New Units under the Oversubscription Facility.

## **2.9 HOW TO PAY YOUR APPLICATION MONIES**

If you are applying online you must complete your Application and pay your Application Monies by making either a BPAY®, cheque, bank draft or money order payment. If you apply using a paper Application Form, you must complete your Application and pay your Application Monies by enclosing a cheque, bank draft or money order payment with your completed Application Form. Electronic payments are only available where making an online Application.

Using the BPAY® details provided when you complete your online Application Form, you need to do the following:

- access your participating BPAY® financial institution either through telephone banking or internet banking;
- select BPAY® and follow the prompts;
- enter the biller code supplied;
- enter the unique CRN supplied for each Application;
- enter the total amount to be paid which corresponds to the number of Units you wish to apply for under each application. Note that your financial institution may apply limits on your use of BPAY®. You should enquire about the limits that apply in your own personal situation;
- select the account you wish your payment to be made from;
- make your payment. Note that online Applications without payment cannot be accepted; and
- record your BPAY® receipt number and date paid. Retain these details for your records.

BPAY® payments must be made from an Australian dollar account of an Australian financial institution. You will need to check with your financial institution in relation to their BPAY® closing times to ensure that your Application Monies will be received by 5.00pm (AEST) on the relevant Offer Closing Date. If you do not make payment of the Application Monies, your Application will be incomplete and may not be accepted.

If you complete your Application by completing a BPAY® payment, you acknowledge you are applying pursuant to the relevant Offer.

Cheque, bank draft or money order payments should be made payable to “*Qualitas Real Estate Income Fund*” and crossed “*Not Negotiable*”. Cheques, bank drafts or money orders must be in Australian currency and drawn on an Australian branch of a financial institution.

Applicants should ensure that sufficient funds are held in their account to cover your cheque, bank draft or money order. If the amount of your cheque, bank draft or money order for the Application Monies (or the amount for which your cheque clears in time for the allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

Completed Application Forms, together with Application Monies, should be forwarded to one of the following addresses:

### **Postal**

Qualitas Real Estate Income Fund  
c/- Automic  
GPO Box 5193  
SYDNEY NSW 2001



## 02. DETAILS OF THE OFFER **Continued**

### Hand delivered

Qualitas Real Estate Income Fund  
c/- Automic  
Level 5, 126 Phillip Street  
SYDNEY NSW 2000,

so that they are received:

- in relation to the Wholesale Entitlement Offer, on the Wholesale Entitlement Offer Closing Date, being Thursday, 12 September 2019; and
- in relation to the Early Retail Entitlement Offer, by 5.00pm (AEST) on the Early Retail Entitlement Offer Closing Date, being Friday, 20 September 2019; and
- in relation to the Retail Entitlement Offer, by 5.00pm (AEST) on the Retail Entitlement Offer Closing Date, being Tuesday, 8 October 2019.

### 2.10 WHAT IS THE SHORTFALL OFFER?

Any New Units or Additional New Units not taken up by Eligible Unitholders under the Entitlement Offer (including by way of the Oversubscription Facility) or allocated to new investors under the Wholesale Shortfall (**Shortfall**) will be offered under this PDS to investors under the Shortfall Offer as described below. Retail investors must be in Australia or New Zealand to participate in the Shortfall Offer. Wholesale investors may be in either Australia or New Zealand or in the jurisdictions referred to in pages 3 to 4 of this PDS.

The Responsible Entity has the right in consultation with the Manager and Joint Lead Managers to scale back any applications received.

#### (a) What is the structure of the Shortfall Offer?

The Shortfall Offer is open to investors in the relevant jurisdictions who have received an invitation from their Broker or the Manager to participate as described below.

No general public offer of New Units will be made under the Shortfall Offer. Members of the public wishing to apply for New Units under the Shortfall Offer must do so through a broker with a firm allocation of New Units.

New Units issued pursuant to the Shortfall Offer will rank equally with the existing Units with effect from their date of issue, except that they will only be entitled to any distribution that is declared and payable after their respective date of Allotment.

#### (b) Who can apply under the Shortfall Offer?

You must have received an invitation to participate in the Shortfall Offer from your Broker or the Manager. The Shortfall Offer is not open to persons in the United States.

#### (c) How do you apply for Units under the Shortfall Offer?

If you have received an invitation to participate in the Shortfall Offer from your Broker or the Manager and wish to apply for New Units under the Shortfall Offer, you should contact your Broker or the Manager for information on how to complete and lodge your Shortfall Offer Application Form and for payment instructions.

Applicants under the Shortfall Offer should contact their Broker, the Lead Arranger or the Manager between 9.00am and 5.00pm (AEST) during the Offer Period to request a copy of the PDS and a Shortfall Offer Application Form, or download a copy of the PDS at [www.qualitas.com.au/listed-investments/QRI](http://www.qualitas.com.au/listed-investments/QRI). If applicable, your Broker will act as your agent and it is your Broker's responsibility to ensure that your Shortfall Offer Application Form and Application Monies are received before 5.00pm (AEST) on the closing date for the Shortfall Offer, being the Retail Entitlement Offer Closing Date of Tuesday, 8 October 2019 (**Shortfall Offer Closing Date**), or any earlier closing date as determined by your Broker. The Shortfall Offer bookbuild will be conducted on Wednesday, 9 October 2019. The outcome of the Retail Entitlement Offer and Shortfall Offer bookbuild will be announced to ASX on Friday, 11 October 2019.

If you are an investor applying under the Shortfall Offer, you should complete and lodge your Shortfall Offer Application Form with the Broker from whom you received your invitation to participate in the Shortfall Offer. Shortfall Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Shortfall Offer Application Form. Applicants under the Shortfall Offer must not send their Shortfall Offer Application Forms or payment to the Unit Registry.

By making an application for New Units under the Shortfall Offer, you declare that you were given access to this PDS (or any replacement PDS), together with a Shortfall Offer Application Form. The Corporations Act prohibits any person from passing a Shortfall Offer Application Form to another person unless it is included in, or accompanied by, a hard copy of this PDS or the complete and unaltered electronic version of this PDS.

The minimum application under the Shortfall Offer is \$2,000 worth of New Units. There is no maximum value of New Units that may be applied for under the Shortfall Offer. However, the Responsible Entity, the Lead Arranger and the Joint Lead Managers reserve the right to aggregate any Applications under the Shortfall Offer which they believe may be multiple Applications from the same person or reject or scaleback any Applications in the Shortfall Offer. The Responsible Entity may determine a person to be eligible to participate in the Shortfall Offer, and may amend or waive the application procedures or requirements in its discretion, in compliance with applicable laws.

The Responsible Entity, the Lead Arranger, Joint Lead Managers and the Unit Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application for New Units under the Shortfall Offer.

The Responsible Entity, the Lead Arranger and the Joint Lead Managers may elect without prior notice to close the Shortfall Offer or any part of it early, extend the Shortfall Offer or any part of it, or accept late Applications under the Shortfall Offer either generally or in particular cases. The Shortfall Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications under the Shortfall Offer as early as possible. Please contact your Broker for instructions.

#### **(d) How do you pay for Units under the Shortfall Offer?**

Applicants under the Shortfall Offer must pay their Application Monies in accordance with instructions provided by their Broker or the Manager.

#### **(e) Application Monies**

The Responsible Entity reserves the right to decline any Application under the Shortfall Offer in whole or in part, without giving any reason. Application Monies received under the Shortfall Offer will be held in a special purpose account until New Units are issued or transferred to successful Applicants.

Applicants under the Shortfall Offer whose Applications are not accepted, or who are allocated a lesser number of New Units than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable (without interest). No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Responsible Entity.

Applicants whose Applications are accepted in full will receive the whole number of New Units calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of New Units to be allocated will be determined by the Applicant's Broker.

#### **(f) Acceptance of Applications**

An Application made under the Shortfall Offer is an offer by an Applicant to the Responsible Entity to apply for New Units as specified on the accompanying Shortfall Offer Application Form at the Offer Price and on the terms and conditions set out in this PDS (including any replacement PDS) and the Shortfall Offer Application Form (including the acknowledgements contained in Section 13.3 of this PDS). To the extent permitted by law, an Application for New Units in the Shortfall Offer by an Applicant is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Shortfall Offer Application Form, without further notice to the Applicant. Acceptance of a Shortfall Offer Application will give rise to a binding contract on allocation of New Units to successful Applicants.

The Lead Arranger and Joint Lead Managers, in agreement with the Responsible Entity, reserves the right to reject any Application under the Shortfall Offer which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Shortfall Offer, or to waive or correct any errors made by the Applicant in completing their Application for New Units in the Shortfall Offer.

## 02. DETAILS OF THE OFFER **Continued**

### 2.11 OFFER NOT UNDERWRITTEN

The Offer is not underwritten.

### 2.12 ALLOTMENT

It is expected that Allotment of:

- New Units applied for under the Wholesale Entitlement Offer, Early Retail Entitlement Offer and the Wholesale Shortfall will occur on the Accelerated Offer Allotment Date, being Thursday, 26 September 2019; and
- New Units and Additional New Units applied for under the Retail Entitlement Offer and the Oversubscription Facility will be issued on the Offer Allotment Date, being Friday, 18 October 2019,

and New Units issued under the Shortfall Offer are expected to be allotted and quoted on the ASX no later than 5.00pm (AEDT) on the Offer Allotment Date (subject to the discretion of the Responsible Entity, in consultation with the Lead Arranger and Joint Lead Managers, to vary any dates associated with the Offer).

The Unit Registry will hold all Application Monies received in the Trust's designated trust account with an Australian authorised deposit-taking institution for Application Monies received in relation to the Entitlement Offer until the date of Allotment relevant to the Applicant's Application when the Units are issued to successful Applicants. The Responsible Entity may retain any interest earned on the Application Monies held on behalf of the Trust pending the issue of Units.

In relation to the Shortfall Offer, an Application constitutes an offer by the Applicant to subscribe for Units on the terms and subject to the conditions set out in this PDS. Where the number of Units allotted is less than the number applied for, or where no Allotment is made, under the Shortfall Offer, the surplus Application Monies will be returned by cheque within seven days of the Shortfall Offer Closing Date. Interest will not be paid on refunded Application Monies to Applicants.

The Responsible Entity may be required to obtain further information from Applicants. The Responsible Entity reserves the right to reject an Application and not make an Allotment of Units if that information is not provided upon request.

### 2.13 ASX QUOTATION

The Responsible Entity has applied to the ASX for official quotation of the Units to be issued under the Offer. The Responsible Entity expects that normal trading of Units to be issued under the Offer will commence on:

- Thursday, 26 September 2019, for New Units issued under the Wholesale Entitlement Offer, Early Retail Entitlement Offer and the Wholesale Shortfall; and
- Friday, 18 October 2019 for New Units and Additional New Units (if applicable) issued under the Retail Entitlement Offer, the Oversubscription Facility and the Shortfall Offer.

The Responsible Entity will have no responsibility and disclaims all liability (to the maximum extent permitted by law, including for negligence) to persons who trade Units to be issued under the Offer before they are quoted on the ASX or before they receive their confirmation of issue, whether on the basis of confirmation of the allocation provided by the Responsible Entity, Unit Registry, the Lead Arranger, the Joint Lead Managers or otherwise.

### 2.14 NO COOLING OFF PERIOD

There is no cooling off period in relation to the acquisition of Units under the Offer.

### 2.15 BROKERAGE, COMMISSION AND STAMP DUTY

There is no brokerage, commission or stamp duty payable by Applicants on the acquisition of Units under the Offer.

### 2.16 NO REDEMPTIONS

Whilst the Trust is listed on the ASX, Units are not able to be redeemed.

The Trust may undertake a buyback of Units which satisfies the Corporations Act and the ASX Listing Rules.

## 2.17 PRIVACY

The Responsible Entity may collect personal information from you when you contact it and from any other relevant forms to be able to administer your investment and comply with any relevant laws, including the *Privacy Act 1988* (Cth) and provide information to relevant government agencies in accordance with those laws. If you do not provide us with your relevant personal information, the Responsible Entity may not be able to properly administer your investment.

Privacy laws apply to the handling of personal information and the Responsible Entity will collect, use and disclose your personal information in accordance with its privacy policy, which includes details about the following matters:

- the kinds of personal information the Responsible Entity collects and holds;
- how the Responsible Entity collects and holds personal information;
- the purposes for which the Responsible Entity collects, holds, uses and discloses personal information;
- how you may access personal information that the Responsible Entity holds about you and seek correction of such information (note that exceptions apply in some circumstances);
- how you may complain about a breach of the Australian Privacy Principles (**APP**), or a registered APP code (if any) that binds the Responsible Entity, and how the Responsible Entity will deal with such a complaint; and
- whether the Responsible Entity is likely to disclose personal information to other persons, including overseas recipients and, if so, the countries in which such recipients are likely to be located if it is practicable for the Responsible Entity to specify those countries.

The privacy policy of the Responsible Entity is publicly available at its website at [www.perpetual.com.au](http://www.perpetual.com.au) or you can obtain a copy free of charge by contacting the Responsible Entity.

The Manager may also collect, use and disclose your personal information, including personal information provided to the Manager by the Responsible Entity, for investor relations purposes in accordance with its privacy policy. A copy of the Manager's privacy policy will be publicly available at <http://www.qualitas.com.au/privacy-policy/>.

## 2.18 OVERSEAS DISTRIBUTION

### (a) Offer only made where lawful to do so

This PDS 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. No action has been taken to qualify the Units or the Offer, or to otherwise permit the offering of the Units the subject of this PDS in any jurisdiction other than Australia or New Zealand, other than to Eligible Wholesale Unitholders in certain other jurisdictions as part of the Wholesale Entitlement Offer. The distribution of this PDS (including in electronic form) in a jurisdiction other than Australia and New Zealand may be restricted by law, and persons who come into possession of this PDS should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. It is the responsibility of all overseas Applicants to ensure compliance with the laws of any country relevant to their Application. Residents of jurisdictions other than Australia and New Zealand should consider using Australian or New Zealand domiciled entities, including nominee companies affiliated with Australian broking firms, if they wish to subscribe for Units.

### (b) Overseas ownership and resale representation

No action has been taken to register or qualify the Offer of Units under this PDS, or to otherwise permit a public offering of Units, in any jurisdiction outside Australia or New Zealand, other than to Eligible Wholesale Unitholders in certain other jurisdictions as part of the Wholesale Entitlement Offer.

It is your personal responsibility to ensure compliance with all laws of any country relevant to your Application under this Offer. The return of a duly completed Application Form will be taken by the Responsible Entity to constitute a representation and warranty made by you to the Responsible Entity that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

If you fail to comply with any applicable restrictions, the failure may constitute a violation of applicable securities laws of any country relevant to your Application.

## 02. DETAILS OF THE OFFER **Continued**

### 2.19 TAXATION IMPLICATIONS

Unitholders should be aware that there may be taxation implications of participating in the Offer and subscribing for New Units or Additional New Units (as the case may be). The taxation consequences of participating in the Offer and/or acquiring New Units or Additional New Units (as the case may be) may vary depending on the individual circumstances of each Unitholder.

Please refer to Section 10 for a general discussion of the Australian tax consequences of the Offer for Australian resident individuals who hold (or will hold) their Units on capital account.

Unitholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances.

### 2.20 POTENTIAL IMPACT OF THE ENTITLEMENT OFFER ON THE CONTROL OF THE TRUST

The issue of the New Units under the Offer is not expected to have any effect on the control of the Trust.

Eligible Unitholders who decide not to take up their Entitlement (either in part or in full) should note that their percentage voting interest in the Trust will be diluted as a consequence of their non-participation in the Entitlement Offer.

### 2.21 EXPENSES OF THE OFFER

All fees and costs of the Offer will be paid by the Manager funded under the Trust Loan Receivable. The Responsible Entity estimates that the total costs of the Entitlement Offer will be approximately 2.7% to 3.1% of the Offer Proceeds (the actual % will depend on the actual total amount raised under the Offer). These costs include:

- Evans Dixon is the Lead Arranger to the Offer and Evans Dixon and Shaw and Partners are the Joint Lead Managers to the Offer. In accordance with the Offer Management Agreement and as consideration for these services, the following fees will be paid to:
  - » Evans Dixon as Lead Arranger, an arranging fee of 0.40% (plus GST) of the total Offer Proceeds where the Offer Proceeds to which the management fee applies excludes the Excluded Qualitas Proceeds;
  - » Evans Dixon and Shaw and Partners, a management fee of 1.00% (plus GST) for the relevant portion of the Offer Proceeds raised by the Joint Lead Managers, where the Offer Proceeds to which the broker firm selling fee applies excludes the Excluded Qualitas Proceeds; and
  - » Evans Dixon and Shaw and Partners, a broker firm selling fee of 1.25% (plus GST) for the relevant portion of the Offer Proceeds raised by the Joint Lead Managers.
- costs payable to:
  - » Pitcher Partners Sydney Corporate Finance Pty Ltd, which has acted as the Australian Investigating Accountant to the Offer and has prepared the Investigating Accountant's Report on the Historical and Pro-Forma Historical Financial Information in Section 9;
  - » PPNSW Services Pty Ltd ACN 608 418 828, a related entity to Pitcher Partners, which has acted as the Tax Adviser to the Offer and has reviewed the Taxation Information in Section 10; and
- costs payable to MinterEllison, which has acted as the Trust's legal advisers and in that capacity has been involved in undertaking due diligence enquiries for the preparation of this PDS and providing legal advice to the Trust in relation to the Offer.



# 03.

## MARKET & INDUSTRY OVERVIEW



## 03. MARKET & INDUSTRY OVERVIEW

This section provides an overview of the Australian commercial real estate finance market. The Trust participates in this market with an Investment Strategy that provides Unitholders with exposure to predominantly Australian secured real estate loans. The Trust may also invest in New Zealand secured real estate loans from time to time, subject to a 20.0% cap.

### 3.1 MANAGER MARKET UPDATE

The first half of calendar year 2019 saw continued softening house prices, negative market sentiment and uncertainty around government policy settings. Lower construction starts and housing approvals reflected this subdued sentiment and lower pre-sales.

Reduced bank funding due to bank loan processes and policies being tightened continues to see alternative capital providers filling the gap.

The re-election of the Coalition Government marked a positive turning point in market sentiment, followed by consecutive rate cuts by the Reserve Bank of Australia (**RBA**) in June and July 2019 to a record low of 1.00%. The base rates<sup>26</sup> used to price loans have also declined. The Manager believes that the current low interest rate environment has the potential to stimulate the residential market.

The Australian Prudential Regulation Authority (**APRA**) also changed its guidance on the loan serviceability assessments that Authorised Deposit-Taking Institutions (**ADIs**) perform on residential mortgage applications in July 2019, which allows banks to set their own interest rate buffer, which the Manager believes is likely to improve credit availability for residential borrowers.

Commercial real estate industrial and office sectors remain buoyant as investors seek yield in a low interest rate environment. Overall, subdued economic conditions (low employment and wage growth; low inflation), suggest cautious conditions will prevail for some time yet.

Senior loans present the deepest pool of opportunities in the current market, as lower construction volumes have reduced demand for mezzanine finance. While growth in the alternative lending sector has continued, the sector continues to attract capital from investors seeking yield in the current low interest rate environment. This may see some lenders increase their risk in order to achieve returns.

### 3.2 THE COMMERCIAL REAL ESTATE FINANCE MARKET

Commercial real estate finance relates to the provision of loans to commercial borrowers, for the development, investment, acquisition or improvement of real estate. This type of finance also includes the refinancing of existing debts owed against commercial real estate, as well as the refinancing of debt which is secured against existing real estate but is for another business purpose.

The main real estate sectors in which commercial borrowers seek financing are residential (multiple dwellings), office, retail, industrial, hotels and other specialised real estate assets.

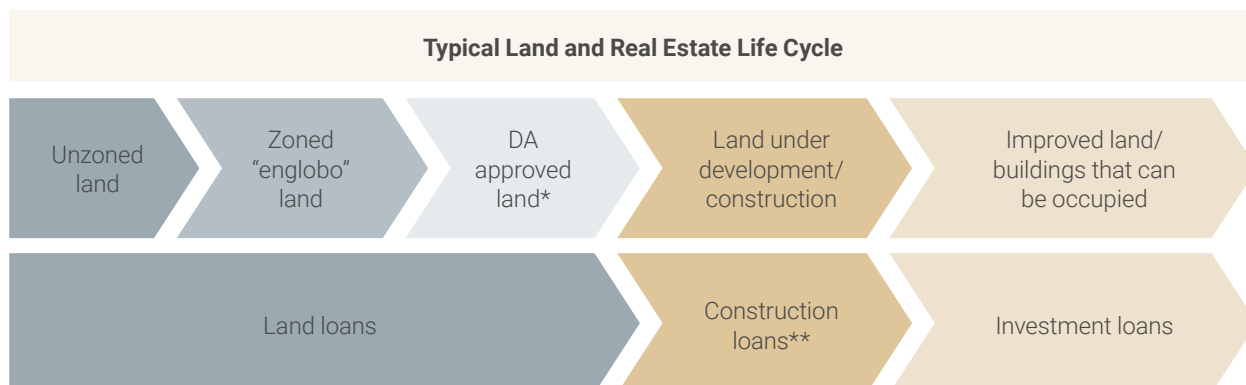
Typical secured real estate loans across the commercial real estate finance market include:

- **Land loans:** secured against vacant land with the potential for development. This includes land (i.e. undeveloped land that is capable of subdivision into smaller lots), land that has not been approved for development and land that has been approved for development.
- **Construction loans:** provided to fund development and construction costs of real estate development projects. They are secured against land with the potential for development, or real estate assets that are soon to be or are under construction. Construction loans also include financing for land subdivision projects. Construction loans are typically progressively drawn down over time to finance the project to completion.
- **Investment loans:** secured against real estate assets that are income generating or have the potential to generate income on a going-concern basis.
- **Other loans:** secured against real estate and/or land for which the purpose does not fit within the above categories. This could include owner occupier loans, short term loans (i.e. bridging loans), pre-development early works loans and working capital loans.

<sup>26</sup> Refer Section 3.6 for further details.



The following diagram illustrates when the different types of loans are required across the real estate life cycle:



\* Development Application (DA) approved land refers to land that has received a permit for development.

\*\* Note that after construction is complete, real estate can either be held for investment or on-sold.

### 3.3 PARTICIPANTS IN THE COMMERCIAL REAL ESTATE FINANCE MARKET

Borrowers in the Australian commercial real estate finance market are typically third-party corporate entities or individuals, with an equity or economic interest in real estate located in Australia that can be provided as security (via a real property mortgage) in favour of the lender as mortgagee.

Finance in the commercial real estate market is provided by:

1. ADIs, including banks, credit unions and building societies;
2. Financial institutions that are not ADIs (e.g. foreign banks that do not take deposits in Australia);
3. Private and public debt capital markets; and
4. Non-ADI lenders, including companies such as the Qualitas Group and other private specialist lenders, superannuation funds and international funds.

A key difference between ADIs and non-ADI (alternative) lenders is that ADIs can accept and make loans with deposits from the general public. Accordingly, this attracts a level of regulatory oversight by APRA in Australia.

By contrast, non-ADI (alternative) lenders privately raise funds that they can provide to borrowers under their own lending criteria, and this is currently largely unregulated by APRA. For example, non-ADI (alternative) lenders, whilst maintaining discipline, are reported to accept lower levels of pre-sales and allow greater leverage. In recognition of these risks, investors typically demand higher premiums. Furthermore, loans secured by second ranking mortgages (i.e. mezzanine loans as discussed in Section 3.7) are typically only provided by non-ADI (alternative) lenders.

### 3.4 MARKET OPPORTUNITY – COMMERCIAL REAL ESTATE FINANCE AND ALTERNATIVE LENDERS

Commercial real estate finance (secured and unsecured) in Australia provided by ADIs was \$287.2 billion as at March 2019. This is a 4.2% increase since March 2018 and reflects the continued growth of the credit markets. ADIs and their subsidiaries have continued to carry the bulk of domestic debt provision in Australia's financial system, with an estimated market share of 93%. Alternative lenders make up the difference with an estimated market share of 7% of the total financial system in Australia.

By comparison, the alternative lending market for commercial real estate finance is well established in the United States and Europe with private capital providers holding 45% and 50% market share respectively, demonstrating permeance and greater market participation of alternative lenders within a financial system.

Over the past five years, the key trends supporting the growth and prevalence of alternative lenders in the commercial real estate market in Australia have been:

- **Increased regulation and capital requirements for ADIs:** Increased APRA regulatory oversight, increased capital adequacy requirements to bolster ADIs' balance sheets, and scrutiny from the Banking Royal Commission, are some of the factors that have prompted ADIs to reassess and reduce their lending exposures to the real estate market; and

## 03. MARKET & INDUSTRY OVERVIEW **Continued**

- **Tightening of ADIs' lending standards:** As a result of these regulatory pressures, ADIs typically respond by tightening lending to borrowers of commercial real estate finance. Examples of tightening credit include reducing loan-to-value ratios, imposing stricter pre-sale hurdles for residential development financing and constraints on geographic concentration limits.

As demand for commercial real estate finance continues to grow, and ADIs move towards these increasingly selective and conservative credit terms, the Manager believes there is an expanding opportunity for alternative lenders to provide more flexible forms of finance to fill the funding gap, generally at a higher interest rate.

The alternative lending sector continues to attract capital from investors seeking yield in the current low interest rate environment. The increased prevalence of alternative lenders in the market has seen this sector take market share for senior loans from ADIs.

The growth of alternative lenders is positive for market liquidity, as borrowers have more choice and lenders' refinancing risk reduces.

Given that the majority of New Zealand banks are owned by the Australian banks, New Zealand banks have experienced the flow-through impact of increasing regulatory control on their Australian owners. Accordingly, commercial real estate borrowers in the New Zealand market are experiencing similar capital constraints to those in Australia. This is further exacerbated by a lack of well-funded capital providers in New Zealand's alternative finance market.

The Qualitas Group believes that:

- the demand among borrowers for alternative real estate capital sources continues to grow, with borrowers seeking more flexible funding solutions as a result of ADIs continuing to reduce their lending to commercial real estate and tighten lending criteria; and
- as a result, high-quality investment opportunities will be accessible to experienced alternative lenders with strong relationships and sound governance practices.

### 3.5 MARKET DYNAMICS OF COMMERCIAL REAL ESTATE FINANCE

The Qualitas Group considers Australia's supportive macro-economic environment and real estate fundamentals to be attractive to lenders in the commercial real estate finance market. Australia remains at the upper end of developed economies for projected economic growth, supported by population growth, stable political environment and low interest rates, demonstrating a suitable environment for the continued demand for commercial real estate finance.

The New Zealand economic story is similar to Australia, experiencing stable and consistent economic growth historically. Behind Australia, New Zealand has experienced one of the highest rates of Gross Domestic Product (GDP) growth of the Organisation for Economic Co-operation and Development (OECD) countries since the GFC and maintains its status as one of the strongest performing and most stable Western economies.

#### 3.5.1 Population growth

The Australian population growth was 1.6% in the year to 31 December 2018 and is expected to continue increasing. Population growth from both natural increase and net overseas migration provide ongoing demand for housing in Australia. Capital city growth accounted for 79% of the national population growth between 2017 and 2018 with the largest contribution from east coast capital cities.

In recent years, New Zealand's population growth has been supported by net migration numbers, attributable to a combination of higher migration inflows and the reversal of the emigration of New Zealanders, creating increased demand for residential dwellings outside of natural population growth.

### 3.5.2 Interest rates

Since the Trust's IPO on 27 November 2018, the board of the RBA has reduced the cash rate by 50 basis points in the consecutive June and July months of 2019, from 1.5% at the date of the Trust's IPO to an historic low of 1.0% as at the date of this PDS. The RBA took this decision to support employment growth, noting recent inflation outcomes have been lower than expected. As banks cut interest rates on deposits, savers continue to explore alternative investments which offer higher rates of return.

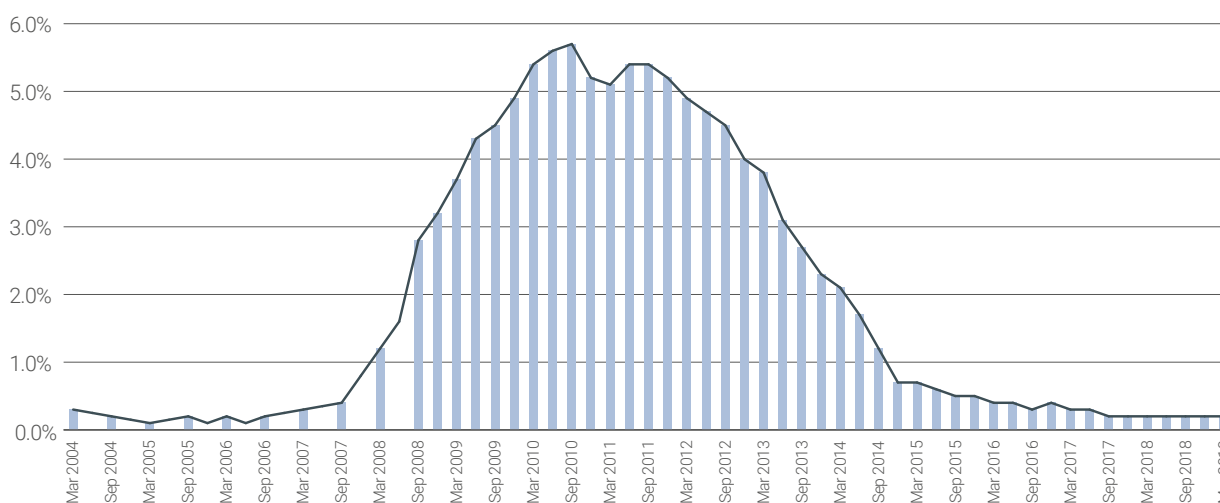
The official cash rate in New Zealand has also reduced from 1.75% at the date of the Trust's IPO to 1.0% in response to slower GDP growth and economic headwinds.

Despite a lower interest rate environment in Australia and New Zealand, rates remain comparatively higher than global interest rates in many developed markets, which supports capital inflows from international investors seeking out investment opportunities, demand and supply of credit and asset values.

### 3.5.3 Loan impairment in Australia's commercial real estate finance market

The Australian commercial first mortgage lending market has historically sustained low impairment rates and losses, including during the GFC. For Australian ADIs, commercial real estate loan impairments as a percentage of overall commercial real estate loan exposures peaked at 5.7% during 2010 and have remained at less than 0.5% for the three years ended 31 March 2019. The impairment rate on the Australian ADIs' commercial real estate loans has also declined in recent years and is now close to pre-GFC lows of less than 0.5%.

#### Impaired assets to exposures



Source: APRA Quarterly ADI Property Exposure March 2019.

Comparatively non-performing loans in New Zealand's banking system continue to remain low at ~0.5% in March 2019, a decrease from 0.8% in September 2017, aided by favourable conditions in the New Zealand economy.

Due to its stability and resilience, the Qualitas Group believes that the commercial real estate finance market is an attractive investment class.

## 03. MARKET & INDUSTRY OVERVIEW Continued

### 3.6 TYPICAL SECURED REAL ESTATE LOAN INTEREST RATES

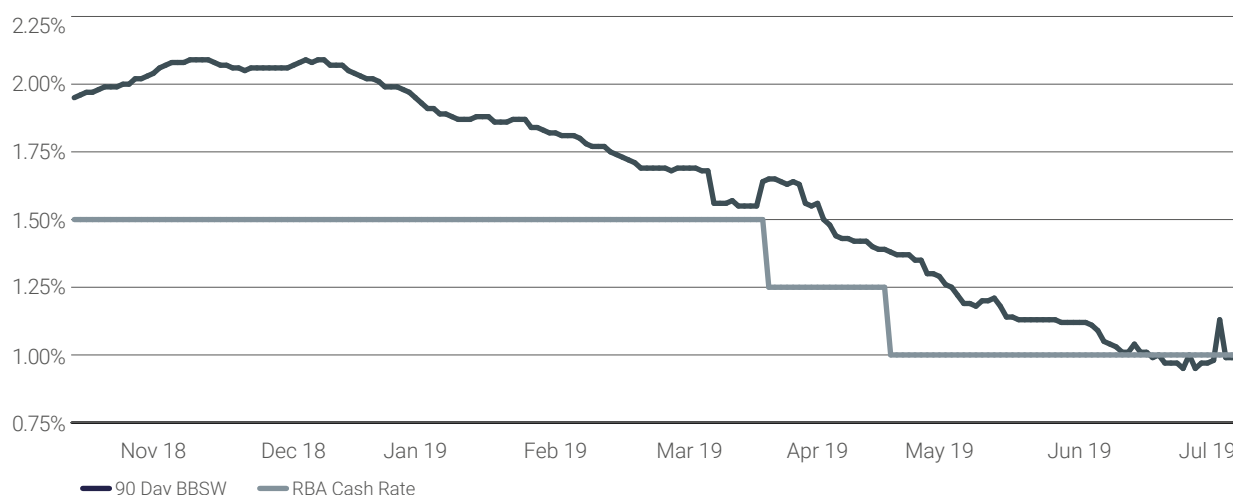
Commercial real estate finance provided by ADIs is set at a margin above a published benchmark interest rate. The most commonly referenced interest rates are the 90-day Bank Bill Swap and Bank Bill Swap Bid rates (**BBSW** and **BBSY**, respectively). The margin above these published benchmark interest rates is the compensation required by the lender for default risk, often referred to as the 'risk premium'. This can vary considerably across loans and depends on the creditworthiness of the borrower, capital market conditions, leverage, mortgage covenants and the type of security provided.

Secured real estate loans provided by non-ADI lenders like the Qualitas Group are often priced at a fixed interest rate, however from time to time may also be floating rate (i.e. set at a margin above the BBSW or BBSY) depending on the lender's return requirements.

In the current market, the Manager believes that borrowers will pay a premium to source capital from outside of the narrow bank lending parameters. This presents an attractive opportunity for non-ADI lenders like the Qualitas Group to provide debt financing that generates, risk-adjusted returns from commercial real estate finance.

Expected and actual interest rate cuts in the past 12 months have impacted base rates in Australia for commercial real estate loans which have reduced from 1.92% as at 30 November 2018 to 0.99% as at 26 August 2019<sup>27</sup>. This has the effect of reducing the all-in interest rates charged by ADIs and alternative lenders, resulting in lower returns for the same loan risk profile.

The below demonstrates the movement in both base rates and the RBA Cash rate since the Trust's IPO:



### 3.7 COMMERCIAL REAL ESTATE FINANCE CAPITAL STRUCTURE

The capital structure of any asset refers to a systematic approach to financing the asset. For any asset, including real estate, this will typically comprise both debt and equity, i.e. the "capital stack".

The debt component is a fixed amount and is often provided by external parties as a secured real estate loan. The debt component is normally secured by either a first ranking (i.e. senior loan) or second ranking (i.e. mezzanine loan) mortgage. The ranking represents the lender's priority position for repayment of a loan. Senior lenders have the right to be repaid first, ahead of mezzanine lenders. The equity component includes not only the contribution by the borrower but also any assumed profit component that the owner of the property is anticipating upon sale or development of the real estate asset.

Loans, which can provide stable and regular income to the lender in the form of interest payments, have lower risk of capital losses than other asset classes, such as equities. Typically, debt investors have a preferential treatment over equity investors for income distributions and return of capital in an event of default.

<sup>27</sup> Base rate is BBSW 90-day.

Secured loans are generally considered of lower risk than equity investments and tend to provide a less volatile return. The figure below illustrates the position of typical loans on a relative risk basis.

Limited security structure	Typical Qualitas Protections		QRI portfolio (as at 31 August 2019) <sup>2</sup>
	Ordinary equity	<ul style="list-style-type: none"> <li>Full project and counterparty due diligence</li> </ul>	
Level of protection	Preferred equity	<ul style="list-style-type: none"> <li>Full project and counterparty due diligence</li> <li>Preferred return before ordinary/common equity</li> </ul>	0%
	✓ Mezzanine debt	<ul style="list-style-type: none"> <li>Full project and counterparty due diligence</li> <li>Same protections as senior debt but ranks second<sup>1</sup></li> </ul>	5%
	✓ Senior debt	<ul style="list-style-type: none"> <li>Full project and counterparty due diligence</li> <li>Contracted cash flows</li> <li>First ranking security over property</li> <li>Bank guarantees</li> <li>Personal guarantees</li> <li>Asset pre-sales</li> </ul>	83%
Stronger security structure			

✓ = included in the Trust portfolio

1. Qualitas does not invest in senior and mezzanine debt for the same transaction.

2. Excludes Trust Loan Receivable and cash. The remainder of the portfolio (12%) has been allocated to the AFWT notes which are classified as Mezzanine as they rank behind senior noteholders, however not depicted in the above table.

### 3.8 FEATURES OF SECURED REAL ESTATE LOANS

The terms of secured real estate loans provided by alternative lenders are negotiated and documented by way of a loan agreement between the lender and the borrower. The loan agreement outlines all terms and conditions of the loan including the borrower's undertakings, financial covenants, and the lender's rights to enforce security and seek repayment from the loan under a borrower default.

Below provides the typical term of a loan provided by alternative lenders:

- **Security:** All secured real estate loans will be subject to a security package which will include a real property mortgage. From time to time additional security may include:
  - » Guarantees from the borrower and/or its related parties which supports the borrower's obligations under the loan agreement;
  - » Charges over other related transaction parties;
  - » Mortgage over units or shares in related trusts and/or companies; and
  - » Tripartite agreements between key transaction parties in respect of key transaction documents, granting additional rights to the lender.
- **Ranking:** A secured real estate loan will either be first ranking (i.e. senior loan) or second ranking (i.e. mezzanine loan). The ranking is the lender's priority position in respect of repayment of a loan including from the sale proceeds of the security. Senior lenders, being first ranking, have the right to be repaid first ahead of mezzanine lenders, whom are ranked second. A priority and intercreditor agreement is established between the senior and mezzanine lenders whom share the same security (i.e. the security package including the real property mortgage).

## 03. MARKET & INDUSTRY OVERVIEW Continued

- **Maturity:** loans will generally have maturities ranging from 12 months to 36 months (although can be shorter or longer) depending on the loan type, purpose and investment strategy of the underlying real estate asset.
- **Leverage:** The leverage is the total loan amount extended against the accepted value of the security (which is essentially the value of the mortgaged real estate asset), i.e. loan to value (**LVR**) or against the value of total development costs in respect of construction loans i.e. loan to cost (**LTC**).
- **Covenants:** Covenants are frequently tested ratios and/or hurdles that the borrower must comply with at all times and typically include leverage ratios and interest coverage/debt service ratios, protecting against devaluation of the property and income deterioration respectively. In addition, with customary enforcement remedies for default, appropriate remedies of covenant breaches in favour of the lender include introduction of new borrower equity and ability to capture additional pricing and fees to reflect increased risk.
- **Borrower obligations:** The loan agreement will also contain extensive standard and specific borrower obligations appropriate for the transaction which may include:
  - » Ongoing development or sales milestones and “costs to complete” testing;
  - » Requirements around new or existing leases;
  - » Requirements around asset and development management; and
  - » Financial and other reporting obligations.



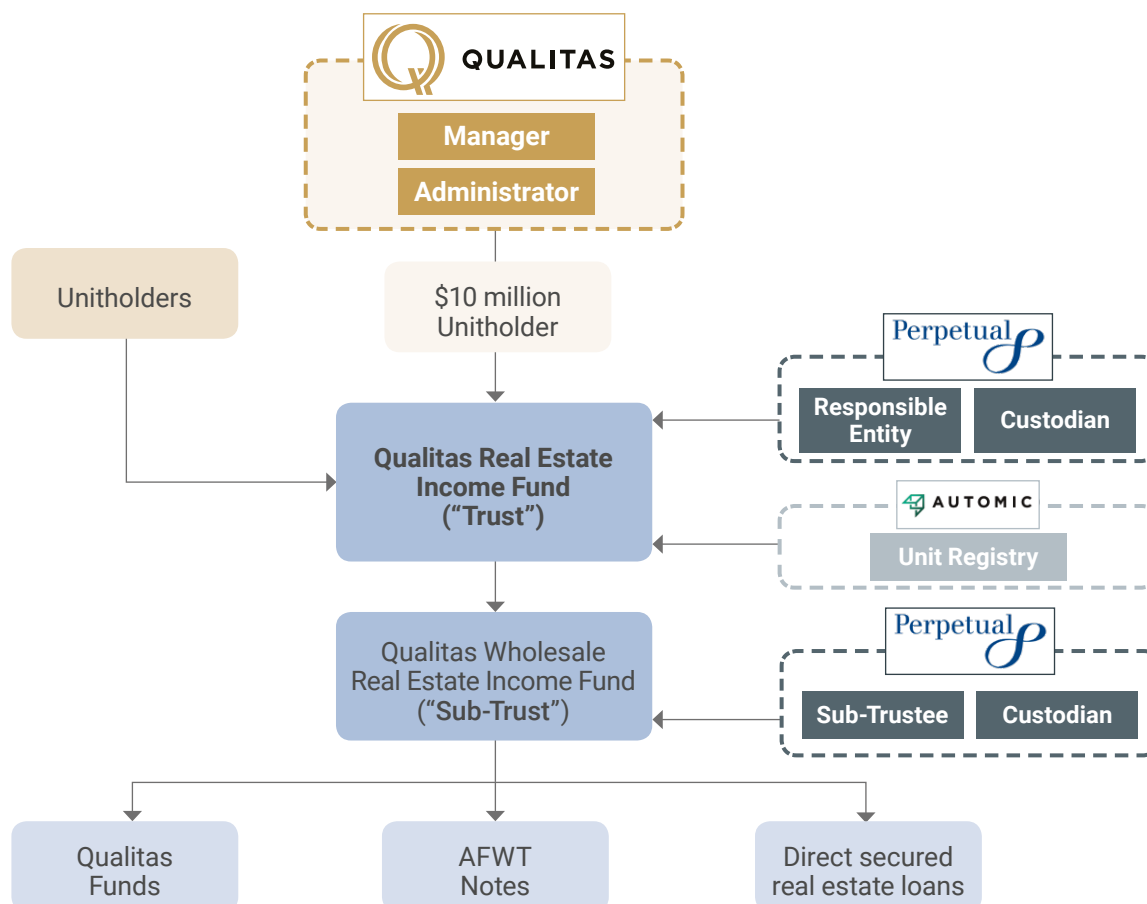
# 04. ABOUT THE TRUST



## 04. ABOUT THE TRUST

### 4.1 OVERVIEW

The Trust provides exposure to a diversified portfolio of investments with direct and indirect exposure to predominantly Australian secured real estate loans via its investment in the Qualitas Wholesale Real Estate Income Fund.



The Qualitas Wholesale Real Estate Income Fund makes direct loans and invests in the Qualitas Funds which are managed by Associates of the Manager, and has invested in the Arch Finance Warehouse Trust note program. Allocation of loans and investments between the Qualitas Funds and AFWT notes are subject to change in accordance with the Trust's target portfolio construction. Refer to Section 4.9 for the Trust's current investments.

### 4.2 ABOUT THE RESPONSIBLE ENTITY

The Responsible Entity of the Trust is The Trust Company (RE Services) Limited, a wholly owned member of the Perpetual Group (**Perpetual**). Perpetual has been in operation for approximately 130 years and is an Australian public company that has been listed on the ASX for over 50 years.

The Responsible Entity holds an AFSL issued by ASIC, which authorises it to operate the Trust.

The Responsible Entity is bound by the Constitution, the Corporations Act and the ASX Listing Rules. The Responsible Entity has lodged a Compliance Plan with ASIC which sets out the key measures which the Responsible Entity will apply to comply with the Constitution, the Corporations Act and the ASX Listing Rules. The Responsible Entity has the power to delegate certain aspects of its duties.

QRI Manager Pty Ltd is the appointed Manager of the Trust.

Perpetual Corporate Trust Limited is the appointed Custodian of the Trust and QRI Fund Services Pty Ltd is the appointed Administrator of the Trust. QRI Fund Services Pty Ltd is a wholly owned member of the Qualitas Group. Automic Pty Limited is the appointed registry provider of the Trust.

The Material Contracts of the Trust are set out in Section 12.

### 4.3 DIRECTORS OF THE RESPONSIBLE ENTITY

The Directors have a broad range of experience in financial services combined with financial and commercial expertise.

Details of the current Board are set out below:

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#### MICHAEL VAINAUSKAS

*General Manager, Risk & Internal Audit, Corporate Services – Risk Group*

*Executive Director – appointed in March 2015*

Michael joined Perpetual as the Chief Risk Officer in October 2014. In this role, he is responsible for both risk management and internal audit functions across the Group.

Previous to his current role, Michael was the Head of Risk Operations within the International Financial Services Division of the Commonwealth Bank of Australia where he was responsible for managing and supporting all risk management functions (other than large credit approvals) of the International Financial Services businesses which include China, India, Indonesia, Japan and Vietnam.

Michael was previously the Chief Risk Officer for PT Commonwealth Bank Indonesia, a subsidiary of the Commonwealth Bank of Australia and was responsible for all risk and legal areas across the subsidiary.

Prior to this, Michael was the General Manager/Chief Risk Officer with both Westpac Banking Corporation in the Retail and Business Bank, and St George Bank in the Retail Bank and Wealth Management businesses. Michael previously worked in a number of senior consumer risk management roles for the Westpac Banking Corporation group of companies in both the bank and its former finance company subsidiary Australian Guarantee Corporation Limited.

Michael's background in finance extends back to 1983 and covers business, operational, compliance, legal and risk related responsibilities, from line-staff positions through to executive management level within a decentralised and centralised framework. Michael previously worked for 15 years at Household Finance Ltd which was subsequently acquired by AVCO Financial Services Ltd.

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#### GLENN FOSTER

*Group General Manager Finance, Corporate Services – Finance Group*

*Executive Director – appointed in July 2015 (previously an alternate Director from March 2014 to July 2015)*

Glenn is responsible for the Perpetual Group Finance function including external, regulatory and statutory reporting, financial operations, corporate tax compliance, treasury and capital management. He is also responsible for Business Support Services, including Facilities Management. He is a director of a number of Perpetual's controlled entities (including those licensed with ASIC) and is also alternate director for Gillian Larkins, the Group Chief Financial Officer, who is a director of a number of controlled entities of Perpetual (including those licensed with APRA and ASIC).

Glenn is a Chartered Accountant and commenced his career with Coopers and Lybrand (now part of PricewaterhouseCoopers) before entering the financial services industry in 1994. Prior to joining Perpetual in 2003, Glenn worked in a number of senior finance roles with AIDC Ltd, Babcock & Brown Limited, State Street Bank and Trust Company Limited and RAMS Home Loans.

Glenn has a Bachelor of Commerce degree from the University of New South Wales, has been a member of the Institute of Chartered Accountants in Australia since 1989 and is a graduate of the Australian Institute of Company Directors.

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#### RICHARD MCCARTHY

*Group Executive, Perpetual Corporate Trust*

*Executive Director – appointed in October 2018*

Richard joined Perpetual in 2007 as Director, Sales and Relationship Management, and has been General Manager, Sales & Relationship Management, Strategy & Product and Marketing since 2011.

Richard has more than 23 years' experience in banking and financial services, with deep sector knowledge in debt capital markets and managed funds.

Prior to joining Perpetual, Richard spent 10 years at JP Morgan Chase in London and Sydney in a number of senior leadership roles.

Richard is a Director of the Australian Digital Commerce Association.

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## 04. ABOUT THE TRUST **Continued**

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### **VICKI RIGGIO**

*General Manager, Managed Fund Services Perpetual Corporate Trust*

*Executive Director – appointed in May 2018*

Vicki is General Manager, Management Services, Perpetual Corporate Trust having responsibility for trust management, accounting and investment management services offered to the debt capital markets and managed fund clients in Australia and offshore.

Prior to this, Vicki was the Head of Wholesale Trustee responsible for the delivery of trustee services to a portfolio of funds in excess of \$40 billion, primarily supporting offshore investment into Australian real assets through managed investment trust structures. She has also previously been responsible for Perpetual's debt markets trustee operations and ongoing trustee compliance arrangements. Having worked in the financial services industry for close to 20 years, Vicki has extensive experience across a variety of asset classes and trust structures.

Vicki is a Responsible Manager for Australian Financial Services Licences held by subsidiaries of Perpetual and has a Bachelor of Land Economics from the University of Technology, Sydney.

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### **ANDREW MCIVER**

*General Manager, Group Finance*

*Alternate Director – appointed in January 2017*

Andrew joined Perpetual as General Manager, Group Finance – Commercial Advice & Planning in August 2015. As a member of the Senior Leadership Team reporting to the CFO, Andrew leads one of Perpetual's finance teams with responsibility for business partnering and business finance activities.

Andrew has approximately 20 years of experience in finance, risk and management roles across a number of industries. Most recently he was Country Head of Finance Planning & Analysis for Citigroup Australia & New Zealand responsible for planning and analysis activities for the Institutional and Consumer bank. Between 2006 and 2015, Andrew held a number of senior roles at Citigroup across finance, risk and strategy. Prior to joining Citigroup in 2006, Andrew held the role of Acting Senior Manager, Diversified Institutions at APRA which he joined in 1999 as an Analyst.

Andrew is a Certified Practising Accountant and a member of CPA Australia. He also holds a Graduate Diploma in Applied Finance & Investments from FINSIA and a Bachelor's Degree of Economics, majoring in accounting and economic history, from Monash University.

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### **PHILLIP BLACKMORE**

*Head of Wholesale Trustee, Perpetual Corporate Trust*

*Alternate Director – appointed in July 2018*

Phillip was appointed as Head of Perpetual Corporate Trust's Wholesale Trustee business in July 2016 where he has responsibility for servicing wholesale clients investing in real assets.

Phillip has over 20 year of experience in financial services having worked in both Sydney and London. Prior to working for Perpetual, Phillip held front, middle and back office roles with Westpac, Morgan Stanley, Credit Suisse and IAG Asset Management, focusing primarily on operational risk and investment compliance. In March 2007, Phillip joined Perpetual's Group Risk & Compliance team having responsibility for the design and implementation of Perpetual's enterprise risk management framework and the placement of Perpetual's insurance program. Phillip also acted as risk advisor to the Group Executive of Perpetual Investments, Corporate Trust, Digital & Marketing and People & Culture.

Phillip is also a Non-Executive Director of the Big River Impact Foundation and holds a Graduate Diploma in Compliance, a Master of Arts (Risk Management) and is currently completing an MBA at the Australian Graduate School of Management.

## 4.4 KEY QUALITAS TEAM MEMBERS

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### **Andrew Schwartz**

*Group Managing Director & Co-Founder*

Andrew is the Group Managing Director and a co-founder of the Qualitas Group. Andrew has over 32 years' experience in financial services with an extensive track record across real estate investment.

He is responsible for overseeing the Qualitas Group's activities, setting the strategic direction of the business, transaction origination as well as building and enhancing relationships with the firm's clients and investors. Andrew has previously held senior roles within a number of global organisations specifically focused on real estate and corporate finance.

Prior to joining the Qualitas Group, Andrew was previously the Head of Asia Pacific Real Estate at investment firm Babcock & Brown, a Director of Risk at AIDC (government owned financier) as well as a Senior Manager at Bank of America.

Andrew is a member of the Chartered Accountants Australia and New Zealand and on the Advisory Board of the Property Industry Foundation (Victoria).

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### **Gerd Mayer**

*Chief Risk Officer*

Gerd joined the Qualitas Group in 2010 and is responsible for the management of the firm's transaction and enterprise risks. Gerd's experience spans over 30 years in banking, specialising in credit risk management, project financing, structured lending and financial advisory roles.

Prior to joining the Qualitas Group, Gerd was Director, Lending Services, Institutional for ANZ Group. Gerd's prior roles have also included Director positions in Project and Structured Finance for ANZ, Head of Credit with NM Rothschild & Sons (Australia) and Director/Credit Executive, Specialised Finance for National Australia Bank.

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### **Kathleen Yeung**

*Chief Financial Officer & Head of Strategy*

Kathleen joined the Qualitas Group in 2014 and is responsible for corporate strategy, finance and operations, including investment operations.

Kathleen has over 19 years' experience in financial services spanning debt and equity advisory for major infrastructure projects as well as the development and financing of renewable energy and power generation assets for both listed and unlisted funds.

Prior to joining the Qualitas Group, Kathleen has held roles, both locally and internationally, with major financial institutions and global advisory firms. These roles were with PricewaterhouseCoopers focused on PPP advisory for major projects, Deutsche Bank in London and KPMG.

Kathleen is a member of the Chartered Accountants Australia and New Zealand.

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### **Tim Johansen**

*Managing Director, Global Head of Capital*

Tim leads the firm's real estate capital team, which is responsible for capital raising, portfolio management and investor relations. Tim, who established the firm's Sydney presence, has more than two decades' experience in real estate financing across senior debt, mezzanine debt, equity co-investments and financing advice.

Prior to Qualitas, Tim was the Managing Director of Structured Real Estate Finance at Investec Bank for nine years. This role included structuring and executing complex property transactions. Prior to Investec, Tim's roles included Director of Global Property Finance for National Australia Bank and State Manager, Property Finance for Capital Finance.

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## 04. ABOUT THE TRUST Continued



### **Mark Fischer**

*Managing Director, Global Head of Real Estate*

Mark is a co-founder of Qualitas and leads the Investment team, which is responsible for deal origination; execution and analysis; and asset management. Mark has been active in real estate private equity and banking for 16 years and has invested in excess of \$9 billion of transactional value, across asset classes including residential, commercial, industrial logistics, multifamily housing and retirement living.

Prior to Qualitas, Mark was a member of the Babcock & Brown Real Estate Group where his focus was on investments in Australian developments and specialised asset operating platforms in the United States, Hong Kong and Singapore. His other experience includes working at ANZ as part of the Property & Construction Finance team including debt raisings for REITs and project financing for residential and office developers.



### **Yossi Kraemer**

*Head of Institutional Capital & Portfolio Management*

Yossi joined the Qualitas Group in 2012 and is responsible for the institutional capital relationships, general investor relations strategy and portfolio management across the firm.

Yossi has over 20 years' experience in global real estate finance, capital markets, real estate structured products and capital raising.

Prior to joining the Qualitas Group, Yossi worked for Royal Bank of Scotland in London where he was the Managing Director and Head of Real Estate Capital Markets and Real Estate Syndications for Europe, Middle East and Asia. Prior to this, Yossi had senior roles at both Credit Suisse and BNP Paribas.

## 4.5 THE TRUST'S INVESTMENT OBJECTIVE

The Trust's Investment Objective is to achieve a Target Return of 8.0% p.a. (net of fees and expenses) (**Target Return**), provide monthly cash income, capital preservation and portfolio diversification.<sup>28</sup>

The Manager intends to implement active strategies designed to balance investor requirements to deliver the Target Return while actively managing risk via the Qualitas Group's existing robust risk management approach.

The Trust's Target Return is only a target and the actual return of the Trust may be lower than the Trust's Target Return. Further, the Manager may be unsuccessful in preserving capital or slow to deploy the Trust's capital. Refer to Section 8 for further details regarding risks.

## 4.6 THE TRUST'S INVESTMENT STRATEGY

The Manager seeks to invest the Trust's capital in a portfolio of investments that provide Unitholders with direct and indirect exposure to predominantly Australian secured real estate loans. The Trust may also invest in New Zealand secured real estate loans from time to time to provide further diversification.

### **Investment Principles**

At the centre of the Trust's Investment Strategy are four Investment Principles, against which all the Trust's investment opportunities are assessed:

- **Quantum of returns:** The Manager seeks to accurately forecast returns from an investment as well as the components that form those returns – i.e. payment of interest and fees, capitalised interest and fees, early repayment fees and other similar components based on the relevant supporting contractual agreements.
- **Timing of returns:** A fundamental principle of the Qualitas Group's investment philosophy is to seek to forecast, with a reasonable degree of certainty, when the investment is originated, the timing for interest payments and the expected timing for loan repayment. This is predicated by way of contractual arrangements and monitoring the investment. The ability to forecast in this manner is explained further in Section 8.

<sup>28</sup> This is a targeted return only. There is no guarantee the Trust will meet its Investment Objective.



- **Assessment of known risks:** The Manager seeks to diligently consider and assess each material risk that may have an influence on a given investment. This does not mean the Manager will not take risks, rather it will seek to identify and to the maximum extent possible manage all inherent material risks.
- **Ability to exert influence over known risks:** Having considered and analysed the known material risks for each investment, the Manager then seeks to invest based on being able to structure a secured real estate loan that reasonably mitigates those specific investment risks, thereby exerting a degree of meaningful influence over those specific investment risks.

As the Trust matures, the composition of the portfolio is likely to change. Detail provided in Section 4.8 aims to illustrate to Unitholders the intended likely characteristics of the portfolio.

#### 4.7 QUALITAS WHOLESALE REAL ESTATE INCOME FUND

The Qualitas Wholesale Real Estate Income Fund (**Sub-Trust**) is an open-ended unregistered unit trust open to accept applications from wholesale investors. The Trust holds fully paid units in the Sub-Trust. The Sub-Trustee may issue units or other instruments to other investors of the Sub-Trust.

The investment strategy of the Sub-Trust is to create an exposure to a diversified portfolio of investments with direct and indirect exposure to predominantly Australian secured real estate loans by investing in direct secured real estate loans, Qualitas Funds and the Arch Finance Warehouse Trust note program.

The Sub-Trust invests in and alongside the other Qualitas Funds which are managed by Associates of the Manager.

A high-level summary of the Sub-Trust is set out below:

<b>Structure</b>	Open ended unit trust.
<b>Asset duration</b>	The Sub-Trust may invest in secured real estate loans (directly or indirectly through the Qualitas Funds) with a tenor to maturity of generally between six months to two years for direct secured real estate loans and up to five years for investments in units in other Qualitas Funds.
<b>Portfolio construction</b>	Direct and indirect exposure to predominantly Australian secured real estate loans and from time to time, New Zealand secured real estate loans.
<b>Distributions</b>	Net income distributed to investors on a monthly basis. Distributions may be reinvested into new units.

#### Investments

Associates of the Manager are responsible for managing the investments of the Qualitas Funds. The Sub-Trust invests in the Qualitas Funds, direct secured real estate loans and the Arch Finance Warehouse Trust notes.

The ability of the Sub-Trust to withdraw its investment in the Qualitas Funds is dependent on a number of factors, which include:

- the terms of the Qualitas Funds;
- the ability of the Qualitas Funds to liquidate their investments to pay any withdrawal and whether liquidating those investments is in the best interests of investors as a whole in those funds; and
- the volume of other withdrawing investors in the Qualitas Funds.

The Sub-Trust may invest directly in secured real estate loans as a sole lender or a co-lender with other co-lenders, which can include the Qualitas Funds, other Qualitas Investors and/or Qualitas Group and its related parties, as determined by the Qualitas Group's Allocation Policy, as detailed in Section 4.13.

The loans made by the Sub-Trust and the Qualitas Funds are made to third parties, not members of the Qualitas Group or their related parties.

## 04. ABOUT THE TRUST **Continued**

### Arrangements with investors in the Sub-Trust

The Sub-Trustee, the trustees of the Qualitas Funds and the Manager may enter into arrangements with wholesale investors in the Sub-Trust in certain circumstances to satisfy these wholesale investor requirements (e.g. to satisfy regulatory requirements specific to the investor or in respect of redemptions, not having exposure to certain investments and the retirement).

### Redemption from the Sub-Trust

The Sub-Trustee is not obliged to redeem the Trust's units in the Sub-Trust but may accept a redemption request at its absolute discretion. None of the Sub-Trust or the Qualitas Funds are readily liquid and that is why redemptions are limited.

If the Manager is removed as manager of the Trust, the Sub-Trustee may, at its discretion, compulsorily redeem all of the Trust's units in the Sub-Trust on a date specified by the Sub-Trustee (which must be no earlier than 12 months after the date the Manager is removed).

### Voting

Each unitholder of the Sub-Trust is entitled to one vote on a show of hands and one vote, per dollar of the issue price of a unit, held on a poll.

### Retirement of the Sub-Trustee

The Sub-Trustee may retire as trustee on giving no less than three months' notice to unitholders. The Sub-Trustee must retire if required to do so by a special resolution of unitholders.

### Indemnity of the Sub-Trustee

The Sub-Trustee is indemnified out of the property of the Sub-Trust for any liability incurred by it, in relation to the proper performance of any of its duties in respect of the Sub-Trust.

Refer to Section 12 for further details on the above terms, agreements and investments of the Trust and Sub-Trust.

### Termination following a Sub-Trust unitholder vote

If, after the initial term of 10 years, the Trust is no longer the sole unitholder of the Sub-Trust, the Responsible Entity may terminate the investment management agreement for the Sub-Trust (following three months written notice) if unitholders in the Sub-Trust holding more than 50% of the units in the Sub-Trust vote in favour of a resolution requiring termination.

## 4.8 TARGET PORTFOLIO COMPOSITION

The Manager seeks to invest in a portfolio of investments with exposure to Australian and New Zealand secured real estate loans. The portfolio has been and continues to be constructed in accordance with the Investment Principles in addition to the Qualitas Group's Allocation Policy as set out in Section 4.13.

The Manager has and will seek to allocate capital in line with its target portfolio composition as outlined below. The actual portfolio composition compared to target portfolio composition as at 31 August 2019 is set out below:

PORTFOLIO CHARACTERISTIC	TARGET PORTFOLIO COMPOSITION	ACTUAL AS AT 31 AUGUST 2019 <sup>1</sup>
<b>Loan Type</b>	<ul style="list-style-type: none"> <li>Predominantly focused on senior (first mortgage) secured real estate loans, investing via the Qualitas Funds or directly into secured real estate loans; and</li> <li>Exposure to mezzanine loans within a target range of 20%-35% of Trust capital.</li> </ul>	<p>Invested positions:<sup>2</sup></p> <p><b>Within target</b> 83.3% senior loans</p> <p><b>Underweight</b> 16.7% mezzanine exposure (comprising 11.9% AFWT notes, 4.8% mezzanine loans)</p>

## PORTFOLIO CHARACTERISTIC

## TARGET PORTFOLIO COMPOSITION

ACTUAL AS AT 31 AUGUST 2019<sup>1</sup>

### Geography & Location

- ≤ 30% of the Trust's investments located in non-capital cities;
- Australian and New Zealand cities with resident population ≥ 100,000;<sup>3</sup> and
- ≤ 20% of the Trust's capital to be invested in loans (directly or indirectly) secured by property located in New Zealand.

The Manager will approach investments in New Zealand selectively with a focus on deep markets which are typically capital cities. It is expected that the Manager will primarily focus on the Auckland market as this is the largest real estate market in New Zealand and accounts for the majority of secured real estate loan opportunities in New Zealand.

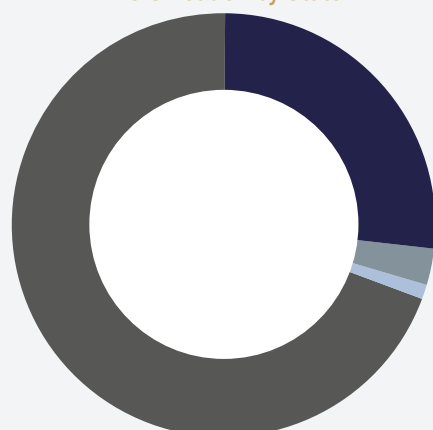
### Within target

<4% in non-capital cities

100% in Australian cities with population > 100,000

0% in New Zealand

### Diversification by State



NSW 27%  
QLD 3%  
VIC 70%  
Other States (AUS) <1%

### Investment Type

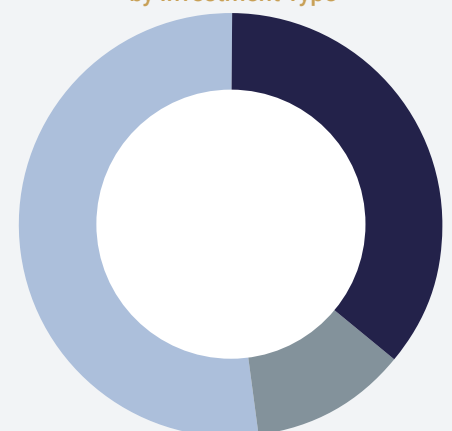
- ≤ 40% of the Trust's capital is to be directly invested in any single Qualitas Fund; and
- ≤ 15% of the Trust's capital to be invested in Arch Finance Warehouse Trust notes.

### Within target

Largest investment in a single Qualitas Fund is <21% of total capital

<10% of total capital is invested in AFWT notes

### Invested positions – diversification by Investment Type<sup>4</sup>



Direct Loans 36%  
AFWT notes 12%  
Funds 52%

1. The portfolio statistics are determined on a look-through basis having regard to the loans in the underlying Qualitas Funds and the AFWT loan portfolio as indicated. The classifications of these diversification parameters are determined by the Manager.

2. Based on invested capital, excluding the Trust Loan Receivable. The Manager classifies the AFWT notes as mezzanine as it ranks behind senior noteholders.

3. Excludes AFWT.

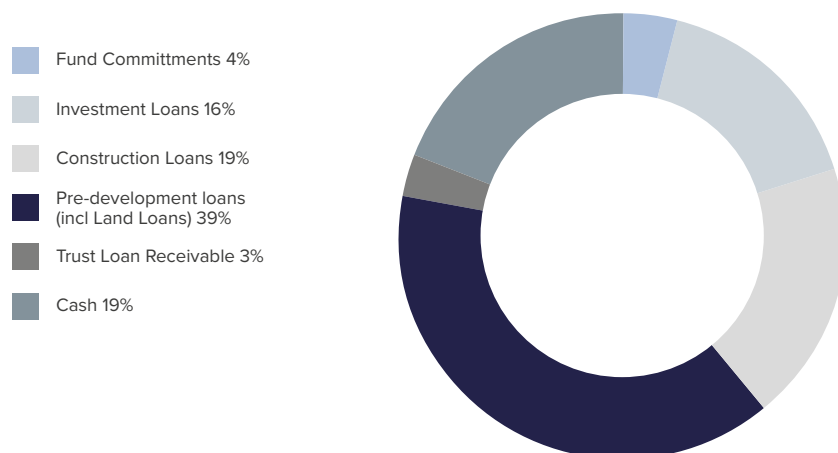
4. Excludes Trust Loan Receivable and cash. Figures shown have been rounded up to the nearest whole percentage.

## 04. ABOUT THE TRUST **Continued**

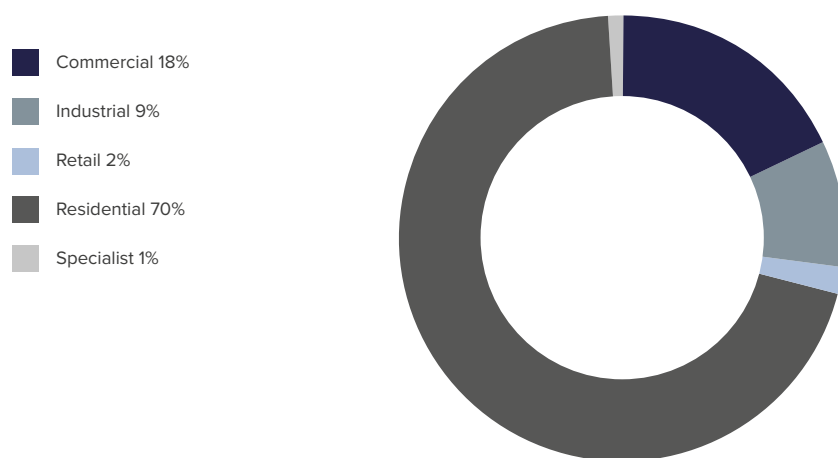
### 4.9 CURRENT INVESTMENTS AS AT 31 AUGUST 2019

The Trust's portfolio is constructed to achieve diversification by investment type, loan type, geography, property sector and borrower.

The diagram below outlines the composition of the Trust's capital. Cash represents capital not invested:<sup>29</sup>



The diagram below outlines the approximate composition of the Trust's loan portfolio by property sector:<sup>30</sup>



<sup>29</sup> The portfolio statistics are determined on a look-through basis having regard to the loans in the underlying Qualitas Funds and the AFWT loan portfolio. The classifications of these diversification parameters are determined by the Manager.

<sup>30</sup> Excluding the Trust Loan Receivable and Cash. Adjusted for AFWT loan portfolio. The classifications of these diversification parameters are determined by the Manager.

The table below outlines the key portfolio metrics of the Trust's loan portfolio:

Total invested positions	11
Total loans <sup>1</sup>	29
Total Sponsors <sup>2</sup>	25
Weighted LVR <sup>3</sup>	64%
Weighted loan maturity <sup>4</sup>	1.0 years
Loans in arrears <sup>5</sup>	Nil
Fixed/Floating interest exposure	74%/26%

1. Represents total loans in the Trust portfolio on a look through basis, via investments in direct loans and Qualitas Funds. Excludes the AFWT loan portfolio.
2. Represents total number of sponsors in the Trust portfolio on a look through basis, via investments in direct loans and Qualitas Funds. Excludes the AFWT loan portfolio.
3. Represents total LVR of loans in the Trust portfolio on a look through basis, via investments in direct loans, Qualitas Funds and the AFWT loan portfolio.
4. Represents total loans in the Trust portfolio on a look through basis, via investments in direct loans and Qualitas Funds. Excludes the AFWT loan portfolio.
5. Represents % of loan portfolio on look through-basis (excluding AFWT loan portfolio) in arrears by 90 days or more.

### Direct secured real estate loans

The Trust gains exposure to direct secured real estate loans through its investment in the Sub-Trust. The Sub-Trust invests directly into secured real estate loans where the Sub-Trust is a sole lender or a co-lender, investing alongside the Qualitas Funds, other Qualitas Investors and/or the Qualitas Group or its related parties.

Whether the Sub-Trust invests as a sole lender or as co-lender directly into a secured real estate loan is determined by the Qualitas Group's Allocation Policy, as detailed in Section 4.13.

The Sub-Trust will not hold investments in both senior and mezzanine loans relating to the same investment. Refer to Section 8.2.5 for further details.

### Qualitas Fund investments

Indirect exposure to Australian secured real estate loans is achieved where the Sub-Trust invests in units issued by a Qualitas Fund that invests only in secured real estate loans. The Sub-Trust invests in Qualitas Funds by subscribing for new units or purchasing existing units from existing unitholders from time to time.

The Qualitas Funds invest in secured real estate loans as a sole lender, or co-lender with other Qualitas Funds, Qualitas Investors and/or Qualitas Group or its related parties.

## 04. ABOUT THE TRUST **Continued**

As of the date of this PDS, the Trust, via the Sub-Trust, has invested indirectly via three Qualitas Funds:

QUALITAS FUND	TARGET NET RETURN (IRR)	DETAILS
<b>Qualitas Senior Debt Fund</b>	90-day BBSW + 4.0% - 6.0%	<ul style="list-style-type: none"> <li>Open ended fund which focuses on senior secured loans for between \$3 million and \$25 million. Sectors (and caps) include industrial 50%, commercial 50%, retail 50%, residential 100%, specialist sectors 15%.</li> <li>No leverage permitted at the fund level other than a subscription facility which shall not exceed 15.0% of total fund commitments. As of the date of this PDS, QSDF does not have a subscription facility.</li> </ul>
<b>Qualitas Land Debt Fund</b>	9.5% - 10.5%	<ul style="list-style-type: none"> <li>Close ended fund which focuses on senior secured real estate land loans.</li> <li>No leverage permitted within the fund.</li> </ul>
<b>Qualitas Mezzanine Debt Fund</b>	11.5%	<ul style="list-style-type: none"> <li>Close ended fund which focuses on secured real estate mezzanine loans.</li> <li>No leverage permitted within the fund.</li> </ul>

The above are target returns for the Qualitas Funds, which are shown on a net basis (net of fees and expenses). Each Qualitas Fund has different investment objectives including target return, target portfolio composition and risk profile to that of the Trust.

The above Qualitas Funds are managed by wholly owned members of the Qualitas Group and pay management fees and performance fees (if applicable). While the Investment Management Agreement remains in force, the Trust will not be required to pay any management or performance fees in respect of the Qualitas Funds other than the fees payable to the Manager under the Investment Management Agreement. To the extent any such fees are paid by the Trust, they will be rebated to the Trust.

The Responsible Entity expects that, if applicable, any existing units in the Qualitas Funds will be acquired on arms-length terms from third parties. The investment management agreements for each of the Trust and the Sub-Trust each require the Manager to act in the best interests of Unitholders, and if there is a conflict between the interests of Unitholders and its own interests, give priority to the interests of Unitholders.

### **Arch Finance Warehouse Trust note investment**

The Trust also obtains indirect exposure to real estate loans secured by first mortgages by investing in the subordinated notes of the Arch Finance Warehouse Trust (AFWT) note program.

The Trust receives floating rate coupon payments from the subordinated notes it holds under the AFWT note program.

The AFWT is a lender of secured real estate loans which are originated and managed by Arch Finance Pty Ltd as trustee for Arch Finance Unit Trust (**Arch Finance**), both entities being wholly owned members of the Qualitas Group since 2009. Arch Finance operates as a non-ADI commercial real estate mortgage originator and lender in the commercial real estate finance market for loans under \$5 million. AFWT has an existing income-generating, first mortgage real estate loan portfolio made up of approximately 211 loans totalling \$408 million at 31 August 2019.

The AFWT has defined eligibility criterion for secured real estate loans, key criteria as follows:

- Term investment loans only (i.e. no construction loans);
- Senior first mortgage loans only;
- Loan term with maturities up to five years;
- Maximum loan size of \$5 million; and
- Australia only, focused on major capital cities.



## 4.10 TRUST PERFORMANCE

### Returns and deployment

The Manager has progressively invested the initial capital in accordance with the Trust's investment strategy and having regard to market conditions described in Section 3.1. As at 31 August 2019, the Manager has invested 81% of the Trust's total capital, including the additional \$34.68 million of funds raised in the Placement completed and announced to ASX on 27 June 2019. The proportion of the Trust's capital that has been invested will be less on completion of the Offer and pending the deployment of the additional capital raised under the Offer.

The Manager believes that the risk/return profile and composition of the Trust's portfolio is appropriate for the current market cycle and conditions.

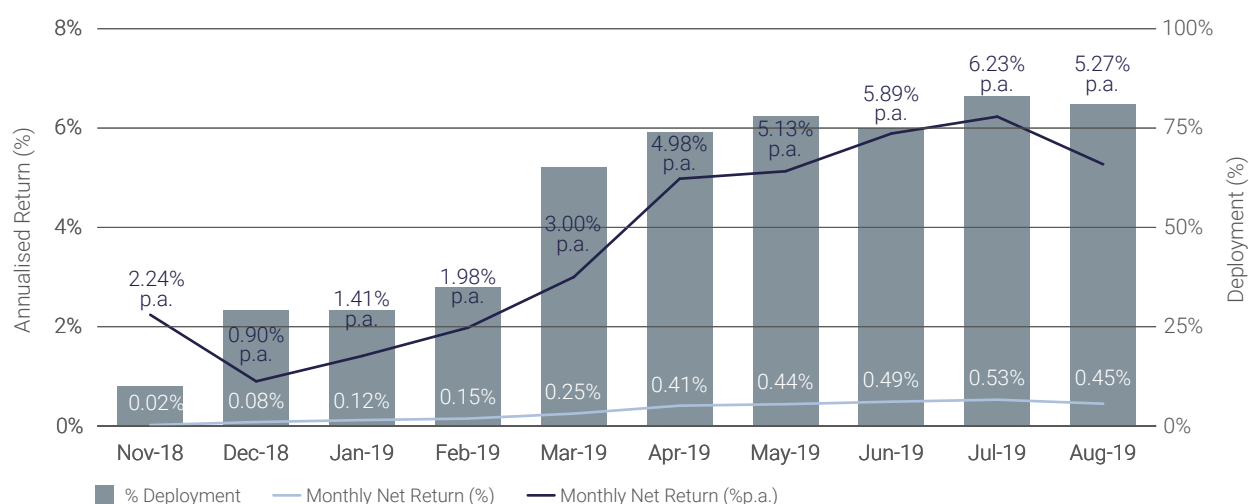
The Manager is seeing fewer high yielding investments at an acceptable level of risk and continues to focus on quality deal structuring and risk management, constructing a portfolio characterised by lower risk-adjusted returns due to higher weighting to senior loans and underweight to mezzanine loans relative to the original projected composition. The Manager is confident that the risk/return profile and composition of the Trust's portfolio is appropriate for the current market cycle and conditions.

Whilst capital has been progressively deployed in line with available and suitable investments opportunities, the pace of deployment has been slower than anticipated due to the slower holiday period in January to loans taking longer to settle in the current market environment.

Trust returns and distributions have increased with deployment of capital. As at 31 August 2019, 81% of the capital raised from the IPO and the Placement had been deployed and the remainder allocated to investments that the Manager expects to be deployed in due course. The Manager was pleased to achieve an annualised net return of 5.27% p.a.<sup>31</sup> for the month of August.

The chart below outlines the Trust's monthly returns and deployment since the Trust's IPO up to August 2019:<sup>32</sup>

### Monthly Return and Deployment



Past performance is not a reliable indicator of future performance.

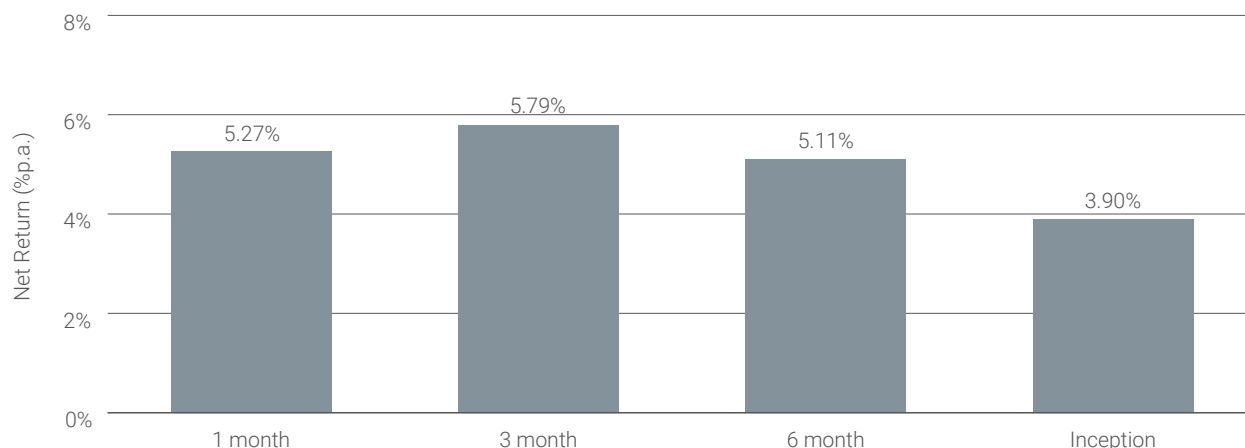
<sup>31</sup> Monthly net return p.a. is calculated as the annualised net income earned for the month, divided by the average NAV for that month.

<sup>32</sup> Deployment represents the % of the Trust's total capital that has been committed and invested as at month end in investments, including the Trust Loan Receivable. Deployment as at 30 June 2019 includes the additional capital raised through the Placement. Monthly net return p.a. is calculated as the annualised net income earned for the month, divided by the average NAV for that month. Refer to the Trust's monthly performance reports released to the ASX on or about the 15th of each month

## 04. ABOUT THE TRUST Continued

The chart below summarises the Trust's annualised returns as at 31 August 2019 since the Trust's IPO:<sup>33</sup>

### Trust returns since inception



Past performance is not a reliable indicator of future performance.

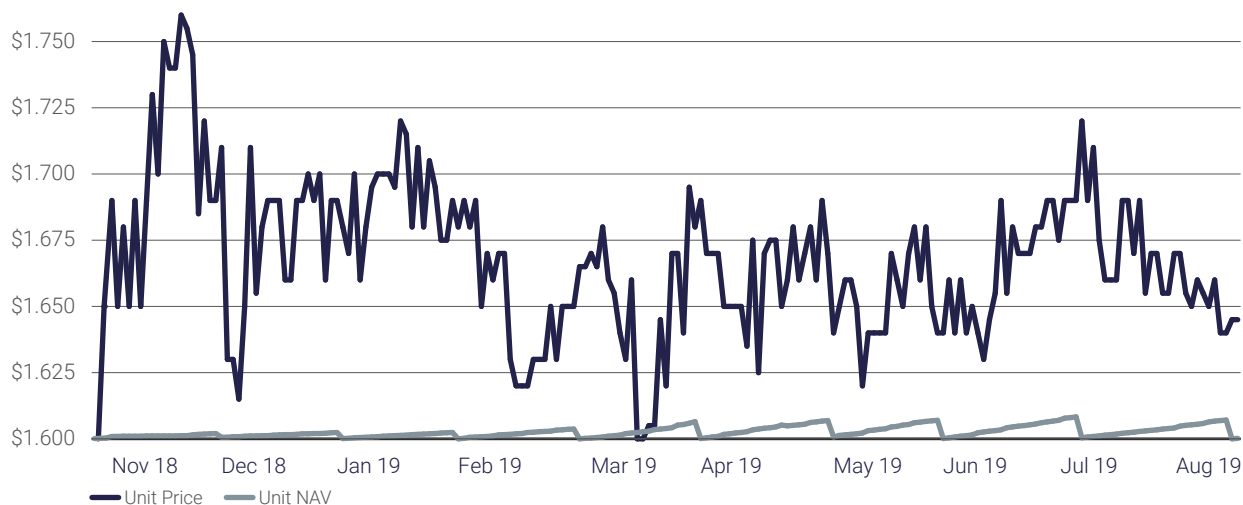
As at August 2019, the Trust's annualised net return since inception of 3.90% p.a. is reflective of progressive deployment of capital.

The total return of the Trust may rise or fall based on, amongst other things, performance in the underlying Trust investments (including timing of repayments and deployment of capital into new investments), risk characteristics of the underlying portfolio, competition and market pricing of investments, and movement in the underlying base rate (typically BBSW or BBSY). Investors should read Section 8 in full, which sets out some of the key risks of an investment in the Trust.

### Trading Performance and Net Asset Value

The Trust's NAV is published monthly. Given that the underlying investments of the Trust are loan assets, the NAV is expected to remain relatively stable.

The graph below demonstrates the Trust's Unit Price and Unit NAV since the Trust's IPO up to August 2019. Trading has occurred on each ASX trading day since the IPO with average daily trading volumes of approximately 130,000 Units, which demonstrates the liquidity of the Trust. The Trust NAV has been relatively stable and consistently above \$1.60 per Unit with a current NAV of \$1.6002 per Unit as at 31 August 2019.



<sup>33</sup> Net return calculated based on the average month end NAV for the period.

Past performance is not a reliable indicator of future performance.

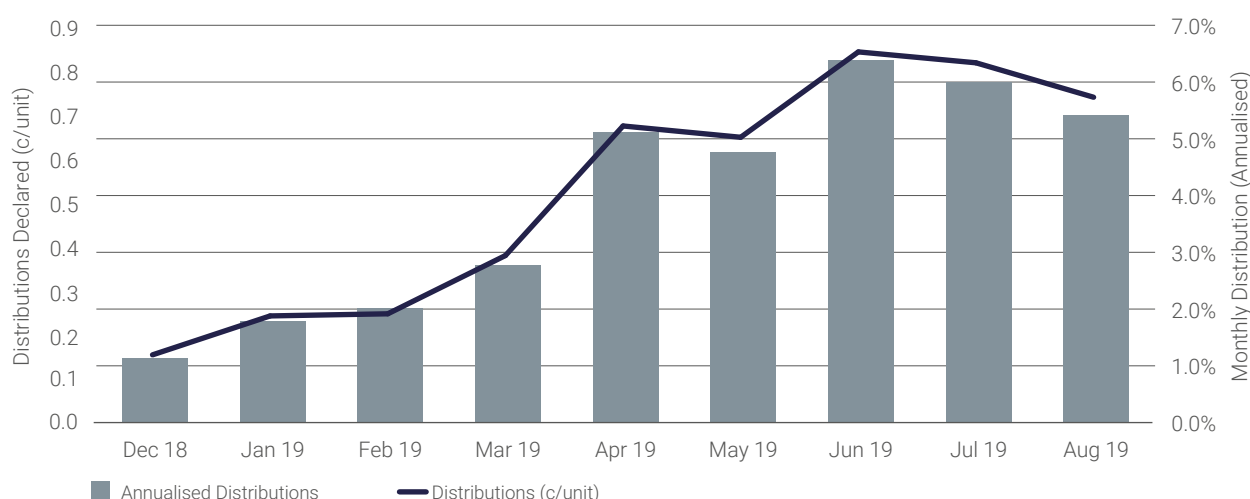
Investors should be aware that because the Trust is listed on ASX, the market value of their Unit holding may be greater or less than the value of the underlying portfolio of assets in the Trust and the investment performance of their Units may differ from that of the Trust's. Investors should read Section 8 in full, which sets out some of the key risks of an investment in the Trust.

## 4.11 DISTRIBUTIONS

The Manager expects the Trust to maintain monthly distribution payments, consistent with the Investment Objective.<sup>34</sup> The Trust has paid regular monthly distributions to Unitholders since January 2019, with distributions totalling 4.73 cents per Unit declared since the Trust IPO as at the date of this PDS, which includes the distribution declared on 26 August 2019 of 0.737 cents per Unit and which will be paid to Unitholders (as at the record date for the distribution) on or around 16 September 2019.

The monthly distributions paid by the Responsible Entity have progressively increased as the capital raised by the Responsible Entity through the IPO and the Placement is deployed. The distributions declared by the Responsible Entity since the Trust's IPO are outlined below:<sup>35</sup>

### Historical Distributions



Past performance is not a reliable indicator of future performance.

All New Units and Additional New Units (if applicable) issued under the Wholesale Entitlement Offer and Retail Entitlement Offer (including under the Oversubscription Facility) will only be entitled to distributions declared and paid after the Accelerated Offer Allotment Date and Offer Allotment Date (respectively), meaning that New Units and Additional New Units issued under the Entitlement Offer will not be entitled to the Trust's monthly distribution for September 2019.

The Responsible Entity has established a Distribution Reinvestment Plan (**DRP**), which was announced to the ASX on 25 July 2019. The DRP provides Unitholders with the option to re-invest distributions as additional Units in the Trust.

Distribution payments to Unitholders are made via direct credit into a nominated financial institution account for all Unitholders with an Australian registered address. The Responsible Entity will not be paying any distributions by cheque to any Unitholders with a registered address in Australia. Any Unitholder who has not nominated a financial institution account is deemed to have elected to participate in the DRP.

The Responsible Entity adopts direct crediting of payments as it is a more secure and convenient way for Unitholders to receive distribution payments. The benefits include distributions credited to Unitholder accounts on the payment date as cleared funds, removal of risk associated with loss, fraud and theft of cheques, and cost of savings for the Trust which benefits all Unitholders. This payment methodology is consistent with the approach adopted by other ASX-listed issuers.

<sup>34</sup> There is no guarantee that the Trust will achieve its Investment Objective. The payment of stable monthly cash income is a goal of the Trust only.

<sup>35</sup> Monthly distribution % calculated based on the Net Asset Value of Units entitled to the distribution.

## 04. ABOUT THE TRUST **Continued**

### 4.12 DEPLOYMENT OF CAPITAL AND INVESTMENT PIPELINE

From the date of the final issue of Units in the Trust, the Manager will seek to invest the Trust's existing capital and capital raised as part of the Offer progressively over a period of a minimum of six-months (**Investment Timeline**).

The actual pace of deployment and the Investment Timeline (which may be earlier or longer than six-months) of undeployed Trust capital will be determined by prevailing market conditions as well as available and suitable loan opportunities consistent with the Manager's current risk/return appetite for the Trust.

The undeployed existing capital of the Trust as at 31 August 2019 has been fully allocated<sup>36</sup> by the Manager to investments that are awaiting settlement, which the Manager targets for settlement in September 2019, subject to outstanding due diligence and conditions being satisfied.

The Manager intends to invest a portion of the capital raised under the Offer in further units in the Qualitas Senior Debt Fund soon after the completion of the Offer.

The Australian commercial real estate finance market is a highly relationship-based market. Non-ADI lenders need to have strong relationships with potential borrowers to ensure a pipeline of deal flow, and the Qualitas Group has fostered these relationships over the past decade.

The current pipeline of investment opportunities is considered to be strong due to the deep relationships the Qualitas Group has with existing and potential borrowers as well as the increasing market opportunity due to the reduced lending scope in the real estate sector by the major ADIs in Australia. Given the Qualitas Group's increasing profile and funds under management, the Manager expects to continue to identify a range of investment opportunities both in quantity and size.

Once suitable opportunities are identified, the investment timelines for commercial real estate loans are dependent on undertaking extensive due diligence, determining indicative terms and conditions including pricing, obtaining investment approvals, loan documentation and settlement upon completion of all conditions.

Investors should also note it may take some time following completion of the Offer until the Manager is able to deploy all or a substantial proportion of the funds raised under the Offer. The pace of investment will be subject to market conditions and the Manager remains focused on risk management and disciplined deployment.

### 4.13 ALLOCATION POLICY

The Manager applies the same investment allocation process to the Trust's portfolio in accordance with the Qualitas Group's Allocation Policy.

The Qualitas Group's Allocation Policy aims to establish a general and clear framework for the allocation of investments across the Trust, Sub-Trust, Qualitas Funds and other Qualitas Investors. The Qualitas Group's Portfolio Allocation Committee (**PAC**) is responsible for the consideration, analysis and compliance with the Allocation Policy.

In respect of the Sub-Trust, the opportunity to invest in secured real estate loans is available, indirectly through the Trust's investments in a Qualitas Fund or AFWT notes or directly in those secured real estate loan opportunities.

The allocation of secured real estate loan opportunities to each of Trust (via the Sub-Trust), Qualitas Funds and other Qualitas Investors is set out in the Allocation Policy, and is subject to their respective investment mandate and various portfolio constraints. If a secured real estate loan opportunity is allocated in part to one or more of the Qualitas Funds, the remainder of the opportunity may be offered to Qualitas' listed funds, which includes the Trust (via the Sub-Trust). Where the Sub-Trust is a co-lender, it may invest with other co-lenders, which can include other Qualitas Funds, Qualitas Investors and/or the Qualitas Group and its related entities.

<sup>36</sup> The Manager has allowed for an appropriate cash buffer at all times, which will generally be up to 5% of the Trust's capital.

#### 4.14 TRUST INVESTMENT COMMITTEE

Once an investment has been allocated to the Trust (via the Sub-Trust), the Trust Investment Committee (**TIC**) is responsible for transaction due diligence, approval, and ongoing monitoring. The TIC will undertake an assessment of a proposed indirect investment into a Qualitas Fund or direct investment into a secured real estate loan.

The TIC considers:

- the impact of the investment on the portfolio returns;
- the impact of the investment on the portfolio key metrics;
- the maturity of the debt;
- the availability of capital to fund an investment opportunity;
- alignment of the investment opportunity with the economic outlook; and
- whether the investment is consistent with the Trust's Investment Strategy.

The TIC currently comprises the following members:

- Group Managing Director, Qualitas Group – Andrew Schwartz
- Chairman and Non-Executive Director, Qualitas Advisory Board – Michael Schoenfeld
- Non-Executive Director, Qualitas Advisory Board – David Krasnostein
- Chief Risk Officer, Qualitas Group – Gerd Mayer
- Managing Director, Global Head of Capital, Qualitas Group – Tim Johansen
- Head of Transaction Risk, Risk Management, Qualitas Group – Jason Rackley

The composition of the TIC is based on the individuals who hold the roles as above, or their alternates and may be amended from time to time.

All decisions of the TIC are required to be unanimous. A quorum of the TIC will exist if three members of the TIC are present, of which one of these members must be either the Group Managing Director or the Chief Risk Officer.

#### 4.15 RECOMMENDATION PROCEDURES

The Responsible Entity reviews investments made by the Trust (via the Sub-Trust) only. For each investment of the Sub-Trust, the Manager submits a recommendation letter to the Responsible Entity on the proposed investment for assessment prior to approval being granted (**Recommendation**).

Each Recommendation provides details about the following areas relevant to the investment opportunity:

- Background and details of the investment including the borrower/lender, facility limits, associated rates i.e. interest, maturity, defaults etc, and associated fees;
- Details of the due diligence process undertaken for the transaction or investment by the Trust's Investment Committee;
- Disclosure on conflicts of interests and/or related party activity (if applicable) and related actions to address these;
- Representations/warranties from the Manager confirming the transaction complies with the Trust and Sub-Trust investment mandates;
- Representations/warranties from the Manager confirming that investment does not involve investments across the capital structure relating to the same transaction or investment; and
- If relevant, details of how the transaction or investment has been allocated across the Sub-Trust and Qualitas Funds.

On the basis of the Recommendation, the Responsible Entity assesses whether the Manager and the Trust Investment Committee have followed all appropriate processes and controls in assessing the transaction or investment, including confirming that any conflicts of interest or related party dealings have been adequately identified and assessed, that any allocation of investments across the Sub-Trust and other investments managed by the Qualitas Group is fair and equitable and to ensure that any investment would not lead to the Qualitas Group holding any investments across the capital structure on the same transaction or investment.

## 04. ABOUT THE TRUST **Continued**

### 4.16 CAPITAL MANAGEMENT POLICY

The Manager regularly reviews the capital structure of the Trust and, where the Manager considers appropriate, undertakes capital management initiatives which may involve recommending that the Responsible Entity undertake:

- (a) the issue of other securities (through bonus options issues, placements, pro rata issues, distribution reinvestment plan); and/or
- (b) the buyback of Units.

### 4.17 BORROWINGS POLICY

Financial leverage increases a Unitholder's exposure to an asset by applying borrowed funds in addition to the Trust's capital when making an investment and has the effect of enhancing returns.

The Trust may use debt for general working capital and capital management purposes. This may include reducing the cash balance held by the fund as a liquidity buffer, or managing capital flows such as the timing between the Trust investing capital into suitable new investments and receiving capital from repayments, redemptions or capital raisings.

The Trust's gearing policy limits debt borrowings to up to 10% of the Trust's NAV.

Since the IPO of the Trust and as at the date of the PDS, the Trust does not have any debt.

### 4.18 CASH POLICY

The Trust may hold funds in cash, cash equivalents and interests in cash management trusts pending investment or capital expenditure by the Trust. There is no limitation on the amount of cash that may be retained by the Trust.

### 4.19 INTEREST RATE HEDGING POLICY

The Sub-Trust may have exposure to interest rate risk as some Qualitas Funds are subject to target return hurdles which are set on a floating benchmark rate plus a margin. The Sub-Trust may also elect, from time to time, to invest in direct secured real estate loans which are subject to floating interest rates based on a benchmark rate (i.e. BBSW or BBSY). This means that a portion of distribution income attributable to the Trust may fluctuate in-line with a change in interest rates.

The Trust may enter into derivatives to facilitate interest rate hedging to hedge the underlying floating rate risk arising from distribution income. The Trust will not enter into derivative products for speculative purposes. The Trust will always ensure that it will have sufficient cash to meet any derivative obligations.

### 4.20 FOREIGN CURRENCY RISK HEDGING POLICY

The Sub-Trust may be exposed to foreign currency risk arising from investment in NZD denominated direct secured real estate loans and investment in the Qualitas Funds that in turn invest in NZD denominated direct secured real estate loans. This means that a portion of distribution income attributable to the Trust may fluctuate in-line with a change in AUD/NZD exchange rates.

No more than 20% of the Trust's capital is to be directly or indirectly invested in secured real estate loans, secured by real property located in New Zealand. To the extent possible these secured real estate loans are made in AUD to manage foreign currency risk.

The Trust may enter into derivatives to facilitate foreign currency hedging to manage AUD/NZD exchange rate risk. The Trust will not enter into derivative products for speculative purposes. The Trust will always ensure that it will have sufficient cash to meet any derivative obligations.



#### 4.21 TRUST LOAN RECEIVABLE

The Trust has provided an unsecured working capital loan (**Trust Loan Receivable**) to the Manager which permitted the Manager to draw a maximum amount of 3.5% of the proceeds of the IPO (\$8.09 million). The terms of the Trust Loan Receivable were subsequently amended to allow the Manager to draw further loan tranches to assist in funding costs relating to future capital raisings of the Trust, subject to the loan not exceeding a maximum of 3.5% of the Trust NAV. An additional \$1,138,689.85 tranche of the Trust Loan Receivable was drawn to fund the costs and expenses associated with the Placement, which completed and was announced to ASX on 27 June 2019. The current outstanding amount of the Trust Loan Receivable as at 31 August 2019 was \$8,799,160.15.

The Manager and the Responsible Entity are intending to draw an additional tranche equivalent to between 2.7% and 3.1% of the Offer Proceeds (the actual % will depend on the actual total amount of the Offer Proceeds) which will be used to pay the Offer Costs.

The interest rate for the Trust Loan Receivable is 5.0% p.a. The term of the Trust Loan Receivable is 10 years from the most recent draw down under each new tranche. The Manager is required to pay both principal and interest on the Trust Loan Receivable in regular instalments over the 10-year term of the Trust Loan Receivable, with the amortisation schedule amended at each new drawdown. The Manager may repay the Trust Loan Receivable early at its absolute discretion, with no penalty for early repayment enforced.

The Trust has a right of recourse against the Manager for the amounts owed under the Trust Loan Receivable. The Trust Loan Receivable is guaranteed by QPP.

See Section 12.3 for further detail on the Trust Loan Receivable agreement.

#### 4.22 LOCATION AND CUSTODY OF ASSETS

The Custodian is responsible for holding all assets of the Trust including cash on behalf of the Trust. At the date of this PDS, the Custodian is Perpetual Corporate Trust Limited.

#### 4.23 ADMINISTRATION AND REGISTRY

The Responsible Entity outsources its investment valuation and accounting to the Administrator. The Administrator incurs external costs on behalf of the Trust. These costs are included as an expense and are payable from the assets of the Trust. The Administrator values the Trust's assets monthly and, as soon as it is practical, provides these calculations to the Responsible Entity. The Manager publishes the NAV per Unit on the Trust's Website at [www.qualitas.com.au/listed-investments/QRI](http://www.qualitas.com.au/listed-investments/QRI) and on the ASX.

The Responsible Entity has appointed Automic Pty Ltd to maintain the Unit register for the Trust. The fees payable to the Unit Registry are also included as an expense and are payable from the assets of the Trust.

#### 4.24 VALUATION POLICY

The Trust's NAV is calculated and released to the ASX monthly using a framework for the valuation of financial instruments that is consistent with current practice and regulatory requirements.

The NAV of the Trust reflects the carrying value of the secured real estate loans at amortised cost less impairment until the date of expiry of the loan, in accordance with the ASX Listing Rules and AAS.

The valuation methods applied by the Responsible Entity to value the Trust's assets and liabilities must be consistent with the range of ordinary commercial practice for valuing them and represent its assessment of current market value. The Responsible Entity engages an international accounting and professional services firm to provide an independent assessment of the NAV of the Trust on an ongoing basis.

In adopting NAV as the valuation basis, the Responsible Entity considers whether the carrying values of underlying assets and liabilities reflect fair value and whether any adjustment is required to NAV to determine fair value of the controlled entity (e.g. underlying investments and working capital held at cost or some other non-fair value pricing basis, tax risk or timing differences arising from delayed NAV reporting).

The Responsible Entity's valuation policy including any policy it is required to have in relation to the exercise of discretions in connection with the calculation of the Trust's NAV and the price of Units are available from the Responsible Entity free of charge.

# 05.

## ABOUT THE MANAGER



## 05. ABOUT THE MANAGER

### 5.1 THE MANAGER

The Trust's Investment Strategy is implemented by the Manager with the support of the Qualitas Team.

### 5.2 ROLE OF THE MANAGER

It is the role of the Manager to:

- identify investment opportunities through in-depth analysis;
- undertake due diligence to provide information necessary for the Responsible Entity to consider the acquisition. Ultimately the Responsible Entity makes the final investment decision after confirming that the Manager has followed all appropriate processes and controls in assessing the acquisition of an investment, depending on the current or intended owner of the asset;
- manage the execution of the approved Investment Strategy utilising its negotiating expertise;
- maximise the value of assets;
- assist in procuring third party advisors to provide support (where required) in the assessment of investment opportunities, procure debt for acquisitions or refinancing and provide other third-party services as reasonably required; and
- advise, provide recommendations, and execute exit strategies.

All substantive decisions regarding both acquisition and disposal of secured real estate loans are made by the Responsible Entity following the Manager recommendation confirming that all appropriate processes and controls have been applied, depending on the current or intended owner of the asset.

### 5.3 QUALITAS ADVISORY BOARD

The Qualitas Group has an advisory board comprising majority non-executive advisors with extensive experience in the fields of finance, real estate, superannuation, business, law and accounting (**Qualitas Advisory Board**). The Qualitas Advisory Board sets and approves the strategic direction of the Qualitas Group. This includes the approval of the corporate policies and internal risk management framework, monitoring operational and financial performance both historical and forecast.

The Qualitas Group also has a number of committees including the Qualitas Risk Committee, Qualitas Finance and Audit Committee and the Qualitas People and Culture Committee. The Qualitas Risk Committee monitors and reports to the Qualitas Advisory Board on enterprise risk management, the Qualitas People and Culture Committee provides oversight and guidance on remuneration and human capital affairs across the Qualitas Group and the Qualitas Finance and Audit Committee oversees and monitors the Qualitas Group's statutory and regulatory responsibilities relating to financial reporting, external audit process, operational control environment and taxation risk management.

## 05. ABOUT THE MANAGER Continued



### **Michael Schoenfeld**

#### *Chairman*

Michael is a Member and Fellow of Chartered Accountants Australia and New Zealand, a registered Company Auditor and a Registered Tax Agent.

He commenced his accounting career with Price Waterhouse before establishing own practice which was ultimately sold in 2005.

He specialises in advising on business management, taxation, risk and governance, with experience in business acquisitions, sales and mergers.



### **Elana Rubin**

#### *Non-Executive*

Elana is a Director of Mirvac Group, AfterPay Touch Group, Slater and Gordon and several unlisted and/or public sector organisations in financial services, infrastructure and insurance sectors.

Elana was previously Chair of Australian Super, Chair of WorkSafe Victoria, Director of MLC Life, TAL and TAC, and a member of Infrastructure Australia and the Climate Change Authority.



### **Andrew Schwartz**

#### *Group Managing Director & Co-Founder*

Refer to Section 4.4



### **Carol Schwartz AO**

#### *Non-Executive*

Carol is a RBA Board Member and Non-Executive Director of Stockland Group Limited.

Previously Chair of ISPT, Non-Executive Director of Bank of Melbourne Limited, National President of the Property Council of Australia and Director of the Docklands Authority.

Carol was made an Officer of the Order of Australia (AO) in the 2019 Queen's Birthday Honours. In 2016 Carol became the first woman to be inducted into the Australian Property Hall of Fame as well as being made an honorary life member of the Property Council of Australia.



### **Alan Schwartz AM**

#### *Non-Executive*

Over the past 30 years, Alan has created, built, managed and sold a number of successful businesses.

Alan is the Managing Director of the Trawalla Group which he set up with his wife Carol to manage a diversified portfolio of family assets. Trawalla Group is the Schwartz Family office and includes Trawalla Capital, Trawalla Property and Trawalla Foundation.

In recognition of his contribution to community and business, Alan was awarded a Centenary Medal in 2003, followed by an Order of Australia in 2007.



### **David Krasnostein**

#### *Non-Executive*

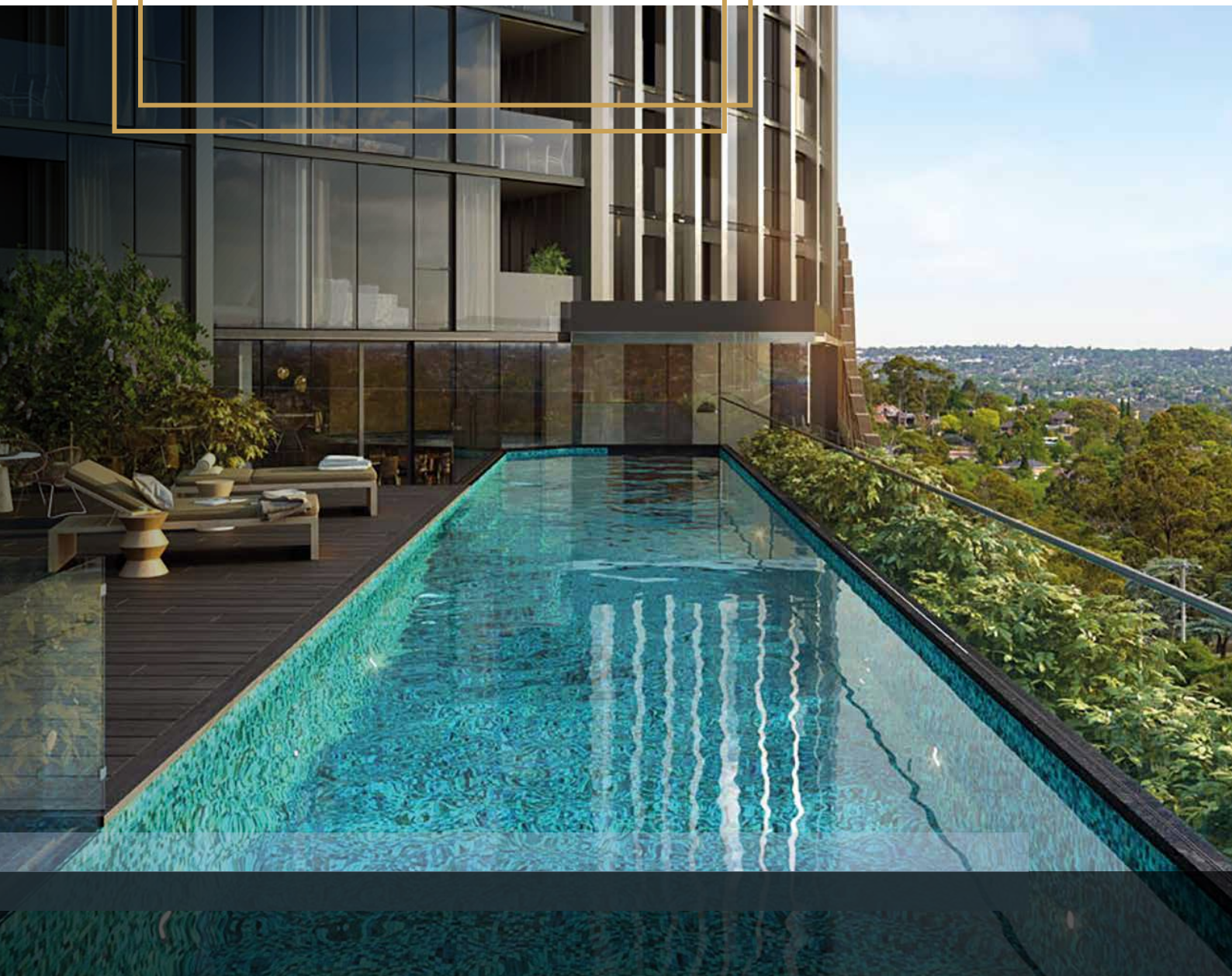
David held various senior executive roles including CEO of MLC Private Equity, Chief General Counsel of National Australia Bank, General Counsel of Telstra, Attorney at the Wall Street law firm Sullivan & Cromwell and a partner of the Chicago law firm Sidley Austin.

He has been an advisor to the World Bank (IFC) for investing in Emerging Markets.



# 06.

## ABOUT THE QUALITAS GROUP



## 06. ABOUT THE QUALITAS GROUP

### 6.1 INTRODUCTION – THE QUALITAS GROUP

The Qualitas Group is a real estate investment management firm focused on investing across the capital structure. Established in 2008, the Qualitas Group is active in the major capital cities of Australia deploying institutional and high net worth investor capital, as well as investing from the Qualitas Group's own principal balance sheet. The Qualitas Group has experienced managers, specialising in commercial real estate investing with approximately \$2.3 billion<sup>37</sup> in funds under management. The Qualitas Group's investment philosophy is to seek deep value-based opportunities across the entire capital structure with a focus on risk mitigation and management via its institutional-grade risk management, governance and operations platforms.

The Qualitas Group capitalises on its strong local market knowledge, deep industry contacts and "on-the-ground" infrastructure spanning origination, execution and active asset and loan management to deliver on this strategy. The Qualitas Group has 75 staff, with primary offices in Melbourne and Sydney, and is active across the east coast of Australia<sup>38</sup>. The senior executive team has an average of over 25 years of relevant experience with backgrounds across real estate lending, principal investment, investment banking, construction, development, structured finance, mortgage loan servicing, investment management, finance, risk, investment operations, funds management, compliance and law.

The Qualitas Group's investment strategies span senior debt, mezzanine debt, preferred equity and ordinary equity investments in real estate development, value-add, repositioning, special situations and other opportunistic transactions.

### 6.2 HISTORICAL PERFORMANCE OF THE QUALITAS GROUP

Since inception, the Qualitas Group has built a successful and consistent track record in the origination, execution, and fund and asset management of investments across the capital structure of real estate assets.

This section contains detail in relation to the historical performance of the Qualitas Group since inception. The Manager has advised the Responsible Entity, and the Responsible Entity considers, the performance of these to be relevant as they demonstrate the Qualitas Group's skill and expertise in:

- being able to construct a portfolio having regard to relevant investment objectives and risk profile; and
- to manage the portfolio and achieve the client's objectives in terms of performance and risk management.

It is important to note the performance of the Qualitas Group's historical debt investments under management are not forecasts and do not represent the future performance of the Trust or its Investment Strategy and processes. Investments can go up and down. Past performance is not necessarily indicative of future performance. The performance of the Trust could be significantly different to the historical performance of the Qualitas Group. Investors are cautioned not to place undue reliance on the historical performance of the Qualitas Group and the Trust.

Prospective Unitholders should note that other Qualitas Funds and investment opportunities managed by the Qualitas Group have different legal structures, variations in cash flows and other possible factors. This means that the overall performance and composition of the portfolio will not be identical to that of an equally weighted portfolio consisting of those other Qualitas Funds. Historical performance is included to demonstrate the Qualitas Group's ability to deliver target returns by adopting the same processes and disciplines that are intended to be applied to the Trust.

#### 6.2.1 Assets under management of the Qualitas Group

Since inception in 2008, the Qualitas Group has allocated \$2.6 billion of debt and equity capital to real estate assets worth approximately \$11.4 billion in gross value.<sup>39</sup> As at the date of this PDS, Qualitas is currently managing approximately \$2.3 billion of Committed Capital on behalf of investors across both debt and equity fund mandates.

As of the date of this PDS, the Qualitas Group currently manages the following Qualitas Funds invested in commercial real estate loans on behalf of its Qualitas Investors which include institutional and high net worth investors:

- QSDF which invests solely in senior secured real estate loans;
- Qualitas Real Estate Private Debt Fund which invests in senior and mezzanine secured real estate loans;
- Qualitas Construction Debt Fund which invests in residential secured construction loans;
- Qualitas Land Fund which invests in senior secured land loans;

<sup>37</sup> As at 30 June 2019.

<sup>38</sup> As at 30 June 2019.

<sup>39</sup> The \$11.4 billion in gross value is the aggregated value of the real estate asset as at the date of investment.



- Qualitas Mezzanine Fund which invests in mezzanine loans; and
- Qualitas Real Estate Opportunity Fund which has a mandate to invest in mezzanine loans in addition to real estate equity investments.

### 6.2.2 Performance – secured real estate loans

Across the Qualitas Group's 11-year track record, 117 senior and mezzanine real estate loans have been managed with total Invested Capital of \$1.9 billion.<sup>40</sup>

The table below demonstrates the realised gross IRR of Invested Capital by investment type for secured real estate loans over the 12 months to 30 June 2019<sup>41</sup>:

Investment type	Realised gross IRR <sup>1</sup>	No. of deals
Senior loans	13.2%	13
Mezzanine loans	18.1%	4

1. These realised gross IRR numbers are based on actual returns associated with realised (i.e. repaid) investments. The accuracy of the data used to calculate these IRRs has been subject to an agreed upon procedures engagement by an independent external auditor.

The above returns are shown on a gross basis (before fees and expenses) and include transactions invested in by Qualitas Funds, Qualitas Investors and/or the Qualitas Group, each with different investment objectives including target return, target portfolio composition and risk profile to that of the Trust. Therefore, these returns should not be used as an indication of the potential returns of the Trust.

## 6.3 QUALITAS GROUP ORIGINATION GUIDELINES

The Qualitas Group's investment philosophy focuses on risk mitigation and management via its institutional-grade risk management, governance and operations platforms.

The Qualitas Team continues to seek to capitalise on its strong local market knowledge, deep industry contacts and "on-the-ground" infrastructure spanning origination, execution and active asset and loan management to deliver on the Investment Strategy.

The Qualitas Team:

- Targets borrowers where the Qualitas Funds and other Qualitas Investors, including the Trust (via the Sub-Trust), can be the primary (senior) or secondary (mezzanine) financier for that specific lending opportunity, including by directly originating the loan;
- Focuses on negotiating security arrangements and favourable documentation in exchange for offering loan products that may fall outside traditional bank lending criteria;
- Offers products to borrowers including investment loans, construction loans, land loans and other loans. Senior loans offered by the Trust (via the Sub-Trust) may not be limited by traditional banking LVR and LTC requirements; and
- Diversifies the portfolio across product type, sector and geography in accordance with the portfolio guidelines; however, the ability of the Qualitas Team to achieve these target portfolio parameters and weightings is wholly dependent on the availability of opportunities and market conditions.

<sup>40</sup> As at 30 June 2019.

<sup>41</sup> Performance included in figures only relates to secured real estate loans, given the Trust will only invest in secured real estate loans.

## 06. ABOUT THE QUALITAS GROUP **Continued**

### 6.4 QUALITAS TRUSTEE BOARD

The Qualitas Group's Trustee Board (**Qualitas Trustee Board**) is responsible for the governance and oversight of the Qualitas Funds. It has been established to assist the directors of the Qualitas Advisory Board to meet their statutory and fiduciary functions. The Qualitas Trustee Board includes an independent, non-executive chairperson and majority independent, non-executive directors.

As an independent body, the Qualitas Trustee Board's primary purpose is, at all times, to ensure that the rights and obligations of investors in the Qualitas Funds are protected and that decisions made by the Qualitas Advisory Board, management or employees treat investors equally and fairly as per the obligations stipulated in the constituent documents for each Qualitas Fund. The Qualitas Trustee Board has the authority to independently appoint professional advisors where necessary to protect the above-mentioned rights and obligations of investors. It also retains the discretion to approach relevant regulators should it feel its primary function of acting in the "best interest" of investors in any Qualitas Fund for which the Qualitas Trustee Board has oversight is in any way compromised through the actions of the Qualitas Advisory Board.

### 6.5 QUALITAS GROUP APPROVAL PROCESS

The Qualitas Group has applied rigorous investment discipline since inception across all investments, which the Manager will adopt for the construction of the portfolio. Before an investment is made, either directly or indirectly, the investment must receive approval from three separate Qualitas Group functions, being the Portfolio Allocation Committee (**PAC**), the risk management team and the relevant Qualitas investment committee. This robust process is applied to investment decisions in relation to the Sub-Trust.

#### 6.5.1 Investment approval group

The Portfolio Allocation Committee, the Qualitas Group's risk management team and the Qualitas Investment Committee (**Investment Approval Group**) are responsible for approving investments in the Sub-Trust.

(a) The Portfolio Allocation Committee currently comprises:

- Yossi Kraemer – Head of Institutional Capital & Portfolio Management (Chairperson of the Portfolio Allocation Committee)
- Andrew Schwartz – Group Managing Director
- Tim Johansen – Managing Director, Global Head of Capital
- Mark Fischer – Managing Director, Global Head of Real Estate

(b) The risk management team currently comprises:

- Gerd Mayer – Chief Risk Officer
- Jason Rackley – Head of Transaction Risk, Risk Management
- Chandni Haribhai – Associate, Risk Management

(c) The Qualitas Investment Committee currently comprises:

- Gerd Mayer – Chief Risk Officer (Chairperson of the Qualitas Investment Committee).
- Michael Schoenfeld – Independent non-executive Chairperson of the Qualitas Advisory Board
- David Krasnostein – Independent non-executive Qualitas Advisory Board member
- Andrew Schwartz – Group Managing Director
- Tim Johansen – Managing Director, Global Head of Capital
- Mark Fischer – Managing Director, Global Head of Real Estate
- Jason Rackley – Head of Transaction Risk, Risk Management

There have been no personnel changes in the Investment Approval Group since the Trust's IPO.

### 6.5.2 Portfolio Allocation Committee

Each potential investment opportunity is reviewed by the Qualitas Group's PAC, which allocates each investment opportunity between the different investment vehicles of the Qualitas Group, including the Trust. In doing so, the portfolio allocation function will consider the following:

- portfolio composition parameters and investment eligibility criteria of each investment vehicle and will also consider the Allocation Policy (detailed in Section 4.13) in determining the appropriate allocation;
- the impact of the investment on each investment vehicle's respective portfolio returns; and
- the impact of the investment on each investment vehicle's respective portfolio key metrics.

This process is applied to investment decisions in relation to the Trust and Sub-Trust.

### 6.5.3 Risk management team

The Qualitas Team evaluates the underlying credit risk of each potential secured real estate loan including the borrower's financial standing and ability to service the relevant loan. The risk management team then reviews and undertakes its own evaluation and forms its own views. As part of the risk management team's in-depth analysis, it considers:

- the type and purpose of the investment;
- the quality of the underlying security;
- real estate due diligence matters including valuations, leases, asset quality, planning schemes, environmental and heritage issues, market comparables, lease and tenant reviews, builder analysis, sales reviews, key contract reviews and all other key features of the real estate; and
- the track record, background and recent financial statements and/or tax returns of the borrower.

The Qualitas Team prepares an investment paper to seek approval from the Qualitas Investment Committee.

This process is applied to investment decisions in relation to the portfolio.

### 6.5.4 Qualitas Investment Committees

The Qualitas Group has a different investment committee for each Qualitas Fund (collectively, the **Qualitas Investment Committees**). The Qualitas Investment Committees are responsible for transaction due diligence, approval, and ongoing monitoring of investments allocated to between the different investment vehicles of the Qualitas Group, including the Trust.

A separate investment committee for the Trust (the **TIC**) undertakes transaction due diligence, approval, and ongoing monitoring of investments allocated to the Trust. Refer Section 4.14 for details of the TIC.

### 6.5.5 Post investment monitoring

In respect of the Trust's portfolio, the Manager actively monitors the performance of all investments of the Trust to ensure the Investment Objective is met. The Manager's Portfolio Asset Management Committee monitors portfolio performance, capital management as well as deployment, compliance, finance and administration. The Portfolio Asset Management Committee for the Trust holds meetings at least every eight weeks to conduct regular reviews of the portfolio and loan performance.

After the funding of a secured real estate loan, the Qualitas Team proactively monitors the investments, applying its in-depth understanding of the borrower's business plan, the underlying real estate and the real estate market, to mitigate potential risks.

In particular, the Qualitas Team:

- carries out a review of each investment, monitor the performance of the underlying real estate asset, including execution of the real estate investment and/or development strategies by the sponsor;
- undertakes regular inspections of the real estate asset on which investments are secured and conduct borrower meetings at appropriate intervals;
- monitors the borrower's compliance with their loan obligations including the loan covenants and reporting requirements;
- identifies and monitor key risks and recommend appropriate actions, for instance through re-pricing or restructuring of a loan to manage risk and preserve investor returns; and
- more frequently reviews and monitors construction loans or other specialist loans.

## 06. ABOUT THE QUALITAS GROUP **Continued**

The Qualitas Group has adopted an active risk monitoring and reporting framework for investment exposures that seeks to achieve the following objectives post financial close of an investment:

- tracking of the investment in accordance with the investment thesis;
- early identification of issues on the underlying project or asset that may impact on outcomes;
- transparent and proactive reporting of issues; and
- timely and collaborative approach to decision making with other counterparties.

This process is applied to investment decisions in relation to the Trust and the Sub-Trust.

### 6.6 QUALITAS FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee oversees and monitors the Qualitas Group's statutory and regulatory responsibilities relating to financial reporting, external audit process, operational control environment and taxation risk management. This includes oversight in relation to Qualitas Funds, including the Trust. The Finance and Audit Committee comprises a majority of members from Qualitas Group Advisory Board, and must include at least two members with relevant qualifications and experience (e.g. holding a current accounting qualification).

### 6.7 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The Manager intends to follow Qualitas' approach to environmental, social and governance (**ESG**). Qualitas believes ESG factors are important to the conduct of an organisation's operational and investment affairs and is currently developing an ESG policy to reflect this. The ESG policy will be made publicly available once finalised.

In the meantime, the Manager integrates into its investment activities and conduct its business affairs with due consideration of the following ESG factors:

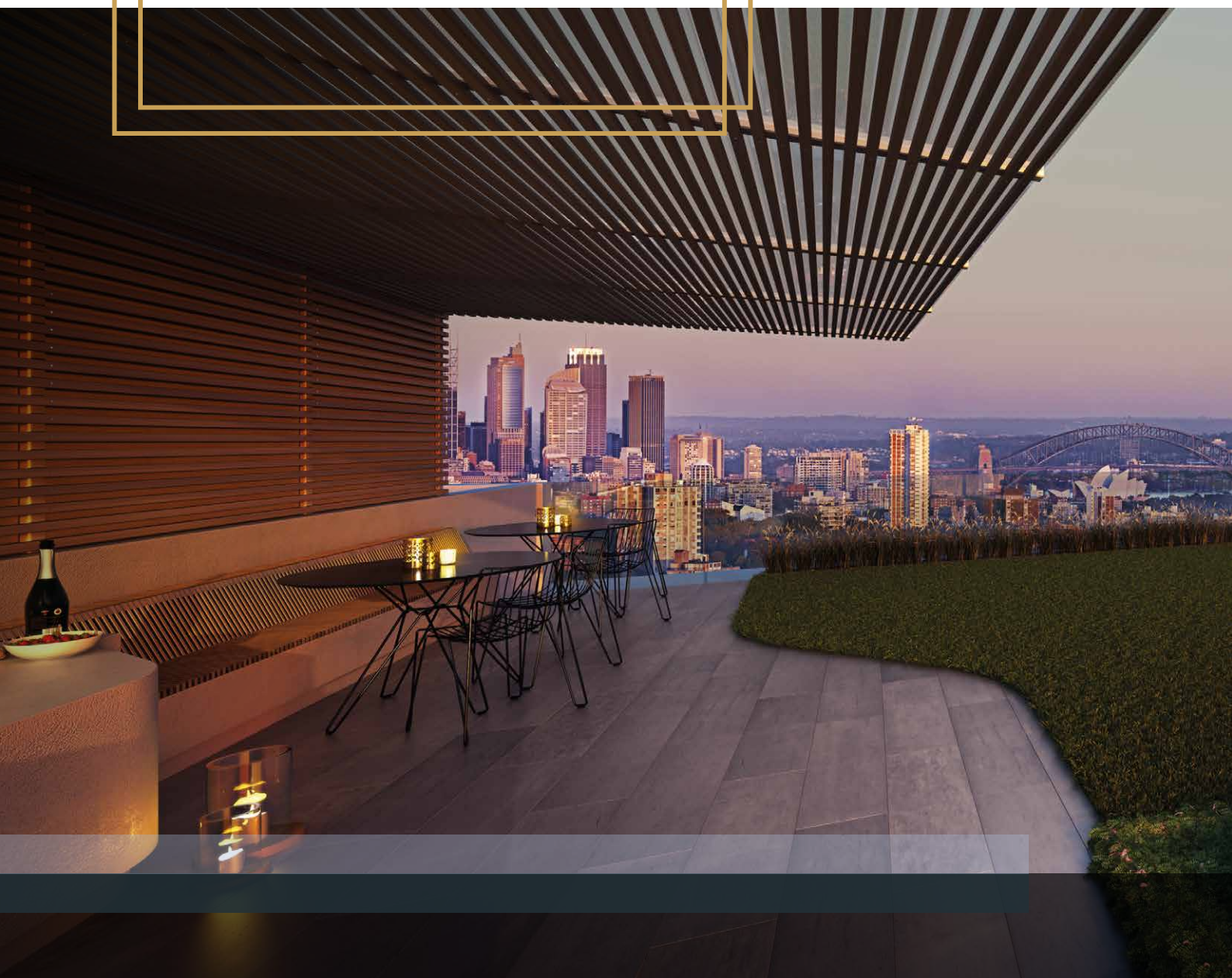
- **Environmental:** The Manager considers its environmental impact by:
  - » considering its energy use, waste and pollution;
  - » conducting environmental impact assessments and ensuring that the Trust complies with any applicable environmental regulatory requirements with respect to property development projects; and
  - » recommending to the Trust not to undertake any development or finance any land that is contaminated unless there is a remediation plan in place.
- **Social:** The Manager duly considers its business relationships, professional networks and reputation by:
  - » striving to only work with third parties who are reputable and have demonstrated a track record of alignment to Qualitas' values, investment philosophy and risk framework; and
  - » maintaining a high standard for its working environment, demonstrating due regard for its employees' health and safety and promoting gender and cultural diversity.
- **Governance:** The Manager manages internal and external stakeholders by:
  - » ensuring compliance with Qualitas' governing policies and documents;
  - » maintaining reliable and timely reporting to investors and other stakeholders; and
  - » maintaining compliance with accounting and regulatory standards.

The Manager adopts a set of standards and uses Qualitas' personnel and methodologies to assist it with integrating the ESG factors in respect of the Trust.

The Manager does not take into account labour standards for the purpose of selecting, retaining or realising investments.

# 07.

## FEES AND COSTS





## 07. FEES AND COSTS

Government regulation requires the inclusion of the standard consumer advisory warning as set out below. The information in the consumer advisory warning is standardised across all product issuers and does not provide any specific information on the fees and charges in this Trust. Specific information in relation to the fees and costs is included in Sections 7.2 and 7.3 below.

### 7.1 CONSUMER ADVISOR WARNING

#### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Trust or your financial adviser.

#### TO FIND OUT MORE

If you would like to find out more or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

### 7.2 FEES AND COSTS

This section shows fees and costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Trust's assets as a whole, as specified below. Taxes are set out in Section 10 of this PDS.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

**TABLE 1: FEES AND COSTS**

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE MANAGED INVESTMENT PRODUCT</b>		
<b>ESTABLISHMENT FEE</b> The fee to open your investment	Nil	Not applicable
<b>CONTRIBUTION FEE</b> The fee on each amount contributed to your investment	Nil	Not applicable
<b>WITHDRAWAL FEE</b> The fee on each amount you take out of your investment	Nil	Not applicable
<b>EXIT FEE</b> The fee to close your investment	Nil	Not applicable



TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>MANAGEMENT COSTS</b> The fees and costs of managing your investment	<p><b>Total Estimated Management Costs</b> to be 1.89% - 2.05% of the NAV of the Trust.<sup>1</sup></p> <p>The Management Costs referred to above include the following fees and costs rounded to two decimal places:</p> <ul style="list-style-type: none"> <li>• <b>Estimated Responsible Entity Fee</b> payable to the Responsible Entity for acting as responsible entity of the Trust at a rate of 0.03% to 0.05% per annum of the NAV of the Trust and depending on the level of the NAV;<sup>2</sup></li> <li>• <b>Estimated Management Fee</b> payable to the Manager for its role as manager of the Trust at a rate of 1.5375% per annum of the NAV of the Trust;<sup>3</sup></li> <li>• <b>Estimated Recoverable expenses</b> payable by the Responsible Entity out of the Trust at a rate of 0.29% to 0.42% per annum of NAV of the Trust;<sup>4</sup></li> <li>• <b>Estimated indirect costs</b> payable are expected to be approximately 0.03% to 0.05% per annum of NAV of the Trust;<sup>4</sup></li> <li>• <b>Performance Fee</b> of 20.5% of the monthly Net Income of the Trust that is above a return hurdle of 8% of Average Adjusted NAV over the Performance Calculation Period may be payable to the Manager in relation to the performance of the Trust. More detail in relation to the calculation of the Performance Fee (the calculation period for which commenced on 1 July 2019<sup>5</sup>) and the defined terms used is included at Section 7.3.3 of the Additional Explanation of Fees and Costs section below. We are not reasonably able to estimate whether a performance fee will be payable at the end of the current financial year.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Responsible Entity Fee</b> is calculated and accrued daily and paid quarterly in arrears out of the assets of the Trust usually within 60 days of the end of the quarter.</li> <li>• <b>Management Fee</b> is calculated and accrued daily and paid monthly in arrears out of the assets of the Trust usually within 10 days from the end of the month.</li> <li>• <b>Recoverable expenses</b> are deducted from the assets of the Trust from time to time when they are incurred.</li> <li>• <b>Performance Fee</b> is calculated and accrued monthly from the applicable Performance Fee Calculation Start Date and the aggregate of the accrued amounts (if any) is payable at the end of the financial year from the assets of the Trust within 15 business days of the end of the financial year.</li> </ul>
<b>SWITCHING FEE</b> The fee charged for changing investment option.	Nil	Not applicable

Notes to Table:

1. Additional costs may be incurred. See the Additional Explanation of Fees and Costs at Section 7.3 below.
2. This fee may be negotiable. See the Additional Explanation of Fees and Costs at Section 7.3.11 below.
3. This fee may be negotiable. See the Additional Explanation of Fees and Costs at Section 7.3.11 below.
4. This is calculated on the basis of the Responsible Entity and Manager's reasonable estimate as at the date of this PDS of the anticipated expenses for the current financial year (adjusted to reflect a 12 month period).
5. No Performance Fee was payable to the Manager in the period from the Trust's IPO to 30 June 2019.

## 07. FEES AND COSTS Continued

The fees in the above table are inclusive of Goods and Services Tax (**GST**) less the Reduced Input Tax Credit (**RITC**) amount component of fees charged to the extent it is expected to be available. Any available RITC will reduce the net cash cost of fees available to the Trust. For further information about GST please see the Additional Explanation of Fees and Costs section at Section 7.3.

**TABLE 2: EXAMPLE OF ANNUAL FEES AND COSTS FOR AN INVESTMENT IN THE TRUST**

This table gives you an example of how the fees and costs of the Trust can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

EXAMPLE	AMOUNT	BALANCE OF \$50,000
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0 in Contribution Fees.
<b>PLUS</b> Management fees	2.05% p.a. <sup>#</sup>	AND, for every \$50,000 you have invested in the Trust you will be charged \$1,024 each year. <sup>#</sup>
<b>EQUALS</b> Costs of the Trust	If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of \$1,024.* <sup>#</sup>	
What it costs you will depend on the fees you negotiate.		

\* Additional fees may also apply.

# These are estimated amounts only. The actual amount may vary including for the reasons set out below.

Based on the Trust NAV of \$266 million as at 31 August 2019. If the Trust has a higher NAV then this percentage amount would be lower. For example, if the Trust has a NAV of \$532 million (assuming the Offer is fully subscribed) the Management Costs would be 1.89% p.a. (reflecting a Responsible Entity Fee of 0.03%) and each year you would be charged an estimated \$946 for every \$50,000 you have invested in the Trust. If the Trust has a lower NAV than \$266 million, the amount will be higher. Additional fees may also apply.

If a Performance Fee is payable the percentage of Management Costs and the dollar amount charged will increase to reflect the amount of the Performance Fee. Further the percentage of Management Costs and the amount charged will reflect the actual expenses recovered from the Trust which may include amounts of ordinary and everyday expenses incurred but not reflected in the Estimated Recoverable Expenses percentage included in Table 1 as well as any other unanticipated fees (such as Additional Fund Administration Services Fees payable to the Responsible Entity) and unanticipated expenses and other amounts that are not included in Estimated Recoverable Expenses such as transaction and operational costs.

The information in this table is an example only and assumes a constant investment of \$50,000 throughout the year without taking into account any movements in the value of Units that may occur over the course of the year. The 'Equals Costs of the Trust' calculation also assumes the \$5,000 additional contribution is made by way of acquisition of further Units at the end of the year.

For additional information on fees and costs see Section 7.3 below.

### 7.3 ADDITIONAL EXPLANATION OF FEES & COSTS

#### 7.3.1 Responsible Entity Fee

This fee is charged by the Responsible Entity for acting as the responsible entity of the Trust. The fee is a sliding scale of fixed amounts that vary depending on the NAV of the Trust. It is calculated and accrued daily and paid quarterly in arrears from the Trust's assets. It is expressed as a percentage range of 0.03% to 0.05% p.a. of the NAV of the Trust rounded to two decimal places on the assumption that the Trust NAV may vary between \$266 million being the NAV at 31 August 2019 (at which level of NTA the Responsible Entity Fee is 0.05%) and \$532 million assuming the Offer is fully subscribed (at which level of NTA the Responsible Entity Fee is 0.03%). If the Trust NAV falls to lower than \$266 million, the Responsible Entity Fee may increase above 0.05% (although not to an extent that is higher than the maximum fee specified in the Constitution as set out at 7.3.12) and if the Trust NAV increases, the Responsible Entity may decrease to lower than 0.03%.

Subject to the law and the proper performance of its duties, the Responsible Entity may also charge time in attendance fees (referred to as Additional Fund Administration Services fees in the Constitution) for activities performed outside the normal day to day scope of its role (such as, for example, amendments to Trust documents or the structure of the Trust or subsequent capital raisings) at its commercial hourly rates (applicable at the relevant time and which may be notified to Unitholders from time to time) subject to the maximum amount described in Section 7.3.12 'Can the Fees Change?' for time spent providing any such services. If charged these fees will be deducted out of the assets of the Trust at the time of incurring the fee. As there is no expectation that these fees will be charged as at the date of this PDS, they cannot reasonably be estimated.

### 7.3.2 Management Fee

The Manager charges a Management Fee of 1.5% p.a. (exclusive of GST) (1.5375% inclusive of GST after taking into account RITC) of the NAV of the Trust. The Management Fee is accrued daily and paid monthly in arrears from the Trust's assets. This Management Fee will apply except to the extent the Manager has agreed to waive a portion of its Management Fee as described below.

#### Example of Management Fee

Assuming that the Offer is fully subscribed (including by way of the Oversubscription Facility and/or the Shortfall Offer), and assuming the NAV remains equal to NAV as at 30 June 2019 plus the proceeds of the amount raised under the Offer, the annual Management Fee (excludes the impact of the management fee discount applicable to the Offer) of the Trust would be as follows:

Average of daily NAVs for 1 year	\$531,803,905
Management Fee	1.54% p.a.
Total Management Fee payable	\$8,176,485

In the event of an impairment equivalent to 10% of the NAV occurring say six months after completion of the Offer, the total Management Fee payable would reduce to \$7,767,661.

The Manager may in its absolute discretion waive or rebate any or all of the fees it is entitled to charge under the Investment Management Agreement and in such circumstances the Trust is entitled to the benefit of such waiver or rebate.

The Manager has agreed with the Responsible Entity for the purposes of the Offer under this PDS to a 50% waiver of its Management Fee. Under the terms of its agreement with the Responsible Entity, the Manager will charge a reduced Management Fee of 0.75% p.a. (exclusive of GST) (0.7688% inclusive of GST less RITC) with respect to the proportion of NAV of the Trust that reflects the capital raised under the Offer that is not invested in qualifying assets, only for such time that it is not so invested. An investment in qualifying assets using the capital raised under the Offer will be taken to be made in circumstances that include:

- when the Sub-Trust enters into a loan facility for a direct loan (in which case the investment in qualifying assets will be taken to be the total committed facility limit from the time of first drawdown under the loan facility);
- when the Sub-Trust makes a commitment to invest in units in a Qualitas Fund or notes of AFWT (in which case the investment in qualifying assets will be taken to be the entire amount of the commitment from the time of signing the documents for that commitment); and
- when a further investment is made in the Trust Loan Receivable (in which case the investment in qualifying assets will be taken to be made each time the Manager draws down an additional tranches of the loan facility).

Qualifying assets do not include cash in a deposit product or a cash management trust.

Once the amount of the capital raised under the Offer excluding 5% of that capital has been invested in qualifying assets, the waiver will cease to apply with respect to any portion of the NAV of the Trust.

## 07. FEES AND COSTS Continued

### 7.3.3 Performance Fees

As disclosed in the Trust's IPO PDS, commencing from 1 July 2019 the Manager charges a Performance Fee, provided the Cumulative Actual Return has exceeded the Return Hurdle for the Performance Calculation Period.

The Performance Fee is calculated and accrued monthly from the relevant Performance Calculation Period Start Date and, if payable, paid annually in arrears.

**Cumulative Actual Return** is calculated each month during the Performance Calculation Period and is the amount expressed as a percentage that equals the Net Income of the Trust received in the Performance Calculation Period and divided by the number of months in the Performance Calculation Period multiplied by 12 and dividing the result by the Average Adjusted NAV for the Performance Calculation Period. For clarity, the calculation of this figure takes into consideration actual performance of the Trust over the Performance Calculation Period.

The defined terms used above and in the fees and other costs table are set out below.

**Adjusted NAV** is calculated as the total assets less total liabilities plus the performance fee accrual plus any unrealised loan provisions.

**Average Adjusted NAV** is the average of each monthly Adjusted NAV within a Performance Calculation Period.

**Net Income** is the gross revenue of the Trust less management fees, realized impairment losses and expenses but before any performance fee expenses and unrealised loan provision expenses.

**Performance Calculation Period** is the period from the current Performance Calculation Start Date until the current month end.

**Performance Calculation Period Start Date** is 1 July 2019 and every three years thereafter.

**Return Hurdle** is 8.0% p.a.

If the Cumulative Actual Return has exceeded the Return Hurdle for the Performance Calculation Period, the Performance Fee is calculated and accrued as follows:

1. **First:** The Trust deducts from the Net Income for the month in which the Performance Fee is being calculated an amount equal to the Return Hurdle;
2. **Second (Excess Return):** For any remaining Net Income for the month in excess of the Return Hurdle, the Manager is entitled to receive 20.5% (inclusive of GST, less RITC) as a Performance Fee.

The Performance Fee paid to the Manager after the end of the financial year is calculated by taking the aggregate monthly performance fee amounts accrued on the basis set out above less any Performance Fees previously paid in the Performance Calculation Period. If the result is a positive amount a performance fee is payable to the Manager. If the result is a negative amount then the Manager must pay an amount to the Trust equal to that amount.

For the purpose of the Performance Fee calculation, the Return Hurdle and the Cumulative Actual Return is reset at the start of the new Performance Calculation Period. Net income in prior Performance Calculation Periods will not be carried forward and aggregated with net income generated in the new Performance Calculation Period.

#### Example of Performance Fee

A worked example of the calculation of the Performance Fee over a Performance Calculation Period is set out below.

This is a worked example only; it is designed to demonstrate the Performance Fee calculation. It does not represent the Manager's view of expected future performance of the Trust nor is it a guarantee of future performance. Trust net income within a Performance Calculation Period may differ from what is represented in this example.

#### Return profile

The Trust net income is the return earned in each year and the Cumulative Actual Return is the average return p.a. as at the end of each year.

Trust return profile	Year 1	Year 2	Year 3
Trust net income by year as % of average NAV	8.50%	7.50%	8.75%
Cumulative Actual Return p.a. as at year end	8.50%	8.00%	8.25%

The Cumulative Actual Return in year 2 (8.00% p.a.) is the average of the Trust net income in year 1 and year 2.

The Cumulative Actual Return in year 3 (8.25% p.a.) is the average of the Trust net income in year 1, year 2 and year 3.

#### Priority of net income

The table below demonstrates the priority of net income<sup>42</sup> between the Unitholders and the Manager at each stage of the Performance Fee calculation as detailed above:

FIRST: Return to Unitholders & outperformance (p.a.)		Year 1	Year 2	Year 3	
Trust net income by year as % of average NAV		8.50%	7.50%	8.75%	
Net income to Unitholders	A	8.00%	7.50%	8.00%	
Outperformance		0.50%	–	0.75%	
SECOND: Excess Return (p.a.)		Year 1	Year 2	Year 3	
Performance Fee* (20%)		0.10%	–	0.15%	
Net income to Unitholders (80%)	B	0.40%	–	0.60%	
Manager refund of Performance Fee	C	–	(0.10%)	–	
Aggregated net income to Unitholders	D = A+B+C (3 years)	8.40%	16.00%	24.60%	
Annualised total net income to Unitholders (p.a.)	E = (D/no. years)	8.40%	8.00%	8.20%	**

\* Excluding GST.

\*\* A Unitholder who invested at the start of this Performance Calculation Period will have derived an annualised return of 8.20% p.a. over the three years of the Performance Calculation Period.

As at the end of year 2 the Cumulative Actual Return is 8.00% and therefore the Manager is not entitled to a Performance Fee as the Return Hurdle has not been exceeded. As the Manager has already been paid 0.10% in respect of year 1, the Manager is required to refund 0.10% to ensure the net Performance Fee paid is equal to the Performance Fee calculated at the end of year 2 of 0%.

The table below demonstrates the returns to Unitholders and the Manager by year and annualised after the calculation of the priority of net income and the Performance Fee refund:

Summary by year		Year 1	Year 2	Year 3
Trust net income by year as % of average NAV	F	8.50%	7.50%	8.75%
Cumulative Actual Return p.a. as at year end		8.50%	8.00%	8.25%
<b>Performance Fee to Manager</b>				
Performance Fee/(refund) by year	G	0.10%	(0.10%)	0.15%
Annualised Performance Fee p.a. as at year end	(G/no. years)	0.10%	–	0.05%
<b>Net income to Unitholders</b>				
<b>Net income to Unitholders by year</b>	<b>F - G</b>	<b>8.40%</b>	<b>7.60%</b>	<b>8.60%</b>
<b>Net income p.a. to Unitholders as at year end</b>	<b>E</b>	<b>8.40%</b>	<b>8.00%</b>	<b>8.20%</b>

\* A Unitholder who was fully invested during the Performance Calculation Period (3 years), would have paid 0.05% in Performance Fees on an annualised basis over the period under review.

42 Rounded to two decimal points.

## 07. FEES AND COSTS Continued

Assuming that the Entitlement Offer is fully subscribed, the Unitholders' returns and Manager fees for the Performance Calculation Period are detailed below (assuming no movement in NAV over the 3 year period):

\$ Returns by year, assuming Maximum Subscription	Year 1	Year 2	Year 3
Net income by year	\$45,203,332	\$39,885,293	\$46,532,842
Performance Fee/(refund) by year*	\$545,099	(\$545,099)	\$817,649
<b>Return to Unitholders by year</b>	<b>\$44,658,233</b>	<b>\$40,430,392</b>	<b>\$45,715,193</b>

\* Inclusive of GST, less RITC

The total Performance Fee payable for the 3 year Performance Calculation Period is \$817,649 (inclusive of GST, less RITC).

An increase in NAV due to subsequent capital raising may increase or decrease the Performance Fee payable depending on the net income earned on capital that has been invested.

A decrease in NAV may arise due to impairments of loan assets. In an event of a significant impairment being realised, it is expected that this will decrease the Performance Fee payable.

### 7.3.4 Recoverable expenses

The estimated Recoverable expenses reflects an estimate of the ordinary and everyday expenses anticipated to be incurred in operating the Trust (other than transactional and operational costs described in paragraph 7.3.11 below) and are deducted from the assets of the Trust as and when they are incurred. The expenses normally incurred in the day-to-day operation of the Trust include, but are not limited to, amounts payable to the custodian, costs payable to ASX, costs relating to fund administration, unit registry, ASX, preparation of financial statements and audit costs, bank fees.

#### Offer Costs

The Trust Loan Receivable is an unsecured loan provided to the Manager by the Trust and will be increased to pay the costs and expenses associated with the Offer (**Offer Costs**), including broker, legal, tax, accounting and other advisory costs, printing and other expenses (see Section 4.21 for further information on the Trust Loan Receivable).

#### Expenses relating to operating the Trust

The Responsible Entity is entitled to be reimbursed, out of the assets of the Trust, for all out-of-pocket expenses it properly incurs in operating and administering the Trust. This includes both ordinary and everyday expenses and other expenses that are not ordinary and everyday expenses and are not anticipated (for example, expenses that the Responsible Entity does not anticipate incurring at the date of this PDS include the costs of holding a Unitholder meeting, costs of bringing or defending any legal proceedings).

#### Expenses relating to management of the Trust

The Manager is entitled to be reimbursed, out of the assets of the Trust, for all out-of-pocket expenses it properly incurs acting under the Investment Management Agreement. This includes taxes, costs, charges, travel costs and all investor relations and marketing and other expenses properly incurred by the Manager in connection with the investment and management of the Trust's portfolio or the acquisition, disposal or maintenance of any investment of the Trust's portfolio, including any clearing house fees and brokerage fees. Taxes incurred by the Manager in respect of income of the Manager and in-house administration costs of the Manager, its agents and affiliates in the nature of rent for premises, computer charges, salaries, research costs and like expenses are excluded. To the extent these can be anticipated they are included in the estimated recoverable expenses set out in the fees and costs table at Section 7.2 above.



### **7.3.5 Indirect Costs**

#### **Management fees in respect of the Qualitas Funds**

Associates of the Manager manage the Qualitas Funds. Accordingly, Associates of the Manager are entitled to receive management fees pursuant to the terms of the trust deeds and management agreement in respect of the Qualitas Funds.

However, those Associates of the Manager have agreed that the management fees that would otherwise be payable on the Trust's investment in the Qualitas Funds is and will be rebated for as long as the Manager remains the Manager of the Trust. The effect of such rebates is that the Trust's investment in the Qualitas Funds will be free of management fees at the Qualitas Fund level.

The Estimated Indirect Costs included in the Fees and Costs table reflects the proportion of the administration fees and any other expenses incurred by the Qualitas Funds that reflects the Trust's investment in those Qualitas Funds through the Sub-Trust to the extent that they may reasonably be estimated.

#### **Performance fees in respect of Qualitas Funds**

Associates of the Manager manage the Qualitas Funds. Accordingly, Associates of the Manager are entitled to receive performance fees pursuant to the terms of the trust deeds and management agreements in respect of the Qualitas Funds.

However, those Associates of the Manager have agreed that the performance fees that would otherwise be payable on the Trust's investment in the Qualitas Funds is rebated for as long as the Manager remains the Manager of the Trust. The effect of such rebates is that the Trust's investment in the Qualitas Funds will be free of performance fees at the Qualitas Fund level.

#### **Management and performance fees in relation to the Sub-Trust**

The investment management agreement for the Sub-Trust provides for similar management fees and performance fees as the Investment Management Agreement for the Trust. However, whilst the Manager remains the manager of the Trust these fees are not payable. As such, there is no management or performance fees charged to the Sub-Trust whilst the Manager is the manager of the Trust.

The Estimated Indirect Costs included in the Fees and Costs table reflects the proportion of the administration fees and any other expenses incurred by the Sub-Trust that reflects the Trust's investment in the Sub-Trust to the extent that they may reasonably be estimated.

See Section 12.1 in relation to details as to when the Manager may be removed as the manager of the Trust.

#### **Loan Origination Fees received by the Sub-Trust and Qualitas Funds**

The Manager is entitled to receive Loan Origination Fees being a proportion of Borrower Loan Fees paid to the Sub-Trust and the Qualitas Funds by borrowers to whom loans are made, see Section 13.10 of this PDS for more information about the Loan Origination Fees. The amount of Borrower Loan Fees that will be received by the Sub-Trust and the Qualitas Funds depend on loans entered into by the Sub-Trust and the Qualitas Funds in which the Sub-Trust invests and as such neither the amount of the Borrower Loan Fees nor the Loan Origination Fees are known and they cannot reasonably be estimated. As a consequence, no amount for Loan Origination Fees is included in the Estimated Indirect Costs.

### **7.3.6 Benefits of the Responsible Entity**

Except for the interest, fees and remuneration disclosed in this PDS, the Responsible Entity and its Directors and employees have not received, and are not entitled to, any benefit in relation to this Offer.

Subject to law, Directors may receive a salary as employees of the Responsible Entity, consulting fees, director fees, dividends and may from time to time hold interests (directly or indirectly) in the Units in the Trust or shares in Perpetual.

### **7.3.7 GST**

The Trust suffers some level of restriction on its ability to recover the GST component on its costs. The Trust benefits from at least 55.0% GST recovery on costs under the reduced credit (**RITC**) acquisition provisions of the GST Act.

Unless otherwise stated, the fees and expenses disclosed in this PDS include GST less any RITC.

## 07. FEES AND COSTS **Continued**

### 7.3.8 Payment to licensees

No brokerage, commission or stamp duty is payable by Applicants who take up or apply for Units using a personalised Entitlement and Acceptance Form or Application Form.

### 7.3.9 Advisor remuneration

No commissions are currently being paid by the Responsible Entity to financial advisors. You may incur a fee for the advice provided to you by your advisor, but this does not represent a fee that the Responsible Entity has charged you for investing in the Trust and is not an amount paid out of the assets of the Trust. The Responsible Entity recommends that you check with your advisor if you will be charged a fee for the provision of their advice.

### 7.3.10 Can fees be different for different Unitholders?

The Manager and the Responsible Entity may from time to time negotiate a different fee arrangement (by way of a rebate of fees or reduced fees) with certain 'wholesale' investors or otherwise in accordance with ASIC requirements. Any fee rebates will be paid out of the assets of the Manager or the Responsible Entity (as applicable) and will not be paid from the assets of the Trust. The size of the investment and other relevant factors may be taken into account.

The terms of these arrangements are at the discretion of the Manager and the Responsible Entity (as applicable).

### 7.3.11 Transactional and operational costs

Transactional and operational costs are costs related typically to transactions of the Trust and include transactional brokerage, clearing costs and stamp duty and costs of entering into derivative transactions for hedging purposes.

These costs will differ according to the type of assets in the Trust and will be paid out of the Trust's assets or the assets of the Sub-Trust or underlying Qualitas Funds as applicable. Transactional and operational costs are an additional cost that is not included in Management Costs. The Responsible Entity estimates the Trust's transactional and operational costs to be approximately nil for the current financial year (adjusted to reflect a 12-month period). This reflects that there is currently no intention to enter into derivatives transactions and the transactional and operational costs incurred in relation to investments in loans (such as legal fees and third party charges such as costs of valuers) will typically be borne by the borrower.

### 7.3.12 Can the fees and costs change?

All fees and costs in this PDS can change. Reasons for a change may include changing economic conditions and changes in regulation. Fees may also change due to an increase in GST payable or a change to RITCs entitled to be claimed by the Trust.

Any estimates of fees and costs in this PDS are based on information available as at the date of this PDS. As such, the actual fees and costs may differ and are subject to change from time to time.

The Responsible Entity will give Unitholders at least 30 days' advance notice of any proposed change to fees and costs disclosed in this PDS where practicable.

The Constitution sets the maximum amount the Responsible Entity can charge for all fees as follows:

- maximum Responsible Entity Fee (referred to as a management fee in the Constitution) of up to 2% per annum of the gross value of the assets of the Trust;
- maximum Additional Fund Administration Services fees – up to \$1,000 per hour adjusted quarterly to reflect any increase in the All groups CPI weighted average of eight capital cities published by the Australian Bureau of Statistics in respect of each quarter.

If the Responsible Entity wishes to raise fees above the amounts allowed for in the Constitution, the Responsible Entity would need to seek Unitholder approval to amend the Constitution in accordance with the Corporations Act and the relevant provisions in the Constitution.

# 08. RISKS



## 08. RISKS

An investment in the Trust carries risk. Risks can be categorised as being specific to the Investment Strategy and Manager, the Trust, the Trust's portfolio, having Units listed on ASX and general risks associated with investing in the loans with exposure to the commercial real estate market. Many of these risks are outside the control of the Responsible Entity, the Manager and their respective directors and officers. Consequently, the Units offered under this PDS carry no guarantee in respect of profitability, distributions or return of capital.

Investors should consider whether the Units offered by this PDS are a suitable investment, having regard to their own individual investment objectives, financial circumstances and the risk factors set out below.

The list below highlights the more significant and material risks; however, the list may not be exhaustive. Other less significant or less probable factors may also impact the Trust's financial performance, financial position or cash flow. Should any or all of these risk factors materialise, the value of Units may be adversely affected.

Some of the more significant risks associated with investing in the Trust, more properly described below, include:

- risks relating to the Investment Strategy and Manager;
- risks relating to the Trust;
- risks relating to the Trust's portfolio;
- risks relating to the Units being listed on the ASX; and
- general investment risks.

The risks in this section are not an exhaustive list; not all risks can be predicated or foreseen.

### 8.1 RISKS RELATING TO THE INVESTMENT STRATEGY AND MANAGER

#### 8.1.1 Risks relating to the Investment Strategy

There are inherent risks associated with the Investment Strategy. These include, but are not limited to, the following:

- the Trust's success and profitability is reliant on the ability of the Manager to invest in and maintain a portfolio that achieves the approved Investment Objective and Investment Strategy;
- the ability of the Manager to continue to manage the Trust's portfolio in accordance with its mandate and relevant laws; or
- the Trust's portfolio may not be as diversified as the portfolios of other listed investment entities.

#### 8.1.2 RISKS RELATING TO THE INVESTMENT OBJECTIVE

There is no guarantee the Investment Strategy will be managed successfully or that the Trust will meet its Investment Objective. Failure to do so could negatively impact the performance of the Trust. The Investment Management Agreement has an initial term of 10 years from the date of the Trust's IPO. Even if the Manager fails to achieve the Target Return, it may be difficult to remove the Manager.

The Manager may not manage the Trust's portfolio in a manner that consistently meets the Investment Objective over time. In addition, the Manager may cease to manage the Trust's portfolio, requiring the Responsible Entity to find an alternative replacement manager, and this may affect the Trust's success and profitability.

#### 8.1.3 Risks relating to the Investment Management Agreement term

The Responsible Entity has no right to terminate the Investment Management Agreement in the event of a change of control of the Manager or in the event of a material change to the composition of the Qualitas Team. For example, the Responsible Entity cannot terminate the Investment Management Agreement if key members resign from the Qualitas Team.

If the Manager ceases to manage the Trust and the Investment Management Agreement is terminated, then the Responsible Entity will need to identify and engage a suitably qualified and experienced investment manager to manage the Trust and continue to implement the Investment Strategy. There is a risk that the Responsible Entity is unsuccessful in engaging a person or group in that capacity.

#### **8.1.4 Risks relating to key members of the Qualitas Group**

There is a risk of departure of key staff, whether they are the staff of the Manager or the Qualitas Team.

The Trust depends on the experience of the Qualitas Group's senior management personnel and the Qualitas Team. The Qualitas Advisory Board or personnel of the Qualitas Group or other related parties in their capacity as decision makers may change. The loss of service of these individuals could have a material adverse effect on the operations of the Trust because the Trust would have a reduced capacity to develop and implement desirable investment strategies, obtain investment opportunities, capitalise upon relationships and structure and execute its potential investments.

#### **8.1.5 Trust Loan Receivable risk**

The Manager, as counterparty to the Trust Loan Receivable, may not be able to meet its contractual obligations under the Trust Loan Receivable. The Trust Loan Receivable is an unsecured loan, which means the Trust's right to recover the loan will rank behind the secured creditors of the Manager. If the Manager is unable to meet its contractual obligations under the Trust Loan Receivable, then the Trust may incur a loss and this would have an adverse effect on the value of the Trust. The Trust Loan Receivable has been guaranteed by QPP.

### **8.2 RISKS RELATING TO THE TRUST**

#### **8.2.1 Distributions may not be paid**

The Responsible Entity's ability to pay distributions from the Trust is contingent on there being sufficient income from the Trust's investments. There is no guarantee that the future earnings of the Trust will be adequate to allow it to meet the Investment Objective. Nor is there a guarantee that the Trust's earnings or the value of Units will be consistent with ensuring the Trust meets the Investment Objective. Further, the Manager may make poor investment decisions which may result in the Trust's returns being inadequate to pay distributions to Unitholders.

#### **8.2.2 No guarantee the Manager will find appropriate investments or deploy capital within the Investment Timeline**

The Manager intends that, subject to market conditions and available investment opportunities, the Trust will be substantially invested or committed in accordance with its Investment Strategy over the Investment Timeline (which may actually be earlier or longer). There is no guarantee that the Manager will find sufficient investments for the Trust at suitable returns or to fully deploy the Trust's capital in order to achieve the Investment Objective. Once suitable investment opportunities are identified, it may take longer than anticipated for capital to be invested into these opportunities. An inability to invest in opportunities which are consistent with the Investment Strategy or deploy capital within the Investment Timeline is likely to have an adverse impact on the Trust and the value of Units.

#### **8.2.3 Hedging risk**

The Manager may use both currency (limited to AUD and NZD) and interest rate hedging to reduce risk in the investments within the Trust's portfolio. The Trust does not and at the date of this PDS does not have the intention to use hedging for market speculative purposes in an attempt to increase the Trust's returns.

Should the Manager enter into hedging arrangements on behalf of the Trust to protect against currency or interest rate risk, the use of instruments to hedge a portfolio carries certain risks, including the risk that losses on a hedge position will reduce the Trust's earnings and funds available for distribution to Unitholders and that such losses may exceed the amount invested in such hedging instruments.

There is no perfect hedge for any investment, and a hedge may not perform its intended purpose of offsetting losses on an investment and, in certain circumstances, could increase such losses. The Trust may also be exposed to the risk that the counterparties with which the Trust trades may cease making markets and quoting prices in such instruments, which may render the Trust unable to enter into an offsetting transaction with respect to an open position. Although the Manager will select the counterparties with which it enters into hedging arrangements with due skill and care, the residual risk that the counterparty may default on its obligations remains.

Derivatives (including but not limited to foreign exchange forwards, currency derivatives and swaps) are highly specialised instruments that require investment techniques and risk analysis different from those associated with debt securities. The use of a derivative requires an understanding of not only the underlying instrument but also of the derivative itself. In particular, the use and complexity of derivatives requires the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative transaction adds to a portfolio. There can be no guarantee or assurance that the use of derivatives will assist in achieving the Investment Objective.



## 08. RISKS **Continued**

### 8.2.4 Service provider risk

The operation of the Trust relies on the successful performance of the Responsible Entity's contracts with service providers. Refer to Section 12 for details on the Material Contracts.

The Trust could be exposed to the risk of loss if a counterparty does not meet its obligations, including due to insolvency, financial distress or a dispute over the terms of the contract or the termination of any of the material agreements. There can be no assurance that the Responsible Entity would be successful in enforcing its contractual rights. In the case of a counterparty default, the Trust may also be exposed to adverse market movements while the Responsible Entity sources replacement service providers.

### 8.2.5 Potential conflicts of interest

Associates of the Manager also act as manager of the Qualitas Funds which have similar investment objectives to the Trust. It is therefore possible these entities within the Qualitas Group may manage funds on behalf of investors which invest in the same investments as the Trust. Whilst the Qualitas Group has implemented policies and procedures to identify and mitigate conflicts of interest, it is possible the Qualitas Group may, in the course of its business, have potential conflicts of interest which may not be managed effectively and may be detrimental to the Trust and Unitholders. The Qualitas Group has developed an Allocation Policy (see Section 4.13) to provide reasonable assurance that investments will be allocated appropriately and fairly.

Associates of the Manager may be the investment manager of other funds not described in this PDS and entities within the Perpetual Group (comprising Perpetual Limited and its subsidiaries, including the Responsible Entity) may act in various capacities (such as responsible entity, trustee and custodian) in this structure and for other funds or accounts.

In addition, the investment by the Trust in Qualitas Funds may cause potential conflicts of interest for the Qualitas Group.

The Qualitas Group and Perpetual Group have each implemented policies and procedures to identify and where possible mitigate or avoid these conflicts. The Qualitas Group has a conflicts of interest policy which will manage conflicts of interest that may arise wholly or partially in relation to the activities of the Manager in managing the Trust and the Sub-Trust.

None of the Trust, Sub-Trust or members of the Qualitas Group (either directly or indirectly, as an investment made by one or more Qualitas Funds) invest across more than one part of the capital structure of a real estate asset at the same time. This means that one or more of the Trust, Sub-Trust or Qualitas Funds will not hold investments in both senior and mezzanine loans relating to the same investment. This is to ensure that there is no conflict of interest in respect of managing and enforcing each investment.

The relevant investment committees described in the PDS for the Trust and Sub-Trust conduct all investment approval processes before any final investment decision is made. This includes conducting due diligence on each investment opportunity, associated risk analysis and the identification of all potential conflicts/related party transaction issues which may be the result of an investment. The results of these inquiries and deliberations is detailed in a recommendation letter provided by the Manager to the Responsible Entity.

The Responsible Entity has overall responsibility for oversight of compliance by the Manager with the conflicts of interest policy when approving investments. The Responsible Entity reviews investments made by the Trust (via the Sub-Trust) only. For each investment of the Sub-Trust, the Manager submits a recommendation letter to the Responsible Entity on the proposed investment for assessment prior to approval being granted (**Recommendation**). Refer to Section 4.15 for details in relation to the Recommendation procedures of the Trust.

Officers of the Responsible Entity who are familiar with the Trust and Sub-Trust's conflicts of interest policy, the Investment Principles and the Trust Investment Committee's role will review the details in each Recommendation and clarify concerns, if any, including to ensure no related party investments or cross mandate investments are present prior to providing approval.

In addition, consistent with good corporate governance practices, the investment management agreement for both the Trust and the Sub-Trust require the Manager to issue a quarterly compliance attestation to the Responsible Entity, confirming amongst other things, compliance with all relevant conflicts of interest policies.



### **8.2.6 Regulatory approvals**

All regulatory approvals for the continued operation of the Trust, including licences or exemptions from licensing for the Manager have been obtained and neither the Responsible Entity nor the Manager are aware of any circumstances which might give rise to the cancellation or suspension of any of those regulatory approvals. If any of the regulatory approvals are amended, cancelled or suspended, then the Trust may be adversely affected.

## **8.3 RISKS RELATING TO THE PORTFOLIO**

### **8.3.1 Risk of underperforming investments**

Investments made by the Trust may become non-performing for a variety of reasons, including non-payment of principal or interest, as well as breaches by the party that has borrowed monies the subject of any of the Trust's investments. Such non-performing investments may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, substantial irrecoverable costs, a substantial reduction in the interest paid, a substantial write-down of the principal of such loan and/or a substantial change in the terms, conditions and covenants with respect to such defaulted loan. However, even if a restructure were successfully accomplished, there is risk that, upon maturity of any such real estate loan, replacement "take-out" financing will not be available.

It is possible that the Trust may find it necessary or desirable to pursue (either itself or through the appropriate counterparty) enforcement of an underlying security. Any enforcement process can be lengthy and expensive, which could have a material negative effect on the Trust's anticipated return on any investment. By way of example, it would not be unusual for any costs of enforcement to be paid out in full before the repayment of interest and principal relating to the relevant investment. This could substantially reduce the Trust's anticipated return on the relevant investment.

The level of defaults in the Trust's portfolio and the losses suffered on such defaults may increase in the event of adverse financial or credit market conditions. The liquidity in defaulted investments may also be limited, and to the extent that defaulted investments are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon, which would adversely affect the value of the Trust's portfolio and, consequently, the value of Units.

### **8.3.2 Borrowers unable to meet their financial obligations**

There are a variety of factors which could adversely affect the ability of parties that have borrowed monies, the subject of the Trust's investments to fulfil their payment obligations or which may cause other events of default. These include but are not limited to changes in financial and other market conditions, interest rates, government regulations or other policies, the worldwide economic environment, changes in law and taxation, natural disasters, terrorism, social unrest and civil disturbances.

A party that has borrowed monies the subject of any of the Trust's investments may not fulfil its payment or other obligations in full, or at all, and/or may cause, or fail to rectify, other events of default under the loan. The Trust may, in these circumstances, suffer from reduced income and therefore have a reduced ability to pay out distributions as well as be required to exercise any contractual rights of enforcement that it has against the party that has borrowed monies the subject of any of the Trust's investments to attempt to recover its investment. As such, there is no guarantee that the Trust will be able to recover all or any of its investment.

### **8.3.3 Due diligence process**

The due diligence undertaken by the Manager and the entities which manage the Qualitas Funds in which the Trust intends to invest in connection with the relevant investments may not reveal all facts that may be relevant in connection with an investment. The objective of such due diligence is to identify attractive investment opportunities.

When conducting due diligence, the Manager and the entities which manage the Qualitas Funds in which the Trust intends to invest evaluate a number of important issues, which may include business, financial, tax, accounting, environmental, regulatory and legal issues in determining whether or not to proceed with an investment.

Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Manager and the entities which manage the Qualitas Funds in which the Trust intends to invest will be required to rely on resources available to it, including information provided by internationally recognised rating agencies and other independent sources including issuers, originators and analysts. The information available for due diligence purposes may be limited or incomplete. Accordingly, the Manager cannot guarantee any relevant due diligence investigation with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity.

## 08. RISKS **Continued**

There is a risk that any failure by the Manager to identify relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which could have a material adverse effect on the Trust's profitability and the Unit price.

### 8.3.4 Insufficient underlying security

In the event of a default by a party that has borrowed monies the subject of any of the Trust's investments, the value of the Trust's investments with respect to any debt financing arrangement may exceed the value of recovery possible under the collateral or security arrangements that support that investment. This may be due to a variety of reasons including external factors such as changes in the market for the assets to which the security or collateral relates, general economic conditions or otherwise. This may have a material adverse effect on the value of the Trust's investment, in particular should a recovery action be required.

This may be particularly relevant for mezzanine secured real estate loans where the security granted is second ranking and therefore provides none or limited rights to enforce the security until the first ranking mortgage is discharged.

### 8.3.5 Construction and development loans

The Trust may also invest indirectly or directly in secured real estate loans which are construction loans. Construction lending generally is considered to involve a higher degree of risk than other types of lending due to a variety of factors, including but not limited to difficulties in estimating construction costs and anticipating construction delays, risks associated with builder solvency for the deliverability of the project, obtaining sales within a development project, settling and receiving sale proceeds risk (including the risk of purchasers being unable to secure loans due to changes in macro-economic conditions, bank valuations of the subject real estate, changes in bank lending capacity or policies or otherwise being unable to settle) and obtaining refinance of unsold and unsettled stock and the potential for cost overruns due to unforeseen circumstances and developer and builder variations required.

Although a contingency reserve is included for each construction project budget by the developer for the above risks, there is no guarantee that the contingency reserve will be sufficient to meet all possible risks which result in cost overruns due to any of the circumstances noted above. Adverse movements in base rates<sup>43</sup> and delays in construction can also lead to increased interest expenses and an excess usage of the interest and contingency reserve. Increased development and construction costs above the project budget will require further capital from either further equity or increased debt from the lender and/or other lenders.

The performance of investments with exposure to development loans may also be subject to a range of other risks, including planning risk (in relation to development and other approvals) and site conditions (including geotechnical, land contamination and environmental conditions).

### 8.3.6 Interest rate risk

The Manager may recommend investments with exposure to loans with floating interest rates. This means that income will be impacted by the underlying base rate rises and falls and therefore the relative attractiveness to other investments may change.

### 8.3.7 Early repayment

The investments of the Trust will have exposure to debt facilities which are expected to generally have maturities ranging from 18 months to 36 months. It is possible that some of these facilities may be repaid early, and therefore the actual maturity of the underlying debt facilities may be shorter than their stated final maturity calculated solely on the basis of the stated life and repayment schedule.

Such prepayment may result in a loss of income until such time as the capital is reinvested. Prepayments may be prompted by increasing availability of debt from the capital markets and increased price competition among lenders, or as a result of an increase in the value of the secured real estate making the subject security real estate assets a more financeable proposition to those lenders who are active at the relevant time. The Manager will incorporate early loan repayment fees where appropriate to protect substantial loss of income from prepayments at the borrower's discretion. Early repayment may also be due to the Trust seeking repayment of the loan due to breach of obligations.

<sup>43</sup> Commercial construction and development loans are typically priced based on a margin above a floating base rate or benchmark interest rate (i.e. BBSW).

### **8.3.8 Collateral real estate is a relatively illiquid asset**

Investments in real estate are relatively illiquid and investors may be reluctant to purchase or sell the real estate. Investor appetite for real estate may be dampened by any dislocation of the global financial market factors and limited availability of financing. The resulting lack of liquidity in real estate markets may, in the event of a default and a foreclosure, inhibit the Trust's ability to dispose of security property in a timely manner and any such disposal may be at a considerably lower price than prevailing indicative market prices.

### **8.3.9 Collateral real estate valuation**

Valuations of real estate and real estate related assets are inherently subjective due to the individual nature of each real estate. As a result, valuations are subject to uncertainty and in determining market value, valuers are required to make certain assumptions and such assumptions may prove to be inaccurate. This is particularly so in periods of volatility or when there is limited real estate data against which real estate valuations can be benchmarked.

If the market value of real estate assets underlying the Trust's investments is found to be materially lower than that stated at the time of the Trust's investment, this may adversely impact the Trust's ability to recover the value of its investments. This may materially and negatively impact the NAV of the Trust.

### **8.3.10 Force majeure risk**

Real estate is exposed to risks relating to catastrophe events such as fires, floods, hurricanes, earthquakes, wars, strikes and acts of terrorism, as well as events of force majeure in contracts with counterparties related to the Trust's investments. Whilst all mortgaged real estate is subject to insurance obligations, losses from such events might be uninsurable and, if such events occur, they may have adverse effects on the Trust.

### **8.3.11 Political risk**

With any investment, there exists the risk of adverse political, legal and tax developments, including nationalisation, termination or non-payment of concessions, confiscation without fair compensation, windfall profit tax, or war. Further, any restriction imposed to prevent capital flight may make it difficult or impossible to exchange or repatriate currency. Although the Trust will analyse political risk before making such investments, no assurance can be given that a political or economic climate, or particular legal or regulatory risks, might not adversely affect an investment by the Trust at the time of its acquisition or thereafter.

### **8.3.12 Regulatory risk**

Many investments will be subject to substantial government regulation, and governments have considerable discretion in implementing regulations that could impact such investments. In addition, the operations of investments may rely on government permits, licences, concessions, leases or contracts. Government entities generally have significant influence over development projects in respect of the various contractual and regulatory relationships they may have, and these government entities may exercise their authority in a manner that causes delays in the development of these projects, obstacles to the pursuit of these projects or increased administrative expenses. In this regard, the nature and extent of government regulation can also be a key driver of value, returns, liquidity and financeability. The government or a governmental agency may amend, repeal, enact or promulgate a new law or regulation, or a government authority or court may issue a new interpretation of existing law or regulation.

Changes in legal, tax and regulatory regimes may occur during the life of the Trust which may affect the performance of the Trust and any investment.

Governmental authorities around the world have called for financial system and participant regulatory reform in reaction to volatility and disruption in the global financial markets, financial institution failures and financial frauds in recent years. Such reform includes, among other things, additional regulation of banks and investment trusts (which would include the Trust), and their managers and their activities. The impact on the Trust, the Manager and Associates of the Manager cannot be predicted with certainty, and any of these regulatory reform measures could have an adverse effect on the Trust.

## 08. RISKS **Continued**

### 8.3.13 Fraud

The Trust is exposed to the risk that the counterparties, including borrowers, to its investment exposure, may seek to commit fraud against the Trust.

The Trust relies on the Manager and its internal policies and procedures to identify fraud. Failure of these internal controls could result in damage to the Trust and the Qualitas Group's reputation impacting their ability to attract new clients, each of which could materially adversely affect the Trust's financial performance.

## 8.4 RISKS RELATING TO THE UNITS LISTED ON THE ASX

### 8.4.1 Unit trading price

The trading price of any listed security may change, related to performance and matters inherent to the investment performance of the securities, but also due to external factors such as market sentiment, or a range of other factors including the presence of larger buying or selling interest in the Units.

Therefore, Unitholders should expect that for periods of time, sometimes extended periods, the Units may trade below the stated underlying NAV per Unit.

### 8.4.2 Unit price volatility

Irrespective of any changes in the underlying value of the investments held by the Trust, Units may also trade at a discount or premium to the NAV per Unit. There can be no guarantee that the total number of buyers multiplied by the number of Units that each buyer wants to buy at any point in time in the market will match or exceed the total number of sellers multiplied by the number of Units each seller wants to sell, or that Unitholders will be able to buy or sell Units for a price which they or the Responsible Entity believe fairly reflects the value of their Units. In addition, the NAV per Unit will fluctuate with changes in the value of the underlying investments held by the Trust.

### 8.4.3 Liquidity risk

Units in the Trust are listed on the ASX. Although liquidity is generally expected to exist in this secondary market, there are no guarantees that an active trading market with sufficient liquidity will develop, or should it develop, that such a secondary market will sustain a price representative of the NAV per Unit. As a listed investment trust, there is no regular redemption facility for Units. That is, if a Unitholder no longer wishes to be invested in the Trust with respect to some or all of their Units, they will not have the ability to simply redeem their Units. They will be required to sell their Units on the ASX. Whilst a listed investment trust can make a withdrawal offer from time to time, it is not the current intention of the Responsible Entity to do so.

## 8.5 GENERAL INVESTMENT RISKS

### 8.5.1 Economic risks

The Trust's Investment Strategy relies in part upon local real estate market conditions. No assurance can be given that current market conditions will continue to be conducive to investing in secured real estate loans, since this will depend, in part, upon events and factors outside the control of the Manager.

More generally, the performance of the Trust may be affected by general economic conditions, both domestic and global, to the extent that these factors impact the performance of the secured real estate loans held by the Trust. Such conditions might include changes to interest rates, credit spreads, equity risk premium, corporate failure rates, changes in laws or regulations and national and international political circumstances.

The Trust's investments may be subject to fluctuations in interest rates that may not be adequately protected or protected at all, by the Manager's hedging strategies.

The Trust's investments are associated with real estate and are therefore directly exposed to the performance of the relevant real estate market. The location and condition of the underlying real estate and changes in supply of or demand for competing real estate in the area will also help to determine the real estate asset value.

Adverse changes in any of these factors may have a negative impact on the value of the underlying security that supports the investment and/or the ability of partners or borrowers to fulfil their payment obligations.

The Manager will endeavour to minimise these risks by drawing on its own experience, industry consultants as well as engaging its contacts and research in the marketplace.

### **8.5.2 Taxation risk**

There are risks that the tax consequences for an individual Unitholder or for the Trust with regard to income tax (including capital gains tax), duty and other taxes may differ from the tax consequences described in Section 10 of this PDS.

Changes to taxation laws and policies in Australia (including any changes in relation to how income of the Trust is taxed or in relation to the deductibility of expenses) might adversely impact the Trust and Unitholder returns. It is not possible to predict future changes to tax law or policy.

### **8.5.3 Performance of other asset classes**

Good performance (or anticipated performance) in other asset classes can encourage individuals to divert money away from listed investments such as the Trust. This may have a negative impact on any trading of the Units.

### **8.5.4 Litigation risk**

From time to time, the Responsible Entity may be involved in litigation. This litigation may include, but is not limited to, contractual claims. If a claim is pursued against the Responsible Entity, the litigation may adversely impact on the profits and financial performance of the Trust. Any claim, whether successful or not, may adversely impact on the Trust's Unit price and/or the return on your investment.

### **8.5.5 Cyber risk**

The Manager's information and technology systems, or those of its suppliers or other counterparties, may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorised persons and security breaches, usage errors, power outages and catastrophic events. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Manager and/or the Trust may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Manager's and/or the Trust's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors).

### **8.5.6 Reduction in voting interest risk**

On completion of the Offer, the Responsible Entity will issue New Units to Unitholders who have taken up their Entitlement under the Entitlement Offer, together with any Additional New Units subscribed for under the Oversubscription Facility and any New Units applied for under the Shortfall Offer (to the extent that a Shortfall occurs under the Entitlement Offer). The total number of Units on issue in the Trust will increase as a result of the Offer. If Unitholders do not take up their Entitlement under the Entitlement Offer either in full or in part, their percentage voting interest in the Trust will be diluted by their non-participation in the Entitlement Offer.

### **8.5.7 Investor considerations**

Before deciding to apply for New Units (or Additional New Units, if applicable), you should consider whether a further investment in Units is a suitable investment for you having regard to your personal circumstances.

There may be tax implications arising from an Application for New Units, the receipt of dividends or distributions from the Trust and the disposal of Units. Applicants should carefully consider these tax implications and obtain advice from an accountant or other professional tax advisor in relation to the application of tax legislation.

If you are in doubt about whether you should subscribe for New Units (and Additional New Units, if applicable) you should seek advice on the matters contained in this PDS from a stockbroker, solicitor, accountant or other professional advisor.



# 09.

## FINANCIAL INFORMATION





## 09. FINANCIAL INFORMATION

### 9.1 INTRODUCTION

This section contains a summary of the unaudited pro-forma financial information (**Financial Information**) of the Trust, which includes:

- The Financial Information as at the date of issue of Units under the Offer (see Section 9.2);
- Directors' material assumptions used in the preparation of the Financial Information (see Section 9.3);
- Capital structure of the Trust on completion of the Offer (see Section 9.4);
- Pro-forma cash of the Trust (see Section 9.5);
- Trust Loan Receivable (see Section 9.6); and
- Significant accounting policies of the Trust (see Section 9.7).

The Financial Information has, except as otherwise noted, been prepared in accordance with the recognition and measurement principles prescribed in the AAS, although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements and comparative information required by the AAS applicable to annual financial reports prepared in accordance with the Corporations Act. All amounts disclosed in this section are presented in Australian dollars.

The Financial Information has been reviewed by Pitcher Partners Sydney Corporate Finance Pty Ltd ACN 122 561 184, which has provided an Investigating Accountant's Report on the Financial Information in Section 11. The information in this section should also be read in conjunction with the risk factors set out in Section 8 and other information contained in this PDS.

### 9.2 FINANCIAL INFORMATION

The Financial Information set out below has been prepared to illustrate the financial position of the Trust following completion of the Offer and provision of a loan to the Manager as if such events had occurred as at date of issue. The Financial Information is intended to be illustrative only and will not reflect the actual position and balances as at the date of this PDS or at the completion of the Offer. The Financial Information has been prepared in accordance with the principles and significant accounting policies set out in Section 9.7.

## 09. FINANCIAL INFORMATION Continued

### 9.2.1 Historical and Pro-forma Historical Statement of Financial Position

The Historical and Pro-forma Historical Statement of Financial Position set out below has been prepared to illustrate the financial position of the Trust following completion of the Offer. The pro-forma balances have been derived from the Historical Financial Information and adjusted for the pro-forma adjustments with respect to the Offer as if such events had occurred as at 30 June 2019.

	HISTORICAL FINANCIAL POSITION	PRO-FORMA HISTORICAL FINANCIAL POSITION	
	FY 30 JUNE 2019	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION
A\$'000		\$100 MILLION RAISED	\$266 MILLION RAISED
<b>ASSETS</b>			
Cash	3,152	100,107	261,772
Receivables	1,565	1,565	1,565
Financial Assets	262,947	265,992	270,217
<b>Total Assets</b>	<b>267,664</b>	<b>367,664</b>	<b>533,555</b>
<b>LIABILITIES</b>			
Total Liabilities (excluding net assets attributable to Unitholders)	1,751	1,751	1,751
<b>UNITHOLDER EQUITY</b>	<b>265,913</b>	<b>365,913</b>	<b>531,804</b>
<b>Subscription for Units</b>			
Net assets attributable to Unitholders – Equity	265,913	365,913	531,804
Units <sup>1</sup>	166,182	228,682	332,364
NAV per Unit (\$)	1.6001	1.6001	1.6001

1. Note: 20,389 additional Units were issued on 16 August 2019, under the DRP.

### 9.3 DIRECTORS' MATERIAL ASSUMPTIONS IN PREPARATION OF THE FINANCIAL INFORMATION

The Financial Information has been prepared on the basis of the following assumptions by the Directors of the Responsible Entity:

- Application of the significant accounting policies set out in Section 9.7;
- The column headed "Minimum Subscription \$100 million", has been prepared on the basis of subscriptions for 62.5 million Units by Applicants under this PDS at an Offer Price of \$1.60 per Unit;
- The column headed "Maximum Subscription \$266 million", has been prepared on the basis of subscriptions for 166.2 million Units by Applicants under this PDS at an Offer Price of \$1.60 per Unit;
- Any fees payable with respect to binding pre-commitments to subscribe for Units by wholesale investors is not a liability of the Trust;
- Expenses of the Offer are to be paid by the Manager; and
- The estimated drawdown for the Trust Loan Receivable in the Financial Information.

## 9.4 CAPITAL STRUCTURE

Set out below is the anticipated capital structure of the Trust on completion of the Offer under the different indicated subscription amounts.

	HISTORICAL	PRO-FORMA HISTORICAL	
	AS AT 30 JUNE 2019	MINIMUM SUBSCRIPTION \$100 MILLION RAISED	MAXIMUM SUBSCRIPTION \$266 MILLION RAISED
Units (000's)	166,182	228,682	332,364
NAV per Unit <sup>1</sup> (\$)	1.6001	1.6001	1.6001

1. NAV is calculated as the Trust's net assets position attributable to Unitholders in the Financial Information in Section 9.2 divided by the corresponding indicated subscription amounts.

## 9.5 PRO-FORMA CASH

Set out below is a reconciliation of the pro-forma cash balance under the different indicated subscription amounts.

	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION
A\$'000	\$100 MILLION RAISED	\$266 MILLION RAISED
As at 30 June 2019	3,152	3,152
Offer Proceeds	100,000	265,891
Trust Loan Receivable – Loan drawdown	(3,045)	(7,270)
Estimated net cash position	100,107	261,772

## 9.6 TRUST LOAN RECEIVABLE

The Manager will draw down on the Trust Loan Receivable advanced by the Trust, an amount estimated below under the different indicated subscription amounts.

	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION
A\$'000	\$100 MILLION RAISED	\$266 MILLION RAISED
Trust Loan Receivable – Loan drawdown	3,045	7,270

## 9.7 SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies that have been adopted in the preparation of the Financial Information set out in Section 9.2, and which will be adopted prospectively in preparation of the financial statements of the Trust for the financial year ending 30 June each year, is set out as follows.

The Financial Information has been prepared in accordance with AAS and interpretations and other authoritative pronouncements of the AASB, and the Corporations Act.

The AAS set out an accounting framework that the AASB have concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AAS ensures that the Financial Information and notes also comply with the recognition and measurement requirements of IFRS.

## 09. FINANCIAL INFORMATION **Continued**

The Financial Information presented in this PDS is presented in an abbreviated form and does not contain all of the presentation and disclosures that are usually provided in an annual report prepared in accordance with the AAS. The Financial Information has been prepared on the basis of assumptions outlined in this section.

All amounts disclosed in this section are presented in Australian dollars.

### **Basis of measurement**

The Financial Information has been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

### **Functional and presentation currency**

The Financial Information is presented in Australian dollars, which is the Trust's functional currency.

### **Use of estimates and judgements**

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **Financial Instruments**

#### **Classification**

The category of financial assets and financial liabilities comprises:

- **Financial instruments designated at fair value through profit or loss upon initial recognition**
  - » Financial assets are classified in this category if acquired principally for the purpose of selling in the short term.
  - » Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed, and their performance evaluated on a fair value basis in accordance with the Trust's documented Investment Strategy.
  - » The Trust's policy is to evaluate the information about these financial instruments on a fair value basis together with other related financial information.
- **Financial instruments designated at fair value through other comprehensive income (long-term investments)**
  - » Long term investments comprise holdings in marketable securities which are intended to be held for the long term.
- **Loans and receivables**
  - » Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in trade and other receivables within the Statement of Financial Position.
- **Recognition/Derecognition**
  - » The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.
  - » Investments are derecognised when the right to receive cash flows from the investments has expired or the Trust has transferred substantially all risks and rewards of ownership.

## Measurement

### Financial assets and liabilities held at fair value through profit and loss

At initial recognition, the Trust measures a financial instrument at its fair value. Transaction costs of financial assets and liabilities held at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Subsequent to initial recognition, all financial assets and financial liabilities held at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within net gains/ (losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

### Financial assets and liabilities held at fair value through other comprehensive income

Long-term investments are recognised initially at cost and the Trust elects to present subsequent changes in the fair value of the investments in the Statement of Other Comprehensive Income.

### Loans and receivables

Loans and receivables are measured initially at fair value plus transaction costs and subsequently at amortised cost using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each reporting date to determine whether there is objective evidence of impairment.

### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Trust's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Trust sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire category of held-to-maturity investments would be tainted and would be reclassified as available-for-sale.

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

### Other financial assets and liabilities

Management considers that the carrying amount of cash and cash equivalents and other receivables approximate fair value.

Other financial liabilities are initially measured at fair value and subsequently at amortised cost.

### Fair value measurement principles

When a financial asset is measured at fair value for recognition or disclosure purposes the fair value is based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset, assuming they act in their economic best interests. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets measured at fair value are classified, into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 09. FINANCIAL INFORMATION **Continued**

Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown as a liability on the balance sheet.

### **Interest income**

Interest income is recognised in the Statement of Comprehensive Income for all interest bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Trust estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts. Trust distributions (including distributions from cash management trusts) are recognised on a present entitlements basis. Other income is brought to account on an accruals basis.

Realised and unrealised gains and losses arising from changes in fair values are included in the Statement of Financial Performance in the period in which they arise.

### **Expenses**

All expenses, including Manager's fees, are recognised in the Statement of Comprehensive Income on an accruals basis.

Interest expense is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

### **Income Tax**

Under the AMIT regime, the Trust is not subject to income tax provided the relevant amounts are attributed to the Unitholders.

### **Distributions**

In accordance with the Constitution and applicable legislation, the Trust fully distributes its distributable income to the Unitholders by way of cash or reinvestment into the Trust.

Distributions are recognised in the Statement of Changes in Equity as finance cost attributable to Unitholders.

### **Goods and Services Tax (GST)**

The Trust is registered for GST. The issue or redemption of Units in the Trust and, where applicable, the receipt of any interest will not be subject to GST. The Trust may be required to pay GST on management and other fees, charges, costs and expenses incurred by the Trust. However, the Trust may be entitled to input tax credits and reduced input tax credits in respect of the GST incurred.

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

### **Net assets attributable to Unitholders – equity**

New Units (and Additional New Units, if applicable) intended to be issued under the Entitlement Offer will be quoted on the ASX and traded by Unitholders and are, therefore, classified as equity. The Units can be traded on the ASX at any time for cash based on the listed price. While the Trust is a listed investment and liquidity is generally expected to exist in the secondary market (ASX), there are no guarantees that an active trading market with sufficient liquidity will be available.

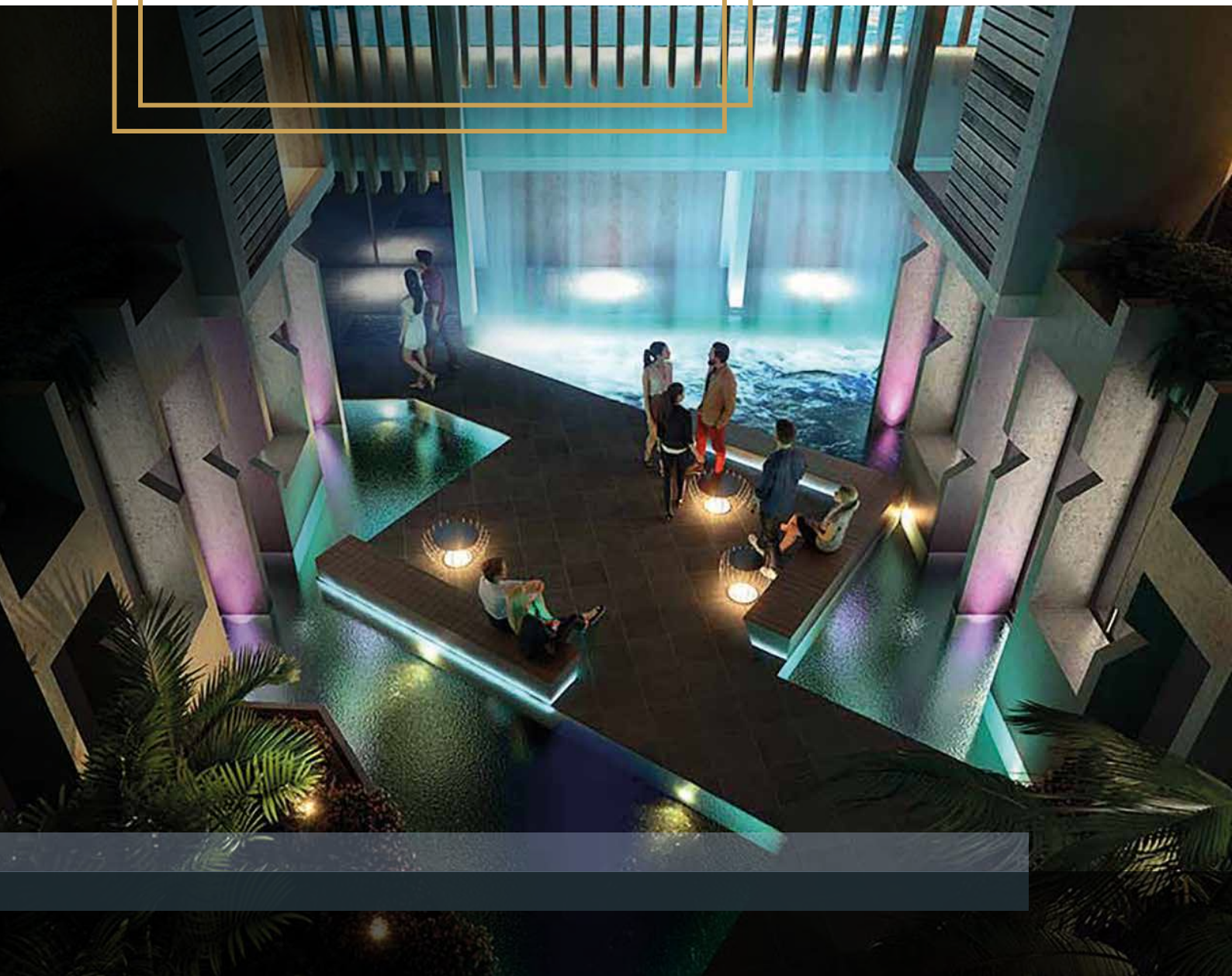
### **Earnings per Unit**

Earnings per Unit are calculated by dividing the profit or loss of the Trust by the weighted average number of Units outstanding during the financial period.



# 10.

## TAXATION



# 10. TAXATION

## 10.1 AUSTRALIAN TAXATION IMPLICATIONS

The comments in this section are based on the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997*, *A New Tax System (Goods and Services Tax) Act 1999* and the relevant Australian stamp duties legislation as at the date of this PDS.

The following information summarises some of the Australian taxation issues you may wish to consider before making an investment in the Trust and assumes that you hold your investment in the Trust on capital account and are not considered to be carrying on a business of investing, trading in investments, or investing for the purpose of profit making by sale. The information should be used as a guide only and does not constitute professional tax advice as individual circumstances may differ. This summary is based on the taxation laws as at the date of this PDS. Investing in a registered managed investment scheme is likely to have tax consequences. However, it is noted that taxation laws can change at any time, which may have adverse taxation consequences for Unitholders concerned. It is recommended that Unitholders seek their own professional advice, specific to their own circumstances, of the taxation implications of investing in the Trust.

## 10.2 AUSTRALIAN TAXATION TREATMENT OF THE TRUST

### General

The income tax treatment of the Trust and its Unitholders will depend on whether the Responsible Entity is eligible, and elects to apply the Attribution Managed Investment Trust (**AMIT**) provisions. The AMIT provisions are an elective income tax regime for qualifying Managed Investment Trusts (**MIT**) that provide for flow-through taxation to Unitholders. Where the Trust qualifies as a MIT for income tax purposes, the Responsible Entity may seek to make an election to treat the disposal of covered assets (including units) on capital account.

Where the AMIT provisions do not apply, the ordinary non-AMIT trust taxation provisions will apply to the Trust. While the AMIT provisions are not expected to materially change the way in which Unitholders would be taxed (as compared to the ordinary trust taxation provisions), the AMIT provisions are intended to provide more certainty on the application of the income tax provisions to the Trust and its Unitholders.

The Trust has made the irrevocable election to enter into the AMIT regime. It is expected that the Trust will continue to meet the eligibility requirements to qualify as an AMIT.

If the Trust fails to meet the AMIT eligibility requirements, the general taxation rules on trusts will apply and the Trust will be treated as a flow-through vehicle provided that the Trust will conduct solely eligible investment business activities and will not control any trading business as defined in the income tax legislation. It is intended that investors will be presently entitled to all of the income of the Trust for each financial year such that no taxation liability will accrue to the Responsible Entity.

### Attribution Managed Investment Trusts

Trusts that meet the eligibility criteria and that have made an irrevocable election may apply the AMIT rules.

As the Responsible Entity has made the irrevocable election to apply the new AMIT provisions, the following will apply:

- **Fair and reasonable attribution**

Each year, the Trust's determined trust components of assessable income, exempt income, non-assessable non-exempt income and tax offsets (i.e. credits) will be attributed to Unitholders on a 'fair and reasonable' basis, having regard to their income and capital entitlements in accordance with constituent documents.

- **Unders or overs adjustments**

Where the Trust's determined trust components for a year are revised in a subsequent year (e.g. due to actual amounts differing to the estimates of income, gains/losses or expenses), then unders and overs may arise. Unders and overs will generally be carried forward and adjusted in the year of discovery.

- **Cost base adjustments**

Where the distribution made is less than (or more than) certain components attributed to Unitholders, then the cost base of a Unitholder's units may be increased (or decreased). Details of net annual tax cost base adjustments will be included on a Unitholder's annual tax statement, referred to as an AMIT Member Annual (**AMMA**) statement.

- **Large redemptions**

In certain circumstances, gains may be attributed to a specific Unitholder, for example, gains on disposal of assets to fund a large redemption being attributed to the redeeming Unitholder.

- **Multi-class AMITs**

A choice is available to elect to treat separate classes of units as separate AMITs, where applicable. The purpose of this election is to quarantine the income tax calculation on a class by class basis. This can allow income, deductions and tax losses referable to a class of Units to be quarantined in that class, so that they are not spread to Unitholders holding other classes of Units. In the absence of the Trust being an AMIT and having made the multi-class election, the tax treatment of each Unitholder may differ significantly (see below).

- **Penalties**

In certain circumstances, such as the failure to comply with certain AMIT rules, specific penalties may be imposed.

The AMIT regime is intended to reduce complexity, increase certainty, and reduce compliance costs for MITs and their unitholders.

- **Public trading trust rules**

The Trust does not intend to derive income other than from an 'eligible investment business'. Accordingly, it should not be subject to income tax as a public trading trust. Further, the Responsible Entity will seek to ensure it does not control entities that carry on trading activities.

- **Losses**

In the case where the Trust makes a tax loss for Australian income tax purposes, the Trust cannot distribute the tax loss to Unitholders. However, the tax losses may be carried forward by the Trust to offset against taxable income of the Trust in subsequent years, subject to the operation of the trust loss recoupment rules.

- **Taxation of Financial Arrangements (TOFA)**

The TOFA rules may apply to financial arrangements held by the Trust when calculating its assessable income. Broadly, the TOFA rules may impact the timing of the recognition of gains and losses in the Trust for income tax purposes and will also treat relevant gains and losses as being on revenue account.

## **10.3 AUSTRALIAN TAXATION OF AUSTRALIAN RESIDENT UNITHOLDERS**

### **Distributions – AMIT**

The AMIT provisions require the taxable income of the Trust to be attributed to Unitholders on a fair and reasonable basis, having regard to their income and capital entitlements in accordance with the constituent documents. The Responsible Entity will seek to allocate taxable income having regard to the Units held by Unitholders, entitlements to income and capital, as well as cash distributions made to such Unitholders during the relevant period. Under the AMIT provisions, a Unitholder may be taxable on their share of the Trust's taxable income prior to receiving distributions from the Trust.

### **Foreign income**

The Trust may derive foreign sourced income that might be subject to foreign tax. Australian resident Unitholders should include their share of both the foreign income and the amount of any foreign tax withheld in their assessable income. In such circumstances, Unitholders may be entitled to a Foreign Income Tax Offset (**FITO**) for the foreign tax paid, against the Australian tax payable on the foreign sourced income. FITO's that are not utilised cannot be carried forward to a future income year.

### **Non-assessable distribution payments – AMIT**

Under the AMIT provisions, a Unitholder's cost base in their Units held is increased where taxable income is allocated to them (inclusive of any tax-free component of a discount capital gain). The cost base is decreased where cash distribution entitlements are made to the Unitholder in respect of their Units, irrespective of whether the amounts distributed are classified as income or capital. Additional reductions are made for certain tax offsets (such as foreign income tax offsets). The net annual tax cost base adjustment amount will be detailed in an AMMA tax statement, which will be sent annually to Unitholders after year-end.

## 10. TAXATION **Continued**

### **Disposal of Units by Australian resident Unitholders**

If an Australian resident Unitholder transfers or redeems their units in the Trust, this will constitute a disposal for income tax purposes.

Where a Unitholder holds their units in the Trust on capital account, a capital gain or loss on the disposal may arise and each Unitholder should calculate their capital gain or loss according to their own particular facts and circumstances. As noted above, proceeds on disposal may include a component of distributable income. In calculating the taxable amount of a capital gain, a discount of 50% for individuals and trusts or 33.1/3% for complying Australian superannuation funds may be allowed where the Units in the Trust have been held for 12 months or more. No Capital Gains Tax (**CGT**) discount is available to corporate Unitholders.

Any capital losses arising from the disposal of the investment may be used to offset other capital gains the Unitholder may have derived. Net capital losses may be carried forward for offset against capital gains of subsequent years but may not be offset against ordinary income.

### **10.4 GOODS AND SERVICES TAX (GST)**

The Trust is registered for GST. The acquisition and disposal of units in the Trust by Unitholders should not be subject to GST. Similarly, the distributions paid by the Trust should not be subject to GST. GST is payable on some ongoing expenses and the Trust may be able to claim a RITC of at least 55% of the GST paid, depending on the precise nature of the expenses incurred.

### **10.5 DUTY**

The issue or redemption of Units should not attract any duty. However, Unitholders should confirm with their tax advisor about the duty consequences of transferring Units.

### **10.6 TAX FILE NUMBER (TFN) AND AUSTRALIAN BUSINESS NUMBER (ABN)**

As the Trust is an investment body for income tax purposes, the Trust will be required to obtain a TFN or ABN in certain cases from its Unitholders. It is not compulsory for a Unitholder to quote their TFN or ABN. If a Unitholder is making this investment in the course of a business or enterprise, the Unitholder may quote an ABN instead of a TFN. Failure by a Unitholder to quote an ABN or TFN or claim an exemption may cause the Responsible Entity to withhold tax at the top marginal rate, plus levies, on gross payments including distributions of income to the Unitholder. The Unitholder may be able to claim a credit in their tax return for any TFN or ABN tax withheld. Collection of TFNs is permitted under taxation and privacy legislation.

### **10.7 NON-RESIDENT UNITHOLDERS**

There may be Australian withholding tax implications on any amounts attributed or distributed to non-resident Unitholders. The rates of withholding tax, if applicable, may vary and will be dependent on the type of income distributed and the tax residence of the Unitholder.

### **10.8 REPORTING REQUIREMENTS**

Foreign Account Tax Compliance Act (FATCA)

In compliance with the US income tax laws commonly referred to as the FATCA and the Intergovernmental Agreement signed with the Australian Government in relation to FATCA, the Trust will be required to provide information to the ATO in relation to:

- (a) Unitholders that are US citizens or residents;**
- (b) entities controlled by US Persons; and**
- (c) financial institutions that do not comply with FATCA.**

The Trust is intending to conduct its appropriate due diligence (as required). Where the Trust's Unitholders do not provide appropriate information to the Trust, the Trust will also be required to report those accounts to the ATO.

### Common Reporting Standard (CRS)

The CRS is the single global standard for the collection, reporting and exchange of financial account information of non-residents, which applies to calendar years ending after 1 July 2017. The CRS is similar to FATCA, whereby the Responsible Entity will need to collect and report similar financial account information of all non-residents to the ATO. The ATO may exchange this information with the participating foreign tax authorities of those non-residents.

### Annual Investment Income Report (AIIR)

The Responsible Entity is required to lodge annually an AIIR to the ATO containing Unitholder identity details and details of Unit disposals and investment income paid or attributed to Unitholders for the relevant financial year.

### Taxation implications for New Zealand resident Unitholders

As the Trust is a unit trust, it is considered to be a company for New Zealand tax purposes. It follows that any units held in the Trust are treated as a direct income interest in a foreign company, and therefore an attributing interest in a foreign investment fund (**FIF**) for New Zealand tax purposes. Therefore, New Zealand tax resident Unitholders (each a **New Zealand Unitholder**) will need to apply the FIF rules to establish the New Zealand tax treatment that will apply to the Units they hold.

If a New Zealand Unitholder's Units are an 'attributing interest' under the FIF rules, depending on the method available or used the Unitholder would be required to pay New Zealand tax on unrealised gains and distributions capped at a deemed amount of 5% p.a. Any realised amounts they actually receive in relation to their Units (including cash distributions and proceeds from the sale of their Units) will not be separately taxed.

For many New Zealand Unitholders, their Units are likely to be an attributing interest for the purposes of the FIF rules. There are, however, various legislative exclusions where FIF interests are expressly excluded from being attributing interests under the FIF rules. In particular, a de minimis exclusion applies to a natural person where the total cost of all attributing FIF interests is not more than NZ\$50,000. Different tax rules will apply if a New Zealand Unitholder's Units are not an attributing interest.

If a New Zealand Unitholder's Units are not an attributing interest under the FIF rules, the Unitholder will be taxed on a realisation basis. Any ongoing distributions they receive in relation to their Units will generally be taxable as dividends when they are received. However, as New Zealand does not have a formal capital gains tax, any amounts a New Zealand Unitholder receives from disposing of their Units will generally not be subject to New Zealand income tax unless the Unitholder holds their Units on 'revenue account'. A New Zealand Unitholder will hold their Units on revenue account if they hold their Units as part of a share dealing business, the Units were acquired with a dominant purpose of disposal, or the Units are being disposed of as part of a profit-making undertaking or scheme. New Zealand resident Unitholders will not be subject to Australian CGT on a capital gain (or loss) on the disposal of Units in the Trust unless:

- The New Zealand resident holds more than 10% of the Units in the Trust or has held more than 10% for at least 12 months in the prior two years; and
- Broadly, more than 50% of the Trust's assets (by market value) are represented by 'taxable Australian real property'.

Distributions received by New Zealand resident Unitholders from the Trust may be subject to Australian tax obligations.

New Zealand Unitholders should seek their own professional advice regarding the taxation implications of investing in the Trust.



11.

## INVESTIGATING ACCOUNTANT'S REPORT





# 11. INVESTIGATING ACCOUNTANT'S REPORT



10 September 2019

## PRIVATE AND CONFIDENTIAL

The Directors  
The Trust Company (RE Services) Limited  
as responsible entity for the  
Qualitas Real Estate Income Fund  
Level 18 123 Pitt Street  
Sydney NSW 2000

Pitcher Partners Sydney Corporate  
Finance Pty Ltd

Level 16, Tower 2 Darling Park  
201 Sussex Street  
Sydney NSW 2000

Postal Address  
GPO Box 1615  
Sydney NSW 2001

p. +61 2 9221 2099  
e. [sydnepartners@pitcher.com.au](mailto:sydnepartners@pitcher.com.au)

Dear Directors,

## PART 1: INDEPENDENT LIMITED ASSURANCE REPORT ON QUALITAS REAL ESTATE INCOME FUND HISTORICAL AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

### 11.1 INTRODUCTION

The Directors of The Trust Company (RE Services) Limited (in its capacity as responsible entity of the Qualitas Real Estate Income Fund) have engaged Pitcher Partners to report on the audited historical and unaudited pro forma historical financial information of the Trust assuming completion of the accelerated non-renounceable entitlement offer of up to approximately 166 million fully paid units ("Units") at an offer price of \$1.60 per unit to raise up to approximately \$266.0 million (the "Offer").

We have prepared this Independent Limited Assurance Report ("Report") to be included in the PDS dated on or about 11 September 2019 and relating to the Offer.

The Offer is not underwritten.

Under the Offer, there will be no options attached to the Units.

Unless stated otherwise, expressions defined in the product disclosure Statement (in which this Report is included) ("PDS") have the same meaning in this Report and section references are to sections of the PDS.

The nature of this Report is such that it can only be issued by an entity which holds an AFSL under the Corporations Act. Pitcher Partners holds the appropriate AFSL authority under the Corporations Act. Refer to our Financial Services Guide included as Part 2 of this Report.

### 11.2 BACKGROUND

The Trust was established on 16 August 2018 and commenced operations on 22 November 2018. Its units commenced trading on the ASX on 27 November 2018.

As at 30 June 2019, the Trust has 166.2 million units on issue and has net assets of \$265.9 million.

### 11.3 SCOPE

This Report deals with the audited historical and unaudited pro forma historical financial information included in section 9 of the PDS ("Financial Information"). The Financial Information consists of the audited historical and unaudited pro forma historical Statements of Financial Position of the Trust as at 30 June 2019 and related notes as set out in section 9 of the PDS.

The unaudited pro forma historical Statements of Financial Position in section 9.2 have been prepared to illustrate the financial position of the Trust on completion of the Offer and have been prepared on the basis of the recognition and measurement principles contained in

Adelaide Brisbane Melbourne Newcastle Perth Sydney

Pitcher Partners is an association of independent firms.

Pitcher Partners Sydney Corporate Finance Pty Ltd, ABN 77 122 561 184. Liability limited by a scheme approved under Professional Standards Legislation. Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.



NETWORK MEMBER

[pitcher.com.au](http://pitcher.com.au)

## 11. INVESTIGATING ACCOUNTANT'S REPORT Continued



Australian Accounting Standards applied to the audited historical Statement of Financial Position and the events to which the pro forma assumptions relate, as described in section 9.3 of the PDS, as if those events had occurred as at 30 June 2019. Due to its nature, the unaudited pro forma historical Statements of Financial Position does not represent the Trust's actual or prospective financial position.

The unaudited pro forma historical Statements of Financial Position are presented in an abbreviated form insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports.

Pitcher Partners disclaims any responsibility for any reliance on this Report or the Financial Information to which it relates for any purpose other than that for which it was prepared. This Report should be read in conjunction with the full PDS and has been prepared for inclusion in the PDS.

### 11.4 DIRECTOR'S RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the Financial Information including the selection and determination of pro forma assumptions, accounting policies and the notes included in the Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

### 11.5 OUR RESPONSIBILITIES

Our responsibility is to express a limited assurance conclusion on the Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion on the Financial Information of the Trust.

Our engagement did not involve updating or re issuing any previously issued audit or review report on any Financial Information used as a source of the Financial Information.

### 11.6 CONCLUSION

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Financial Information is not presented fairly, in all material respects, on the basis of the assumptions described in section 9.3 of the PDS and in accordance with the recognition and measurement principles described under Australian Accounting Standards, other mandatory professional reporting requirements in Australia and the accounting policies adopted by the Trust as described in section 9.7 of the PDS.

### 11.7 RESTRICTION ON USE

Without modifying our conclusions, we draw attention to section 9.2 of the PDS, which describes the purpose of the Financial Information, being for inclusion in the PDS. As a result, the Financial Information may not be suitable for use for another purpose.

Investors should consider the Statement of investment risks set out in section 8 of the PDS.

### 11.8 LEGAL PROCEEDINGS

The Trust is not and has not been, since its establishment to the date of this PDS, involved in any legal or arbitration proceedings that have had a significant effect on the financial position of the Trust.

As far as the Directors are aware, no such proceedings are threatened against the Trust.

#### **11.9 SUBSEQUENT EVENTS**

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no other material transactions or events outside of the ordinary business of the Trust have come to our attention, that would require comment on, or adjustment to the information referred to in our Report, or that would cause such information to be misleading or deceptive.

#### **11.10 SOURCES OF INFORMATION**

Pitcher Partners has made enquiries of the Directors, selected management of the Responsible Entity, members of the Manager's Investment Committee and other parties as considered necessary during the course of our analysis of the Financial Information of the Trust. We have also referred to the PDS and material documents which relate to the operations of the Trust.

We have no reason to believe the information supplied is not reliable.

#### **11.11 INDEPENDENCE OR DISCLOSURE OF INTEREST**

Pitcher Partners has no financial or other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion on the matters that are subject of this Report for which normal professional fees will be received.

Neither Pitcher Partners Sydney Corporate Finance Pty Ltd, Pitcher Partners Sydney Wealth Management Pty Ltd, nor any director thereof, nor any individual involved in the preparation of the Report have any financial interest in the outcome of this Offer, other than a fee payable to Pitcher Partners in connection with the preparation of our Report for which normal professional fees will be received.

#### **11.12 LIABILITY**

The liability of Pitcher Partners is limited to the inclusion of this Report in the PDS. Pitcher Partners has not authorised the issue of the PDS. Accordingly, Pitcher Partners makes no representation regarding, and takes no responsibility for, any other Statements or material in or omissions from, the PDS.

#### **11.13 FINANCIAL SERVICES GUIDE**

We have included our Financial Services Guide as Part 2 of this Report. The Financial Services Guide is designed to assist retail investors in their use of any general financial product advice in our Report.

#### **11.14 CONSENT TO USE**

We consent to the inclusion of this Report in the both the hard copy and electronic versions of the PDS in the form and context in which it is included. As at the date of this Report, this consent has not been withdrawn.

Yours sincerely

**Pitcher Partners Sydney Corporate Finance Pty Ltd**



**Scott Whiddett**  
Director

# 11. INVESTIGATING ACCOUNTANT'S REPORT Continued



## PART 2 - FINANCIAL SERVICES GUIDE

### 1. Pitcher Partners Sydney Corporate Finance Pty Ltd

Pitcher Partners Sydney Corporate Finance Pty Ltd ("Pitcher Partners") is an authorised representative of Pitcher Partners Sydney Wealth Management Pty Ltd ("Licence Holder") in relation to Australian Financial Services Licence No. 336950.

Pitcher Partners may provide the following financial services to wholesale and retail clients as an authorised representative of the Licence Holder:

- financial product advice in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, deposit and payment products, life products, retirement savings accounts and superannuation (collectively "Authorised Financial Products"); and
- applying for, varying or disposing of a financial product on behalf of another person in respect of Authorised Financial Products.

### 2. Financial Services Guide

The Corporations Act 2001 (Cth) requires Pitcher Partners to provide this Financial Services Guide ("FSG") in connection with its provision of an Independent Limited Assurance Report ("Report") which is included in the PDS issued by The Trust Company (RE Services) Limited as responsible entity for the Qualitas Real Estate Income Fund (the "Entity").

### 3. General Financial Product Advice

The financial product advice provided in our Report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our Report is appropriate for you, having regard to your own personal objectives, financial situation or needs. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence ("AFSL") to assist you in this assessment.

### 4. Remuneration

Pitcher Partners' client is the Entity to which it provides the Report. Pitcher Partners receives its remuneration from the Entity. Our fee for the Report is based on a time cost or fixed fee basis. This fee has been agreed in writing with the party who engaged us. Neither Pitcher Partners nor its directors and employees, nor any related bodies corporate (including the Licence Holder) receive any commissions or other benefits in connection with the preparation of this Report, except for the fees referred to above.

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of Pitcher Partners or related entities but any bonuses are not directly connected with any assignment and in particular not directly related to the engagement for which our Report was provided.

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connections with the reports that we are licensed to provide.

### 5. Independence

Pitcher Partners is required to be independent of the Entity.

Neither Pitcher Partners, Pitcher Partners Sydney Wealth Management Pty Ltd, any director thereof, nor any individual involved in the preparation of the Report have any financial interest in the outcome of this Offer, other than a fee in connection with the preparation of our Report for which professional fees in the order of \$35,000 (excluding GST) will be received. No pecuniary or other benefit, direct or indirect, has been received by Pitcher Partners, their directors or employees, or related bodies corporate for or in connection with the preparation of this Report.

## **6. Complaints Resolution**

Pitcher Partners is only responsible for its Report and this FSG. Complaints or questions about the PDS should not be directed to Pitcher Partners which is not responsible for that document.

Both Pitcher Partners and the Licence Holder may be contacted as follows:

- By phone: (02) 9221 2099
- By fax: (02) 9223 1762
- By mail: GPO Box 1615  
SYDNEY NSW  
2001

If you have a complaint about Pitcher Partners' Report or this FSG you should take the following steps:

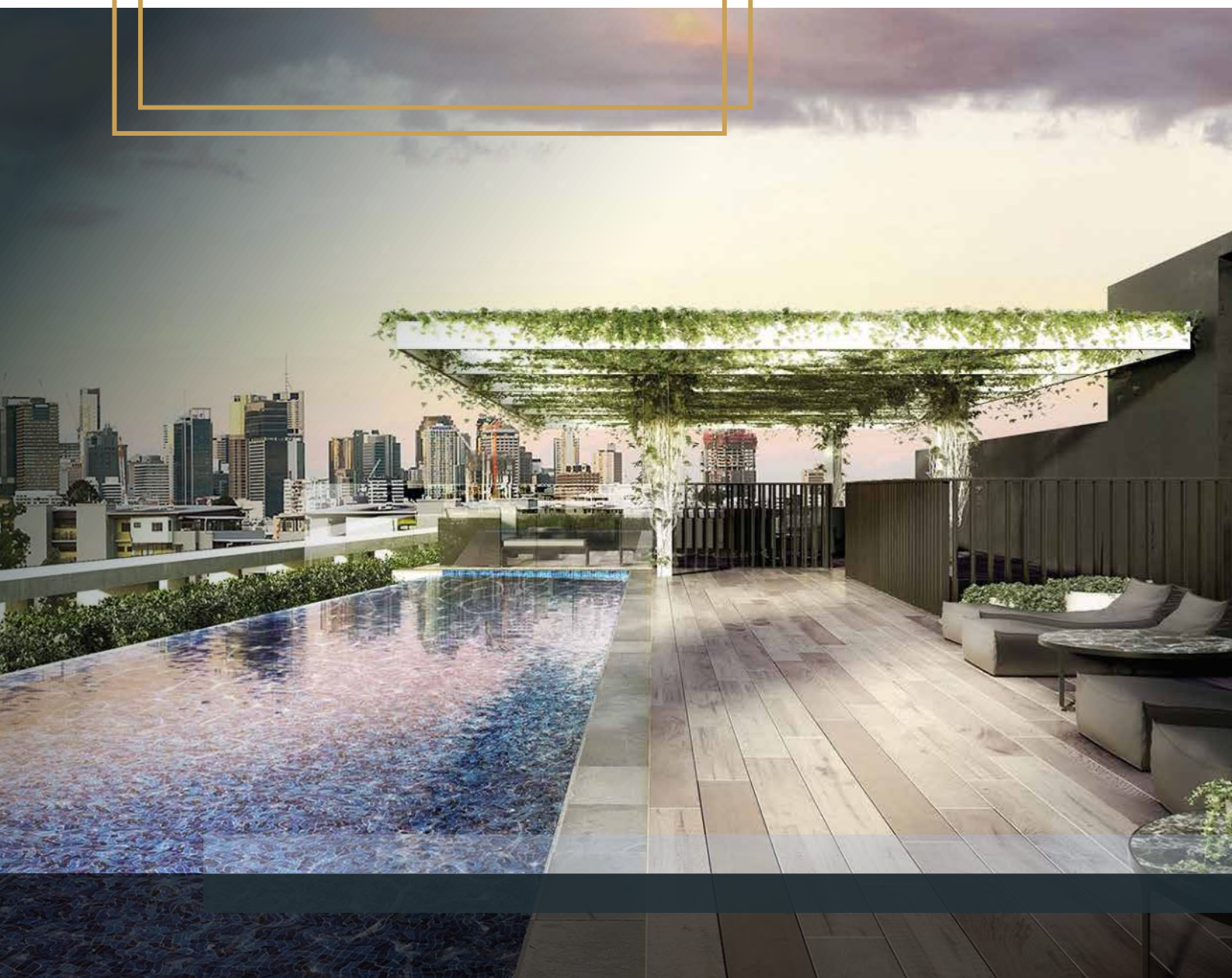
1. Contact the Enquiries and Complaints Officer of the Licence Holder on (02) 9221 2099 or send a written complaint to the Licence Holder at Level 16, Tower 2 Darling Park, 201 Sussex Street, Sydney NSW 2000. We will try and resolve your complaint quickly and fairly.
2. If you still do not get a satisfactory outcome, you have the right to complain to the Financial Industry Complaints Service at PO Box 579 Collins St West, Melbourne, Victoria 8007 or call on 1300 78 08 08. We are a member of this scheme.
3. The Australian Securities & Investments Commission (ASIC) also has a freecall Infoline on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

The Licence Holder, as holder of the AFSL, gives authority to Pitcher Partners to distribute this FSG.



# 12.

## MATERIAL CONTRACTS





## 12. MATERIAL CONTRACTS

### 12.1 INVESTMENT MANAGEMENT AGREEMENT

The Responsible Entity has appointed the Manager on an exclusive basis to be the manager of the Trust and has entered into the Investment Management Agreement (**IMA**).

A summary of the material terms of the IMA are set out below.

#### 12.1.1 Term

As disclosed in the Trust's IPO PDS, the initial term of the IMA is 10 years from the date that the Units were listed on ASX, being 27 November 2018. The IMA is automatically extended for a further term of five years commencing on the expiry of the initial term and for further successive five-year terms commencing on the expiry of each renewed term, unless terminated in accordance with the IMA.

#### 12.1.2 Services pursuant to the IMA

The Manager agrees to invest and manage the Trust's portfolio in accordance with the terms of the IMA. In doing so, the Manager must exercise the functions and duties under the IMA and exercise all powers conferred under the IMA in good faith and with the degree of care, diligence and skill that a reasonable person would exercise if they were in the Manager's position. The other services provided by the Manager under the IMA include, but are not limited to:

- complying with any reasonable requests for information or assistance from any auditor appointed by the Responsible Entity or the Manager in relation to the Trust;
- assisting the Responsible Entity in determining the amount of, or declaring, any distribution (including a payment of a capital nature) to be paid by the Responsible Entity in respect of the Trust;
- assisting the Responsible Entity to comply with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules; and
- assisting the Responsible Entity with preparing financial statements and other filings, including the annual report of the Trust.

#### 12.1.3 Powers and discretions

For the purpose of carrying out its functions and duties under the IMA and subject to certain restrictions set out in the IMA, the Manager has the powers of a natural person to deal with the Trust including those powers that the Responsible Entity may delegate to the Manager pursuant to the Constitution, and to do all things and execute all documents necessary for the purpose of managing the Trust.

#### 12.1.4 Delegation

The Manager may not delegate its duties, responsibilities, functions and powers under the IMA to an agent without the prior written consent of the Responsible Entity.

#### 12.1.5 Exclusivity

The Responsible Entity has appointed the Manager on an exclusive basis whereby the Responsible Entity agreed not to appoint another manager to the Trust. The Manager may from time to time perform similar investment, management and administration services for itself and for other persons to those performed in respect of the Trust.

#### 12.1.6 Management Fee

The Trust has agreed to pay the Manager a Management Fee of 1.5375% p.a. (including GST, but deducting any RITC).

The Management Fee is calculated, accrued daily and paid monthly in arrears.

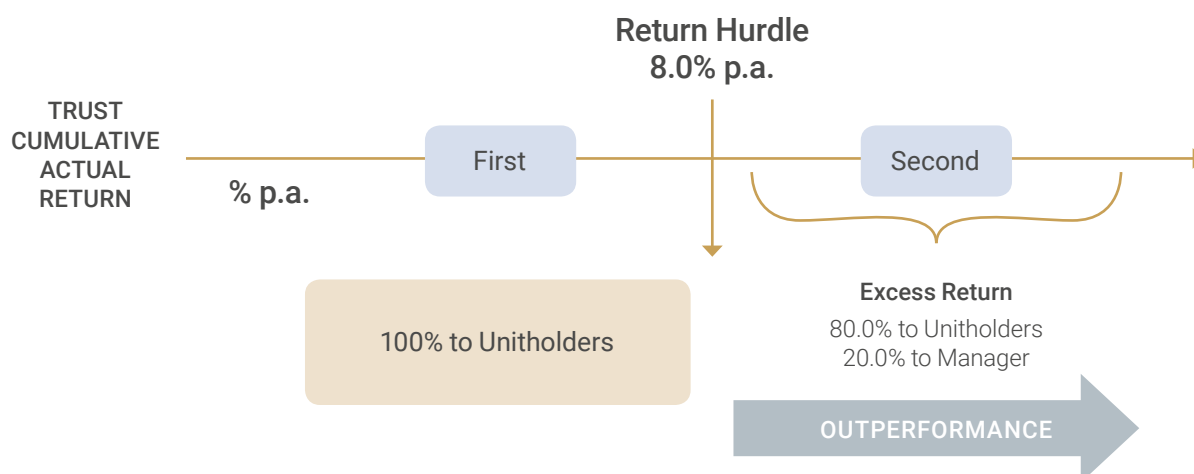
## 12. MATERIAL CONTRACTS Continued

### 12.1.7 Performance Fee

#### Introduction

The Trust pays the Manager a Performance Fee which is commensurate with the outperformance of the Trust having regard to the Return Hurdle of 8.0% p.a.

A simple diagram of the structure of the Performance Fee is set out below:



This Performance Fee structure is designed to provide long term alignment of interest between the Manager and Unitholders of the Trust.

#### Performance Fee terms

As disclosed in the Trust's IPO PDS, commencing from 1 July 2019 the Manager charges a Performance Fee provided the Cumulative Actual Return has exceeded the Return Hurdle for the Performance Calculation Period. The Performance Fee is calculated and accrued monthly and paid annually in arrears. As at the date of this PDS, no Performance Fee has accrued.

**Cumulative Actual Return** is the percentage of the actual net income of the Trust to the average NAV of the Performance Calculation Period. For clarity, the calculation of this figure takes into consideration actual performance of the Trust over the Performance Calculation Period.

**Return Hurdle** is 8.0% p.a. (net of fees and expenses) of the average adjusted NAV for the Performance Calculation Period.

**Performance Calculation Period** is the period from the current Performance Calculation Start Date until the current month end.

**Performance Calculation Period Start Date** is 1 July 2019 and every three years thereafter.

If the Cumulative Actual Return has exceeded the Return Hurdle for the Performance Calculation Period, the Performance Fee is calculated based on the following priority and distribution of net income between the Unitholders and the Manager:

1. **First:** The Trust will distribute net income equal to the Return Hurdle to Unitholders.
2. **Second (Excess Return):** For any remaining net income in excess of the Return Hurdle, the Manager is entitled to receive 20.5% (inclusive of GST, RITC) as a Performance Fee.

For the purpose of the Performance Fee calculation, the Return Hurdle and the Cumulative Actual Return is reset at the start of the new Performance Calculation Period. Net income in prior Performance Calculation Periods will not be carried forward and aggregated with net income generated in the new Performance Calculation Period.

### **12.1.8 Investment of Performance Fee**

The IMA allows for the Manager to direct the Responsible Entity to satisfy up to between 33% and 50% of the Performance Fee payable each year by the issue of new Units in the Trust at the NAV applicable at the end of the relevant Performance Calculation Period. These new Units will be issued to an entity within the Qualitas Group and will be used to satisfy issuances under an Executive Incentive Plan. Details of the Executive Incentive Plan are contained in Section 13.7.

### **12.1.9 Termination rights**

During the initial term, the Manager can only be terminated by the Responsible Entity where there is cause to do so, including if:

- a receiver, manager, administrator or similar person is appointed to the Manager;
- the Manager goes into liquidation;
- the Manager ceases to carry on business in relation to its activities as an investment manager;
- the Manager breaches the IMA and fails to correct such breach within the reasonable period specified in a notice in writing from the Responsible Entity; or
- relevant law requires the IMA be terminated.

Following the initial term, the Responsible Entity may also terminate the IMA, on giving three months' notice if an ordinary resolution (50.0% of votes in favour) terminating the appointment of the Manager is passed by Unitholders.

The Manager may also terminate the IMA in certain circumstances by giving written notice to the Responsible Entity.

The Manager may request the Responsible Entity to retire as soon as reasonably practicable after being requested to do so by the Manager provided that the Responsible Entity considers the retirement appropriate and the retirement occurs in accordance with all relevant laws. If the Responsible Entity retires it will be replaced in accordance with the Corporations Act. This is to ensure the Manager can maintain a cost-effective Responsible Entity.

### **12.1.10 Termination payment**

If the Manager's appointment is terminated after the initial term following a Unitholder vote, it is entitled to be paid all accrued but unpaid management and performance fees plus a termination fee equal to the management fees paid, or accrued but unpaid, in respect of the 12 month period up to the date of termination, within 30 Business Days after termination.

### **12.1.11 Manager indemnity**

The Responsible Entity must indemnify the Manager against any direct losses or liabilities reasonably incurred by the Manager arising out of, or in connection with, and any costs, charges and expenses incurred in connection with, the Manager or any of its officers or agents acting under the IMA except to the extent of the Manager's or any of its officers' or agents' negligence, fraud or dishonesty, or its officers, employees or agents or the Manager's breach of the IMA, or any act or omission of the Manager or any of its officers, employees or agents that causes the Responsible Entity to be liable to Unitholders for which the Responsible Entity has no right of indemnity from the Trust.

### **12.1.12 Responsible Entity indemnity**

The Manager must indemnify the Responsible Entity against any direct loss or liability reasonably incurred by the Responsible Entity in connection with any negligent, fraudulent or dishonest act or omission of the Manager, its officers, employees or agents, the Manager's breach of the IMA, any negligent, fraudulent or dishonest act or omission of the Manager, its officers, employees or agents and any act or omission of the Manager or any of its officers, employees or agents that causes the Responsible Entity to be liable to Unitholders for which the Responsible Entity has no right of indemnity from the Trust.

### **12.1.13 Expenses**

The Responsible Entity must reimburse the Manager from the assets of the Trust all taxes, costs, charges (including negative interest rate charges provided those charges are reasonably incurred) and expenses properly incurred by the Manager in connection with the investment and management of the Trust.

## 12. MATERIAL CONTRACTS **Continued**

### 12.1.14 Amendment

Subject to the ASX Listing Rules, the IMA may be amended by the written agreement of the Responsible Entity and the Manager.

### 12.1.15 Retirement of the Responsible Entity by request of the Manager

If the Manager requests the Responsible Entity to retire, the Responsible Entity is only required to do so if the Responsible Entity considers it appropriate having regard to all relevant laws that apply, including the provisions of the Corporations Act. Unitholders will be entitled to vote on the appointment a new Responsible Entity in those circumstances.

## 12.2 OFFER MANAGEMENT AGREEMENT

The Responsible Entity, the Manager and the Joint Lead Managers have entered into an Offer Management Agreement dated 11 September 2019 with respect to the management of the Offer.

A summary of the key terms of the Offer Management Agreement are set out below.

### 12.2.1 Commission, fees and expenses

In return for providing the services under the Offer Management Agreement, the Joint Lead Managers will be entitled to the following fees (as applicable):

- (a) to Evans Dixon as Lead Arranger, an arranger fee equal to 0.4% (plus GST) of the Offer Proceeds;
- (b) to Evans Dixon and Shaw and Partners as Joint Lead Managers, a management fee of 1.00% (plus GST) for the relevant portion of the Offer Proceeds raised by the Joint Lead Managers, which excludes funds raised by:
  - a. Qualitas Property Partners Pty Ltd (**QPP**);
  - b. a current investor in an unlisted fund managed by the Qualitas Group;
  - c. a client of the Qualitas Group as agreed between the Manager and the Lead Arranger; or
  - d. an entity invited by the Manager to participate in the Entitlement Offer as agreed between the Manager and the Lead Arranger,(together, the **Excluded Qualitas Proceeds**).
- (c) to Evans Dixon and Shaw and Partners, a broker firm selling fee of 1.25% (plus GST) for the relevant portion of the Offer Proceeds raised by the Joint Lead Managers, which excludes any Excluded Qualitas Proceeds.

The Manager has also agreed to pay or reimburse the Joint Lead Managers for all reasonable out-of-pocket and travel costs and expenses incurred by the Joint Lead Manager in connection with the Offer Management Agreement, this PDS and the Offer. The Joint Lead Managers must seek the Manager's approval for any one-off out of pocket and travel expense that exceeds \$2,000. The Manager is responsible for the reasonable fees and disbursements of the Joint Lead Managers' legal expenses up to a maximum of \$30,000 (plus GST and disbursements).

The Joint Lead Managers must pay any fees due to any co-managers or brokers appointed by them under the Offer Management.

### 12.2.2 Termination events

The Joint Lead Managers may terminate the Offer Management Agreement at any time from the date of the Offer Management Agreement before Completion (**Offer Allotment Date**), without cost or liability to the Joint Lead Managers on the occurrence of one or more specified events under the Offer Management Agreement, subject to the event having a 'material adverse effect' (see definition below). These specified events include, among others, the following:

- (a) (**ASX Indices fall**) The S&P/ASX 200 Index at any time falls to a level which is 90% or less than the level at the close of trading on the date of the Offer Management Agreement and remains below that level for a period of two consecutive Business Days or at the close of trading on the ASX on the Business Day immediately prior to the Accelerated Offer Allotment Date;
- (b) (**Minimum subscription condition not satisfied**) Any minimum subscription condition that is stated in the PDS is not satisfied by 5.00pm on the Retail Entitlement Offer Closing Date;

- (c) **(Withdrawal)** The Responsible Entity withdraws the PDS (or any Supplementary PDS) or the Offer, or indicates that it intends to do any of those things;
- (d) **(Change of material terms)** The Responsible Entity changes the material terms of the Offer as set out in this PDS (or any Supplementary PDS) except with the prior written consent of the Joint Lead Managers;
- (e) **(Product Disclosure Statement)** There is a material omission from the PDS or any other disclosure document of information required by the Corporations Act or any other applicable law or requirement or the PDS contains a misleading or deceptive statement;
- (f) **(ASIC investigation)** ASIC issues or threatens to issue (and has not withdrawn that threat within 2 Business Days) proceedings in relation to the Offer or commences or threatens to commence (and has not withdrawn that threat within 2 Business Days) any inquiry or investigation in relation to the Offer or any subscription of Units;
- (g) **(Supplementary Product Disclosure Statement)** The Joint Lead Managers reasonably form the view that a Supplementary PDS must be lodged with ASIC under section 1015B of the Corporations Act and the Company does not lodge a Supplementary PDS in the form, with the content and within the time reasonably required by the Joint Lead Managers;
- (h) **(Insolvency Event)** An application or order is made for the winding up, deregistration or dissolution of, or the appointment of a provisional liquidator or liquidator to, the person or a resolution is passed or steps are taken to pass a resolution for the winding up, deregistration or dissolution of the person (or any similar process, procedure or event occurs in relation to the person under any applicable law (including the law of the United States) otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Lead Manager occurs with respect to the Responsible Entity, the Manager or the Trust;
- (i) **(No issue)** The Responsible Entity is or becomes unable, for any reason, to issue or allot the Units within the time required by the timetable and in accordance with all applicable laws;
- (j) **(Manager)** There is a change in ownership of the Manager;
- (k) **(Timetable)** The Offer is not conducted in accordance with the Offer timetable set out in the Offer Management Agreement (**Timetable**) or any event specified in the Timetable is delayed for more than two Business Days without the prior written consent of the Joint Lead Managers;
- (l) **(Material Contact)** Any of the following occurs:
  - i. a Material Contract (being the agreements set out in Section 12 of this PDS) is terminated;
  - ii. an event occurs which entitles a party to terminate a Material Contract;
  - iii. there is a breach of a Material Contract including a failure to satisfy a condition precedent to performance of a Material Contract;
  - iv. a condition precedent to performance a Material Contract becomes incapable of being satisfied; or
  - v. a Material Contract is materially amended without the Joint Lead Managers' prior written consent (not to be unreasonable withheld or delayed).
- (m) **(Adverse change)** Any event constituting a material adverse effect occurs including any material adverse effect arising from:
  - i. any change in the earnings, prospects or forecasts of the Trust from those disclosed in the PDS;
  - ii. any change in the nature of the business conducted by the Trust or proposed to be conducted by the Trust; and
  - iii. any change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Trust from those respectively disclosed in the PDS or most recent relevant announcement to ASX.

For the purposes of these termination rights, 'material adverse effect' means an effect that:

- i. has or could reasonably be expected to have, individually or in aggregate with a separate event, a material adverse effect on:
  - (1) the Offer (including the marketing, promotion, success, acceptance or settlement of the Offer) or Completion, the willingness of persons to apply for Units, or the subsequent market for the Units;
  - (2) the market price of the New Units;
  - (3) the general condition, affairs, business, operations, assets, liabilities, financial position or performance, profits, losses, prospects, earnings position, unitholder's equity, or results of operations of the Trust or the Responsible Entity or the Manager;

## 12. MATERIAL CONTRACTS **Continued**

- ii. has or could be expected to give rise to:
  - (1) liability for the Joint Lead Managers under the Corporations Act or any other applicable law or regulation; or
  - (2) a contravention by the Joint Lead Managers of, or a Joint Lead Manager being involved in a contravention of, the Corporations Act or any other applicable law.
- (n) **(Default)** A party is in default of any of the terms or conditions of the Offer Management Agreement or breaches any warranty, undertaking or covenant given or made by it under the Offer Management Agreement and that default or breach is either incapable of remedy or is not remedied within five Business Days after it occurs;
- (o) **(Change in management)** Other than as contemplated in the PDS or disclosed in writing to the Joint lead Managers prior to the date of the Offer Management Agreement, a change in the directors or senior management of the Responsible Entity or the Manager is announced or occurs without the written consent of the Joint Lead Managers;
- (p) **(Representations and warranties)** any representation or warranty contained in the Offer Management Agreement is breached or becomes false, misleading or incorrect; and
- (q) **(Hostilities)** There is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs, or a major act of terrorism occurs in or involving any one or more of the following:
  - (i) Australia;
  - (ii) New Zealand;
  - (iii) United Kingdom;
  - (iv) United States of America;
  - (v) China;
  - (vi) Singapore; or
  - (vii) Japan.

### 12.2.3 Representations, warranties and undertakings

The Offer Management Agreement contains representations, warranties and undertakings provided by the Responsible Entity and the Manager to the Joint Lead Managers. The representations and warranties relate to matters such as their powers and capacities, their conduct (including in respect of compliance with applicable laws and the ASX Listing Rules, including in foreign jurisdictions in which this Offer is available), the Offer documents, material contracts, the information provided (including the financial information), insolvency, the conduct of the Offer (including due diligence undertaken in connection with the Offer), litigation and insurance.

### 12.2.4 Indemnity

The Responsible Entity and the Manager agree to keep the Joint Lead Managers and certain affiliated parties (including the Joint Lead Manager's affiliated party's directors, officers, employees, agents and advisors) indemnified against all liabilities suffered directly or indirectly in connection with the Offer, any disclosure documents (including this PDS) or the Offer Management Agreement subject to customary exclusions (including fraud, negligence, breach of the Offer Management Agreement or a breach of the Corporations Act or other applicable law by an indemnified party).

## 12.3 TRUST LOAN RECEIVABLE AGREEMENT

The Responsible Entity has entered into an agreement with the Manager in respect of the Trust Loan Receivable. Under the agreement, the Responsible Entity has provided a working capital loan to the Manager, which permitted the Manager to draw a maximum amount of 3.5% of the proceeds of the IPO (\$8.09 million). The Trust Loan Agreement was subsequently amended to allow the Manager to draw further loan tranches to assist in funding costs relating to a capital raising of the Trust, subject to the loan not exceeding a maximum of 3.5% of the Trust NAV. An additional \$1,138,689.85 tranche of the loan was drawn in June and July 2019 to fund offer costs associated with the Placement.



The following table summarises the key details of the Trust Loan Receivable.

<b>Current Loan amount at 31 August 2019</b>	\$8,799,160.16
<b>New tranche</b>	The Manager and the Responsible Entity are intending to draw an additional tranche equivalent to between 2.7% to 3.1% of the Offer Proceeds (the actual % will depend on the actual total amount raised under the Offer) which will be used to pay the Offer Costs
<b>Interest rate</b>	5.0% p.a. Interest will not be capitalised.
<b>Term</b>	10 years from the most recent draw down under the new tranche.
<b>Repayments</b>	<p>Equal monthly instalments during the term of the Trust Loan Receivable such that the loan is fully amortised within the term of the Trust Loan Receivable.</p> <p>The Trust Loan Receivable must be repaid in full.</p> <p>The Manager may repay any part of the Trust Loan Receivable early at its absolute discretion. Any amount repaid may not be redrawn.</p>
<b>Security</b>	Unsecured.
<b>Guarantor</b>	QPP.

See Section 9.6 for the Responsible Entity's best estimate of the size of the Trust Loan Receivable based on various subscription amounts.

## 12.4 CONSTITUTION

The Trust is governed by the Constitution which has been lodged with ASIC. A summary of the Constitution is set out below.

The respective rights and obligations of the Responsible Entity and the Unitholders are determined by the Constitution, the Corporations Act and the ASX Listing Rules, together with any exemption and declaration issued by ASIC and the general law relating to trusts. Neither the provision of these laws and rules, nor their effect on the Constitution have been summarised below.

The Constitution deals with a wide range of matters, including:

- applications for Units and the nature of a Unitholder's interest in the Trust;
- the term of the Trust and Unitholders' entitlements on winding up;
- distributions;
- further issues of Units;
- transferability of Units;
- powers of the Responsible Entity;
- Unitholders' meetings;
- Unitholders' liability; and
- the Responsible Entity's fees (see Section 7.2).

## 12. MATERIAL CONTRACTS **Continued**

### Units

The beneficial interest in the Trust is divided into Units. A Unit confers an interest in the Trust's property as a whole – it does not confer an interest in any particular asset. Each Unit confers on its holder the right to vote at a general meeting and the right to receive copies of the Trust's financial statements, notices and documents required to be sent to them under the Constitution, the Corporations Act and the ASX Listing Rules. The Responsible Entity can issue Units in accordance with the Constitution. The Constitution contains provisions regarding the Responsible Entity's ability to issue different classes of Units.

The Constitution contains provision for calculating the Offer Price of Units, including for the Units to be issued under this PDS and any future Unit issues. The Constitution also provides for the Responsible Entity to determine a different Offer Price in relation to some Units, a class of Units or all Units to the extent it is permitted to do so by an ASIC exemption and the ASX Listing Rules.

The Offer Price for Units is \$1.60 per New Unit. The estimated unaudited NAV per New Unit (including Additional New Units) at the Offer Allotment Date is \$1.60.

### Liability of Unitholders

While the Units are fully paid, a Unitholder's liability is limited to its investment in the Trust. Unitholders are not required to indemnify the Responsible Entity or creditor of the Responsible Entity against any liability in respect of the Trust.

### Responsible Entity's powers and duties

The Responsible Entity holds the Trust's assets on trust and may manage these assets as if it were the absolute and beneficial owner of them, subject only to its duties and obligations to Unitholders. Examples of the Responsible Entity's powers include acquiring or disposing of any real or personal property, borrowing or raising money, encumbering any asset, incurring any liability, giving any indemnity, providing any guarantee, entering into derivative and currency swap arrangements and entering into underwriting agreements.

The Responsible Entity may appoint delegates or agents to perform any act to exercise any of its power, as well as advisors to assist with its duties and functions (including the appointment of an investment manager).

### Fees payable to the Responsible Entity

In return for the performance of its duties, the Responsible Entity is entitled to be paid out of the assets quarterly in arrears a monthly management fee (**Responsible Entity Fee**) of up to 2.0% of NAV (exclusive of GST) per annum.

This calculation of the Responsible Entity Fee is to be made and paid to the Responsible Entity in Australian dollars. The Responsible Entity may in its absolute and unfettered discretion waive, reduce, refund or defer any part of the fees and levies that the Responsible Entity or the Trust is entitled to receive under the Constitution.

The Constitution also provides for the Responsible Entity to charge fees for Additional Fund Administration Services that it provides and to recover expenses it incurs in connection with the Trust. While the Trust is a registered scheme the Responsible Entity's right to be fees and recover expenses is subject to the proper performance by the Responsible Entity of its duties.

See Section 7.2 for further details in relation to the fees charged by the Responsible Entity and the expenses that may be recovered from the Trust.

### Withdrawal rights

While the Trust is listed on the ASX, Units may not be redeemed. However, subject to the Corporations Act and the ASX Listing Rules, the Responsible Entity may at its discretion, elect to buy back Units. Any Units which are subject of a buy back will be cancelled in accordance with the Corporations Act.

### **Responsible Entity's indemnities**

The Responsible Entity has a right of indemnity out of the Trust property on a full indemnity basis for any costs, liabilities and expenses incurred at law or under the Constitution in the proper performance of its duties.

This indemnity continues after the Responsible Entity retires or is removed as responsible entity of the Trust and is subject to the Corporations Act (which in certain circumstances may impose limits on the Responsible Entity's right of indemnity).

The Corporations Act provides that a responsible entity's right to be indemnified out of scheme property for liabilities incurred in relation to the performance of its duties must be available only in relation to the proper performance of those duties.

### **Responsible Entity's limitation of liability**

The Constitution provides that, subject to the Corporations Act, the Responsible Entity and each director and officer of the Responsible Entity are not personally liable to any person in connection with the office of the Responsible Entity or any director or officer of the Responsible Entity.

Subject to the Corporations Act, the liability of the Responsible Entity in relation to the Trust is limited to the assets of the Trust from which the Responsible Entity is entitled to be and is, in fact, indemnified. The Responsible Entity may amend the Constitution from time to time. Unitholder approval is required where changes to the Constitution adversely affect Unitholders' rights.

## **12.5 SUB-TRUST CONSTITUTION AND INVESTMENT MANAGEMENT AGREEMENT**

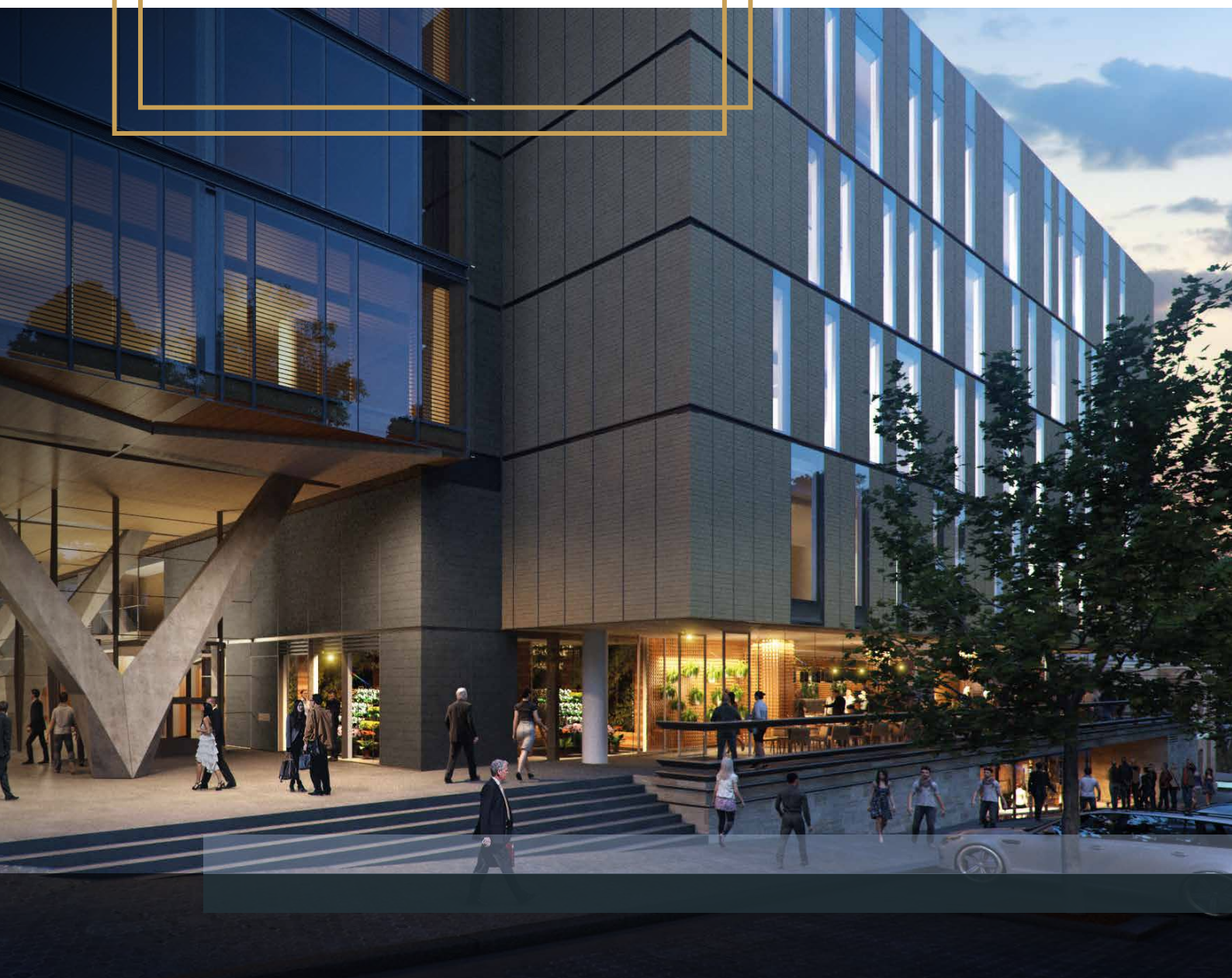
The constitution for the Sub-Trust is on substantially similar terms to the Constitution for the Trust. The material difference is that in certain circumstances if the Manager is removed as manager of the Trust, the Sub-Trustee may require the redemption of units in the Sub-Trust held by the Trust.

The investment management agreement for the Sub-Trust is on substantially similar terms to the Investment Management Agreement for the Trust and has an initial term of 10 years. The material differences are as follows:

- no obligations in relation to a compliance plan are included as the Sub-Trust is a wholesale fund;
- the investment management agreement for the Sub-Trust will be terminated if the Sub-Trustee does not redeem the units in the Sub-Trust held by the Trust in accordance with the Sub-Trust's constitution following removal of the Manager as Manager of the Trust. The Sub-Trustee must give not less than 12 months written notice of termination;
- management and performance fees are not payable with respect to the class of units in the Sub-Trust held by the Trust whilst the Trust holds that class of units; and
- If, after the initial term of 10 years, the Trust is no longer the sole unitholder of the Sub-Trust, the Responsible Entity may terminate the investment management agreement for the Sub-Trust (following three months written notice) if unitholders in the Sub-Trust holding more than 50% of the units in the Sub-Trust vote in favour of a resolution requiring termination.

# 13.

## ADDITIONAL INFORMATION



## 13. ADDITIONAL INFORMATION

### 13.1 REGULAR REPORTING AND DISCLOSURE OBLIGATIONS

The Trust is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require the ASX to be notified periodically and on a continuous basis of information about specific events and matters as they arise for the purpose of the ASX making the information available to the financial market operated by it. In particular, the Trust has an obligation under the ASX Listing Rules (subject to certain limited exceptions) to notify the ASX immediately of any information concerning the Trust, of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of the Trust's securities. The Trust is also required to prepare and lodge with ASIC and the ASX both yearly and half-yearly financial statements accompanied by a Directors' declaration and report, and an audit or review report.

### 13.2 TRUST ANNOUNCEMENTS

The ASX maintains a record of announcements for all entities listed on the ASX. Announcements made to ASX by the Trust may be viewed on the ASX website at [www.asx.com.au](http://www.asx.com.au). ASIC also maintains records in respect of documents lodged by the Trust with it. Copies of these documents may be obtained from or inspected at any office of ASIC. This PDS is intended to be read in conjunction with information previously publicly disclosed by the Responsible Entity on behalf of the Trust.

The Responsible Entity will provide free of charge to any person who requests it during the application period under this PDS any continuous disclosure announcement lodged with ASX since the Trust's IPO.

The Responsible Entity has lodged the following continuous disclosure notices with ASX (ASX announcements) since the date that the Trust's annual financial report was lodged with ASIC (being 22 August 2019):

Date	Headline
26 August 2019	Dividend/Distribution – QRI
27 August 2019	Appendix 4G
2 September 2019	Alternate Director Appointment & Resignation
6 September 2019	Appendix 3Z
6 September 2019	Appendix 3X
9 September 2019	Net Tangible Asset Backing – August 2019

All requests for copies of the above documents should be addressed to the Manager, by telephone at 1300 420 177 within Australia or +61 2 8022 8575 from outside Australia, or via email at [qualitas@automicgroup.com.au](mailto:qualitas@automicgroup.com.au) (between 9.00am and 5.00pm (AEST) Monday to Friday).

### 13.3 WARRANTIES MADE ON ACCEPTANCE OF THE OFFER

By completing and returning your personalised Entitlement and Acceptance Form, by making a payment by BPAY® or by completing and returning your Shortfall Offer Application Form, you will be deemed to have irrevocably acknowledged, represented and warranted that you, and each person on whose account you are acting:

- acknowledge that you have fully read and understood both this PDS and your Entitlement and Acceptance Form or Shortfall Offer Application Form (as the case may be) in their entirety and you acknowledge the matters and make the warranties and representations and agreements contained in this PDS and the Entitlement and Acceptance Form or Shortfall Offer Application Form (as the case may be);
- agree to be bound by the terms of the Offer, the provisions of this PDS and the Constitution;
- authorise the Responsible Entity to register you as the holder(s) of New Units (and any Additional New Units) issued to you;
- declare that all details and statements in your Entitlement and Acceptance Form or Shortfall Offer Application Form (as the case may be) are complete and accurate;



## 13. ADDITIONAL INFORMATION **Continued**

- declare that you are over 18 years of age (if you are an individual) and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form or Shortfall Offer Application Form (as the case may be);
- acknowledge that once the Responsible Entity receives your Entitlement and Acceptance Form or Shortfall Offer Application Form or any payment of Application Monies via BPAY® (as the case may be) you may not withdraw your Application or Application Monies provided except as allowed by law;
- agree to apply for and be issued up to the number of New Units specified in the Entitlement and Acceptance Form or Shortfall Offer Application Form (as the case may be), or for which you have submitted payment of any Application Monies via BPAY® at the Offer Price per New Unit;
- agreed to being allocated and issued the number of New Units applied for (or a lower number allocated in a way described in this PDS), or no New Units at all;
- authorise the Responsible Entity, Lead Arranger, Joint Lead Managers, the Unit Registry and their respective officers or agents to do anything on your behalf necessary for New Units (and any Additional New Units (if applicable)) to be issued to you, including to act on instructions of the Unit Registry;
- in respect of Eligible Retail Unitholders only, declare that you were the registered holder(s) at the Record Date of the Units indicated on your personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- in respect of Eligible Retail Unitholders only, acknowledge that the information contained in this PDS and your personalised Entitlement and Acceptance Form or Shortfall Offer Application Form (as the case may be) is not investment advice or financial product advice nor have they been prepared taking into account your investment objectives, financial circumstances or particular needs or circumstances. You acknowledge that this PDS and your personalised Entitlement and Acceptance Form and Shortfall Offer Application Form (as the case may be) is not a recommendation that New Units (including Additional New Units) are suitable for you given your investment objectives, financial situation or particular needs;
- acknowledge the statement of risks in Section 8 and that investments in the Trust are subject to risk;
- in respect of applicants in the Shortfall Offer, declare that you are a resident of Australia or New Zealand;
- acknowledge and agree that the Offer may be withdrawn by the Responsible Entity or may otherwise not proceed in the circumstances described in this PDS;
- acknowledge that none of the Responsible Entity, the Lead Arranger, Joint Lead Managers or their respective related bodies corporate, affiliates or respective directors, officers, partners, employees, representatives, agents, consultants or advisers guarantee the performance of the Trust, nor do they guarantee the repayment of capital;
- in respect of Eligible Unitholders, agree to provide (and, if applicable, direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of Units on the Record Date;
- in respect of Eligible Retail Unitholders only, authorise the Responsible Entity to correct any errors in your personalised Entitlement and Acceptance Form or Shortfall Offer Application Form (as applicable) or other form provided by you;
- represent and warrant that the law of any place does not prohibit you from being given this PDS and the personalised Entitlement and Acceptance Form or the Shortfall Offer Application Form, nor does it prohibit you from making an application for New Units (or Additional New Units (if applicable)); and
- represent and warrant that your acceptance of the Offer does not breach any laws in the jurisdiction in which you reside.

By completing and returning your personalised Entitlement and Acceptance Form or Shortfall Offer Application Form (as applicable) or making a payment by BPAY®, you will also be deemed to have irrevocably acknowledged, represented and warranted on your own behalf and on behalf of each person on whose account you are acting:

- in respect of participants in the Entitlement Offer, that you are an Eligible Unitholder or otherwise eligible to participate in the Entitlement Offer and you and each person on whose account you are acting are not in the United State and are not otherwise a person to whom it would be illegal to make an offer of or issue of Entitlement, New Units or Additional New Units under the Entitlement Offer and under any applicable laws and regulations;



- the Entitlements, New Units and Additional New Units have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States, or in any other jurisdiction outside Australia and, accordingly, the Entitlements may not be taken up, the New Units or Additional New Units may not be offered, sold or otherwise transferred, except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws;
- you and each person on whose account you are acting have not and will not send any materials relating to the Offer to any person in the United States;
- if in the future you decide to sell or otherwise transfer the New Units (or Additional New Units (if applicable)), you will only do so in the regular way transactions take place on the ASX where neither you nor any person acting on your behalf know, or have reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States; and
- if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form or Shortfall Offer Application Form (as applicable) is not in the United States, and you have not sent this PDS, the Entitlement and Acceptance Form, the Shortfall Offer Application Form or any information relating to the Offer to any such person.

### **13.4 BALANCE DATE AND AUSTRALIAN TAX DATE**

The accounts of the Trust are up to 30 June each year and the Trust has an Australian tax year end of 30 June annually.

Please refer to Section 10 for information regarding taxation of the Trust, and general information regarding taxation treatment of Unitholders.

### **13.5 INTERESTED DEALINGS**

Subject to the Corporations Act, the Responsible Entity or any officer, employee or associate of the Responsible Entity may:

- hold Units in the Trust;
- act in any fiduciary, vicarious or professional capacity;
- have an interest in, or enter into any contract or transaction with the Responsible Entity (or its associates), a Unitholder of the Trust or any other person (including a person whose units, shares or other securities form an asset of the Trust); and
- hold or deal in or have any other interest in an asset of the Trust and may retain any benefit derived by doing so.

### **13.6 INTERESTS OF DIRECTORS OF THE RESPONSIBLE ENTITY**

None of the Directors of the Responsible Entity intend to subscribe for Units in the Offer.

### **13.7 SUMMARY OF THE EXECUTIVE INCENTIVE PLAN**

The Qualitas Group has established an Executive Incentive Plan to incentivise certain employees of the Qualitas Group.

For this purpose, Units issued as directed by the Manager to satisfy up to between 33% and 50% of the performance fee payable under the Investment Management Agreement, may be issued as directed by the Manager to a Qualitas Group company or an employee trust established to hold those Units.

### **13.8 ENQUIRIES AND COMPLAINTS RESOLUTION**

The Responsible Entity has established procedures for dealing with complaints. If an investor has a complaint, they can contact the Responsible Entity during business hours on (02) 9229 9000 or the Manager during business hours.

The Responsible Entity will use reasonable endeavours to deal with and resolve the complaint within a reasonable time but in any case, no later than 45 days after receipt of the complaint.

## 13. ADDITIONAL INFORMATION **Continued**

If an investor is not satisfied with the outcome, the complaint can be referred to an independent external dispute resolution scheme. Complaints can be lodged with the Australian Financial Complaints Authority (**AFCA**). You can contact AFCA on 1800 931 678, or by writing to:

Australian Financial Complaints Authority  
GPO Box 3  
Melbourne VIC 3001

Email: [info@afca.org.au](mailto:info@afca.org.au)  
Website: [www.afca.org.au](http://www.afca.org.au)

Access to AFCA is only available to eligible persons in accordance with the AFCA rules available on AFCA's website.

### 13.9 AUDITOR

The Responsible Entity has appointed KPMG as the independent auditor of the Trust's financial statements.

The Responsible Entity has also appointed PWC as auditor of the Compliance Plan. The auditor is required to conduct an audit of the Compliance Plan within three months of the end of the financial year of the registered scheme and provide a report to the Responsible Entity. PWC will conduct this audit on the Trust's Compliance Plan on an annual basis.

### 13.10 INTERESTS OF RELATED PARTIES

Other than as set out in this PDS, there are no existing agreements or arrangements and there are no currently proposed transactions in which the Responsible Entity was, or is to be, a participant and in which any related party had or will have a direct or indirect material interest.

The Investment Management Agreement and other material agreements (as set out in Section 12) have been entered into on reasonable arm's length terms between the Trust and the Manager. The Responsible Entity and the Manager may from time to time use the services of related parties in the management of the Trust and pay fees for their services. All related party transactions will be conducted on arm's length normal commercial terms and conditions.

From time to time the Responsible Entity, the Manager, their related bodies corporate or their directors and employees may hold Units in the Trust.

The Responsible Entity and the Manager may be subject to conflicts of interest when performing their duties in relation to the Trust. Both the Responsible Entity and the Manager have policies and procedures in place to appropriately manage these conflicts of interest.

None of the Trust, Sub-Trust or members of the Qualitas Group (either directly or indirectly, as an investment made by one or more Qualitas Funds) will invest across more than one part of the capital structure of a real estate asset at the same time. This means that one or more of the Trust, Sub-Trust or Qualitas Funds will not hold investments in both senior and mezzanine loans relating to the same investment. This is to ensure that there is no conflict of interest in respect of managing and enforcing each investment. The Sub-Trust may invest as a co-lender alongside another Qualitas Fund, Qualitas Investor or other related entity.

The relevant investment committees described in the PDS for the Trust and Sub-Trust will conduct all investment approval processes before any final investment decision is made. This includes conducting due diligence on each investment opportunity, associated risk analysis and the identification of all potential conflicts/related party transaction issues which may be the result of an investment. The results of these inquiries and deliberations will be detailed in a recommendation letter provided by the Manager to the Responsible Entity.

The Responsible Entity has overall responsibility for oversight of compliance by the Manager with the conflicts of interest policy when approving investments. For each investment of the Sub-Trust the Manager will submit a recommendation letter to the Responsible Entity on the proposed investment for assessment prior to approval being granted (**Recommendation**).

Each Recommendation is expected to provide details about the following areas relevant to the investment opportunity:

- Background and details of the investment including the borrower/lender, facility limits, associated rates i.e. interest, maturity, defaults etc, and associated fees;
- Details of the due diligence process undertaken for the transaction or investment by the Trust's Investment Committee;
- Disclosure on conflicts of interests and/or related party activity (if applicable) and related actions to address these;

- Representations/warranties from the Manager confirming the transaction complies with the Trust and Sub-Trust investment mandates;
- Representations/warranties from the Manager confirming that investment does not involve investments across the capital structure relating to the same transaction or investment; and
- If relevant, details of how the transaction or investment has been allocated across the Sub-Trust and Qualitas Funds.

On the basis of the Recommendation, the Responsible Entity will assess whether the Manager and the Trust Investment Committee have followed all appropriate processes and controls in assessing the transaction or investment, including confirming that any conflicts of interest or related party dealings have been adequately identified and assessed, that the allocation of investments across the Sub-Trust and the Qualitas Funds is fair and equitable and to ensure that any investment would not lead to the Qualitas Group holding any investments across the capital structure on the same transaction or investment.

Officers of the Responsible Entity who are familiar with the Trust and Sub-Trust's conflicts of interest policy, the Investment Principles and the Trust Investment Committee's role will review the details in each Recommendation and clarify concerns, if any, including to ensure no related party investments or cross mandate investments are present prior to providing approval.

In addition, consistent with good corporate governance practices, the investment management agreement for both the Trust and the Sub-Trust require the Manager to issue a quarterly compliance attestation to the Responsible Entity, confirming amongst other things, compliance with all relevant conflicts of interest policies.

The Manager is entitled to Loan Origination Fees in respect of the origination services provided by the Manager to the Sub-Trust in respect of direct secured real estate loans provided by the Sub-Trust. Loans provided by the Sub-Trust and the Qualitas Funds will be made to third parties, not to members of the Qualitas Group or their related parties (with the exception of the Trust Loan Receivable, see Section 12.3 for more information).

A Loan Origination Fee will be payable:

- in respect of a direct loan where the Sub-Trust is the sole lender, the Manager will be paid 33% of the Borrower Loan Fees; and
- in respect of a direct loan where the Sub-Trust is a co-lender, the Manager will be paid a fee between 0%-100% of the Borrower Loan Fees, the fee rate applicable to all lenders as determined by the Manager.

The Loan Origination Fees are payable after the Borrower Loan Fees have been paid to the Sub-Trust.

Examples:

- **Sole lender – 33%**

If the Sub-Trust is the sole lender of a \$20 million secured real estate loan, the Sub-Trust will charge the borrower a loan arrangement fee (i.e. a Borrower Loan Fee) of 1.0% of the total loan facility limit of \$20 million, which equates to \$200,000 of which the Sub-Trust will receive as loan income. The loan arrangement fee is payable on first funding of the loan.

In respect of the loan arrangement fee paid to the Sub-Trust, the Sub-Trust must pay the Manager a Loan Origination Fee of \$66,000, which is calculated as 33% of the loan arrangement fee of \$200,000.

- **Co-lender – 33%**

For a \$20 million secured real estate loan, the Sub-Trust is a co-lender with a 50% share of the loan, i.e. \$10 million commitment. The lenders of the secured real estate loan will charge the borrower a loan arrangement fee of 1.0% of the total loan facility limit of \$20 million which equates to \$200,000. The Sub-Trust as co-lender is entitled to 50% of the loan arrangement fee and will receive \$100,000 as loan income. The loan arrangement fee is payable on first funding of the loan.

The Manager has determined that the Loan Origination Fee that is applicable to this secured real estate loan is 33% of the Borrower Loan Fees, payable by all lenders to the Manager.

In respect of the proportion of the loan arrangement fee paid to the Sub-Trust, the Sub-Trust must pay the Manager a Loan Origination Fee of \$33,000 which is calculated as 33% of the portion of the loan arrangement fee of \$100,000 received by the Sub-Trust.

## 13. ADDITIONAL INFORMATION **Continued**

- **Co-lender – 100%**

For a \$20 million secured real estate loan, the Sub-Trust is a co-lender with a 50% share of the loan, i.e. \$10 million commitment. The lenders of the secured real estate loan will charge the borrower a loan arrangement fee of 1.0% of the total loan facility limit of \$20 million which equates to \$200,000. The Sub-Trust, as co-lender, is entitled to 50% of the loan arrangement fee and will receive \$100,000 as loan income. The loan arrangement fee is payable on first funding of the loan.

The Manager has determined that the Loan Origination Fee that is applicable to this secured real estate loan is 100% of the Borrower Loan Fees, payable by all lenders to the Manager.

In respect of the proportion of the loan arrangement fee paid to the Sub-Trust, the Trust must pay the Manager a Loan Origination Fee of \$100,000 which is calculated as 100% of the portion of the loan arrangement fee of \$100,000 received by the Sub-Trust.

### 13.11 ASIC RELIEF

In order for the Responsible Entity to conduct the Offer, the Responsible Entity is relying on certain general ASIC relief that is applicable to the Responsible Entity and the Trust.

### 13.12 ASX WAIVER

ASX has given approval to grant relief in relation to the requirements of Appendix 7A to the ASX Listing Rules with respect to the timetable of the Entitlement Offer, which is being undertaken not in accordance with Appendix 7A to the ASX Listing Rules.

### 13.13 INVESTOR CONSIDERATIONS

Before deciding to participate in the Entitlement Offer, you should consider whether the New Units to be issued are a suitable investment for you. There are general risks associated with any investment in an entity listed on the ASX. The value of securities listed on the ASX may rise or fall depending on a range of factors beyond the control of the Trust.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this PDS from a stockbroker, solicitor, accountant or other professional advisor immediately.

The potential tax effects relating to the Offer will vary between Unitholders. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax advisor.

The Trust is not engaged in any litigation at the date of this PDS, and as far as the Responsible Entity is aware, no litigation involving the Trust is pending or threatened.

### 13.14 PRIVATE INFORMATION

When investors apply to invest in the Trust, they acknowledge and agree that:

- they are required to provide the Responsible Entity with certain personal information to facilitate their Application; and
- the Responsible Entity may be required to disclose their information to:
  - » third parties carrying out functions on behalf of the Responsible Entity on a confidential basis;
  - » third parties if that disclosure is required by or to the extent permitted by law;
  - » an investor's advisor;
  - » related entities to the Responsible Entity, whether in Australia or any overseas jurisdiction; and
  - » Government or regulatory bodies (such as the Australian Taxation Office) when required by law.

We collect personal information from you in the application and any other relevant forms to be able to process your application, administer your investment and comply with any relevant laws. If you do not provide us with your relevant personal information, we will not be able to do so.

Privacy laws apply to our handling of personal information and we will collect, use and disclose your personal information in accordance with our privacy policy, which includes details about the following matters:

- the kinds of personal information we collect and hold;

- how we collect and hold personal information;
- the purposes for which we collect, hold, use and disclose personal information; and
- how you may access personal information that we hold about you and seek correction of such information (note that exceptions apply in some circumstances).

Our privacy policy is publicly available at [www.perpetual.com.au](http://www.perpetual.com.au) or you can obtain a copy free of charge by contacting us.

### **13.15 CONSENTS TO BE NAMED AND DISCLAIMERS OF RESPONSIBILITY**

Each of the parties referred to below (each a **Consenting Party**) has given and has not, before the lodgement of this PDS with ASIC, withdrawn its written consent to be named in this PDS in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this PDS or any statement on which a statement is made in this PDS is based, other than as specified below.

Each of the Consenting Parties, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this PDS, other than the reference to its name in the form and context in which it is named and a statement or report included in this PDS with its consent as specified below:

- Automic Pty Ltd;
- Evans Dixon Corporate Advisory Pty Ltd;
- Shaw and Partners Limited;
- MinterEllison;
- KPMG;
- Perpetual Corporate Trust Limited;
- Pitcher Partners Sydney Corporate Finance Pty Ltd;
- PPNSW Services Pty Ltd;
- QRI Fund Services Pty Ltd;
- Qualitas Property Partners Pty Ltd; and
- Qualitas Wholesale Real Estate Income Fund.

Pitcher Partners Sydney Corporate Finance Pty Ltd has given, and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to be named in this PDS as Investigating Accountant to the Trust in relation to the financial information in the form and content in which it is named and to the inclusion in this PDS of its Investigating Accountant's Report in Section 11 and the statements specifically attributed to it in the text of, or by a footnote in, this PDS, in the form and context in which they appear in this PDS.

PPNSW Services Pty Ltd has given, and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to be named in this PDS in relation to the tax information in the form and context in which it is named and to the inclusion in this PDS of its tax summary in Section 10 and the statements specifically attributed to it in the text of, or by a footnote in, this PDS, in the form and context in which they appear in this PDS.

### **13.16 GOVERNING LAW**

This PDS and the contracts that arise from the acceptance of the Applications under this PDS are governed by the law applicable in Victoria and each Applicant submits to the exclusive jurisdiction of the courts of Victoria.

### **13.17 STATEMENT OF DIRECTORS**

The issue of this PDS has been authorised by each Director. Each Director has consented to lodgement of this PDS and issue of this PDS and has not withdrawn that consent.



# 14.

## GLOSSARY





## 14. GLOSSARY

TERM	MEANINGS
<b>A\$ OR \$</b>	Australian dollars.
<b>AAS</b>	Australian Accounting Standards.
<b>AASB</b>	Australian Accounting Standards Board.
<b>ABN</b>	Australian Business Number.
<b>Accelerated Offer Allotment Date</b>	The intended date of Allotment of New Units under the Wholesale Entitlement Offer and Early Retail Entitlement Offer, being Thursday, 26 September 2019.
<b>ACN</b>	Australian Company Number.
<b>Additional New Units</b>	New Units applied for by an Eligible Unitholder in excess of their Entitlement under the Oversubscription Facility.
<b>ADI</b>	Authorised Deposit-taking Institution.
<b>Administrator</b>	QRI Fund Services Pty Ltd ACN 627 791 575, a wholly owned member of the Qualitas Group.
<b>AEST</b>	The legal time in Melbourne, Victoria, Australia.
<b>AFCA</b>	Australian Financial Complaints Authority.
<b>AFSL</b>	Australian Financial Services Licence.
<b>AIIR</b>	Annual Investment Income Report.
<b>Allocation Policy</b>	A general and clear framework for the allocation of investments across the Qualitas Funds and other investments managed by the Qualitas Group, as set out in Section 4.13.
<b>Allotment</b>	The allocation and allotment of New Units following acceptance of Applications.
<b>AMIT</b>	Attribution Managed Investment Trusts.
<b>AMMA</b>	Attribution Managed Investment Trust Member Annual Statement.
<b>APP</b>	Australian Privacy Principles.
<b>Applicant</b>	A person who submits a valid Application Form and required Application Monies pursuant to this PDS.
<b>Application</b>	An application for Units under this PDS.
<b>Application Form</b>	The Entitlement and Acceptance Form and/or the Shortfall Application Form.
<b>Application Monies</b>	Money submitted by Applicants under the Offer and reflects the Offer Price multiplied by the number of New Units and Additional New Units (if applicable) applied for.
<b>APRA</b>	Australian Prudential Regulation Authority.
<b>Arch Finance</b>	Arch Finance Pty Ltd ACN 137 960 046 as trustee for Arch Finance Unit Trust, a non-ADI commercial real estate mortgage originator and lender in the sub \$5 million commercial property loan market, wholly owned by the Qualitas Group.

## 14. GLOSSARY **Continued**

TERM	MEANINGS
<b>Arch Finance Warehouse Trust or AFWT</b>	A secured funding platform which provides capital for the provision of secured real estate loans which are originated and managed by Arch Finance.
<b>ASIC</b>	Australian Securities & Investments Commission.
<b>Associates of the Manager</b>	Entities within the Qualitas Group and its affiliates.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the market it operates (Australian Securities Exchange), as the context requires.
<b>ASX Listing Rules</b>	The official listing rules of the ASX.
<b>AUSTRAC</b>	Australian Transaction Reports and Analysis Centre.
<b>Australian Taxation Office or ATO</b>	The Australian Taxation Office is the principal revenue collection agency for the Australian Government, in charge of administering the Australian taxation system.
<b>BBSW</b>	Bank Bill Swap Rate.
<b>BBSY</b>	Bank Bill Swap Bid Rate.
<b>Board</b>	The board of directors of the Responsible Entity.
<b>Borrower Loan Fees</b>	Fees paid by a borrower to the Sub-Trust in relation to a direct secured real estate loan provided by the Sub-Trust. These fees may include fees associated with loan origination, establishment, restructuring, extensions, variations and increases.
<b>Broker</b>	Any ASX participating organisation selected by the Joint Lead Managers in consultation with the Trust to act as a Broker to the Offer.
<b>Business Day</b>	A day, other than a Saturday or Sunday, on which banks are open for general banking business in Melbourne or Sydney, Australia.
<b>CGT</b>	Capital Gains Tax.
<b>Committed Capital</b>	Any capital in which the Qualitas Group provides investment management services to deploy into investments.
<b>Compliance Plan</b>	The compliance plan that describes the procedures used by the Responsible Entity to comply with the Corporations Act, the Constitution and the ASX Listing Rules. The Compliance Plan has been lodged with ASIC.
<b>Consenting Party</b>	The consenting party described in Section 13.15.
<b>Constitution</b>	The constitution of the Trust.
<b>Corporations Act or the Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>CRS</b>	Common Reporting Standard.
<b>Cumulative Actual Return</b>	The cumulative actual return described in Section 7.3.3.
<b>Custodian</b>	Perpetual Corporate Trust Limited ACN 000 341 533.
<b>DA</b>	Development Application.

TERM	MEANINGS
<b>Directors</b>	The board of directors of the Responsible Entity.
<b>Distribution Reinvestment Plan or DRP</b>	The distribution reinvestment plan described in Section 4.11.
<b>DvP</b>	Delivery versus Payment.
<b>Early Retail Entitlement Closing Date</b>	5.00pm (AEST) on Thursday, 20 September 2019.*
<b>Early Retail Entitlement Offer</b>	The offer to Eligible Retail Unitholders to apply for their Entitlements (in full or part) and any Additional New Units (if applicable) before the Early Retail Entitlement Offer Closing Date and to be issued New Units on the Accelerated Offer Allotment Date.
<b>Early Retail Entitlement Opening Date</b>	Monday, 16 September 2019.*
<b>Eligible Retail Unitholder</b>	An Eligible Unitholder that is not an Eligible Wholesale Unitholder.
<b>Eligible Unitholder</b>	A Unitholder entitled to participate in the Entitlement Offer as set out in Section 2.3.
<b>Eligible Wholesale Unitholder</b>	An Eligible Unitholder (or beneficial interest holder where the Eligible Unitholder is a Unitholder's nominee) who is a professional or sophisticated client (for the purposes of Chapter 6D of the Corporations Act) and a wholesale client (for the purposes of Part 7.9 of the Corporations Act) who has been invited to participate in the Wholesale Entitlement Offer.
<b>Entitlement</b>	The entitlement to subscribe for 1 New Unit for every 1 Unit held on the Record Date at \$1.60 per New Unit, being the number of New Units that each Eligible Unitholder is invited to apply for under the Entitlement Offer as specified on each Eligible Unitholder's Entitlement and Acceptance Form.
<b>Entitlement and Acceptance Form</b>	The personalised form for participation in the Entitlement Offer attached to, or accompanying, this PDS.
<b>Entitlement Offer</b>	The pro rata non-renounceable entitlement offer to Eligible Unitholders to apply for their Entitlements under the Wholesale Entitlement Offer, Early Retail Entitlement Offer and Retail Entitlement Offer to raise up to \$266 million.
<b>Evans Dixon</b>	Evans Dixon Corporate Advisory Pty Ltd ACN 137 980 520
<b>Excess Return</b>	The return described in Section 7.3.3.
<b>Excluded Qualitas Proceeds</b>	Has the meaning given in Section 12.2.
<b>Executive Incentive Plan</b>	The executive incentive plan described in Section 13.7.
<b>FATCA</b>	Foreign Account Tax Compliance Act.
<b>FIF</b>	Foreign Investment Fund.
<b>Financial Information</b>	Financial Information described in Section 9.
<b>FITO</b>	Foreign Income Tax Offset.
<b>FSC</b>	Financial Services Council.

## 14. GLOSSARY **Continued**

TERM	MEANINGS
<b>FSC Standards</b>	Standards of the FSC.
<b>GDP</b>	Gross Domestic Product.
<b>GFC</b>	Global Financial Crisis.
<b>GST</b>	The value-added tax, if any, on goods, services and other things payable in accordance with the GST Act or another relevant and applicable legislation or law whether in Australia, the US or another jurisdiction.
<b>GST Act</b>	A New Tax System (Goods and Services Tax) Act 1999.
<b>IASB</b>	International Accounting Standards Board.
<b>IFRS</b>	International Financial Reporting Standards.
<b>Internal Rate of Return or IRR</b>	A discount rate that makes the net present value of all cash flows from a particular investment equal to zero.
<b>Invested Capital</b>	Capital which has been deployed into investments in securities, secured real estate loans and, or cash and cash equivalents across the Qualitas Group.
<b>Investigating Accountant</b>	Pitcher Partners Sydney Corporate Finance Pty Ltd ACN 122 561 184.
<b>Investigating Accountant's Report</b>	The investigating accountant's report provided by the Investigating Accountant dated 10 September 2019.
<b>Investment Approval Group</b>	Comprise of the Portfolio Allocation Committee, the Qualitas Group's risk management team and the Qualitas Investment Committee which are responsible for approving investments in the Sub-Trust as described in Section 6.5.1.
<b>Investment Management Agreement or IMA</b>	The agreement between the Manager and the Responsible Entity as described in Section 12.1.
<b>Investment Objective</b>	To achieve the Target Return, provide monthly cash income, capital preservation and portfolio diversification, as set out in Section 4.5.
<b>Investment Principles</b>	The investment principles set out in Section 4.6 as may be amended from time to time in accordance with the terms of the Investment Management Agreement.
<b>Investment Strategy</b>	The strategy set out in Section 4.6.
<b>Investment Timeline</b>	The timeline set out in Section 4.12.
<b>IPO</b>	The initial public offer of Units in the Trust, which took place on 27 November 2018.
<b>IPO PDS</b>	The product disclosure statement dated 8 October 2018 and lodged with ASIC on that date (and any replacement or supplementary product disclosure statement) issued by the Responsible Entity in connection with the Trust's IPO.
<b>Joint Lead Managers</b>	The joint lead managers of the Offer, being Evans Dixon and Shaw and Partners.
<b>Licensee</b>	A holder of an Australian Financial Services Licence pursuant to section 911A(2)(b) of the Corporations Act who has introduced an Applicant to the Offer.
<b>Loan Origination Fees</b>	The fees described in Section 13.10.

TERM	MEANINGS
<b>LTC</b>	Loan to cost ratio.
<b>LVR</b>	Loan to value ratio.
<b>Management Costs</b>	The fees and costs of managing your investment set out in Section 7.2.
<b>Management Fee</b>	The management fees payable to the Manager in accordance with the Investment Management Agreement, as detailed in Section 7.3.2.
<b>Manager</b>	QRI Manager Pty Ltd ACN 625 857 070.
<b>Material Contract</b>	Being the agreements set out in Section 12.
<b>Maximum Subscription</b>	The maximum amount that may be raised under the Entitlement Offer of \$266 million by the issue of approximately 166 million Units at the Offer Price pursuant to this PDS.
<b>MIT</b>	Managed investment trust.
<b>NAV</b>	Net asset value.
<b>New Units</b>	A Unit offered and issued under the Offer.
<b>OECD</b>	Organisation for Economic Co-operation and Development.
<b>Offer</b>	The Entitlement Offer, the Oversubscription Facility and the Shortfall Offer.
<b>Offer Allotment Date</b>	The intended date of Allotment of New Units under the Retail Entitlement Offer and the Shortfall Offer and Additional New Units under the Oversubscription Facility, being Friday, 18 October 2019.*
<b>Offer Closing Date</b>	The Wholesale Entitlement Offer Closing Date, Early Retail Entitlement Offer Closing Date or the Retail Entitlement Offer Closing Date, as the context requires.
<b>Offer Costs</b>	The costs and expenses of the Offer described in Section 7.3.4.
<b>Offer Management Agreement</b>	The offer management agreement summarised in Section 12.2.
<b>Offer Period</b>	The period between the Wholesale Entitlement Offer Opening Date and the Retail Entitlement Offer Closing Date.
<b>Offer Price</b>	\$1.60 per New Unit (or Additional New Unit, if applicable).
<b>Offer Proceeds</b>	The total proceeds raised under the Entitlement Offer, being the Offer Price multiplied by the total number of New Units and Additional New Units applied for under the Entitlement Offer.
<b>Oversubscription Facility</b>	The facility by which Eligible Unitholders who take up their Entitlement in full may also apply for Additional New Units in excess of their Entitlements at the Offer Price.
<b>Performance Fee</b>	The performance fee payable to the Manager in accordance with the Investment Management Agreement, as detailed in Section 7.3.3.
<b>Perpetual or Perpetual Group</b>	Perpetual Limited and its subsidiaries, including the Responsible Entity.

## 14. GLOSSARY **Continued**

TERM	MEANINGS
<b>Placement</b>	The placement of units to wholesale investors completed on 27 June 2019, raising approximately \$34.68 million.
<b>Portfolio Allocation Committee or PAC</b>	Has the meaning given in Section 6.5.
<b>Portfolio Asset Management Committee</b>	The Portfolio Asset Management Committee monitors activities, progress and projections at an investment level for all assets under management across the Qualitas Group.
<b>Product Disclosure Statement or PDS</b>	This product disclosure statement dated 11 September 2019 and lodged with ASIC on that date (and includes any supplementary or replacement product disclosure statement in relation to this product disclosure statement).
<b>QPP</b>	Qualitas Property Partners Pty Ltd ACN 137 928 155.
<b>QSDF</b>	Qualitas Senior Debt Fund.
<b>Qualitas Advisory Board</b>	The advisory board for the Qualitas Group described in Section 5.3.
<b>Qualitas Funds</b>	Any unlisted funds currently being managed by the Qualitas Group and any unlisted funds that may be established and managed by the Qualitas Group in the future. For the purpose of this PDS, the Trust and Sub-Trust are not Qualitas Funds.
<b>Qualitas Group</b>	QPP, Qualitas Investments Pty Ltd ACN 137 928 164 and their respective controlled entities.
<b>Qualitas Investment Committee</b>	The committee described in Section 6.5.4.
<b>Qualitas Investors</b>	Individuals and entities that invest in Qualitas Funds, the Trust, the Sub-Trust, or investments managed by the Qualitas Group or its affiliates.
<b>Qualitas People and Culture Committee</b>	The committee described in Section 5.3.
<b>Qualitas Risk Committee</b>	The committee described in Section 5.3.
<b>Qualitas Team</b>	The teams within the Qualitas Group which: <ul style="list-style-type: none"> <li>• originate and execute secured real estate loans for the Qualitas Group;</li> <li>• portfolio and asset manage the Qualitas Group; and</li> <li>• risk manage the Qualitas Group,</li> <li>• and which will assist the Manager to do these things with respect to the Trust.</li> </ul>
<b>Qualitas Trustee Board</b>	The trustee board for the Qualitas Funds described in Section 6.4.
<b>RBA</b>	Reserve Bank of Australia.
<b>Recommendation</b>	Has the meaning given in Section 8.2.5.
<b>Record Date</b>	7.00pm (AEST) on Friday, 13 September 2019.*
<b>Responsible Entity</b>	The Trust Company (RE Services) Limited ACN 003 278 831.
<b>Responsible Entity Fee</b>	The fee payable to the Responsible Entity as described in Section 7.2.



TERM	MEANINGS
<b>Retail Entitlement Offer</b>	The Entitlement Offer to Eligible Retail Unitholders.
<b>Retail Entitlement Offer Closing Date</b>	5.00pm (AEST) on Tuesday, 8 October 2019.*
<b>Retail Entitlement Offer Opening Date</b>	9.00am (AEST) on Monday, 16 September 2019.*
<b>Return Hurdle</b>	The return hurdle described in Section 7.3.3.
<b>RITC</b>	Reduced Input Tax Credit.
<b>Settlement Date</b>	The date described in Section 12.2.2.
<b>Shaw and Partners</b>	Shaw and Partners Limited ACN 003 221 583.
<b>Shortfall</b>	Any New Units or Additional New Units not taken up by Eligible Unitholders under the Entitlement Offer or the Oversubscription Facility.
<b>Shortfall Offer</b>	The shortfall offer described in Section 2.10.
<b>Shortfall Offer Application</b>	An application for Units under the Shortfall Offer.
<b>Shortfall Offer Application Form</b>	The application form for participation in the Shortfall Offer included in, or accompanying, this PDS.
<b>Shortfall Offer Closing Date</b>	The Retail Entitlement Offer Closing Date.*
<b>Sub-Trust</b>	Qualitas Wholesale Real Estate Income Fund.
<b>Sub-Trustee</b>	The Trust Company Limited ACN 004 027 749.
<b>Supplementary PDS</b>	Any supplementary or replacement product disclosure statement to this PDS lodged with ASIC under section 1015B of the Corporations Act in connection with the Offer.
<b>Target Return</b>	8.0% p.a. (net of fees and expenses) of NAV.
<b>TFN</b>	Tax File Number.
<b>TIC</b>	The Trust Investment Committee described in Section 4.14.
<b>TOFA</b>	Taxation of Financial Arrangements.
<b>Trust</b>	Qualitas Real Estate Income Fund ARSN 627 917 971.
<b>Trust Loan Receivable</b>	The loan by the Trust to the Manager described in Section 12.3.
<b>Trust Website</b>	<a href="http://www.qualitas.com.au/listed-investments/QRI">www.qualitas.com.au/listed-investments/QRI</a>
<b>Unit</b>	An ordinary unit in the Trust, being an undivided share in the beneficial interest in the Trust.
<b>Unit Registry</b>	Automic Pty Ltd ACN 152 260 814.
<b>Unitholder</b>	A holder of a Unit.

## 14. GLOSSARY **Continued**

TERM	MEANINGS
<b>US</b>	The United States of America.
<b>US Person</b>	Any "US Person" as defined in Regulation S under the US Securities Act.
<b>US Securities Act</b>	US Securities Act of 1993, as amended.
<b>Wholesale Entitlement Offer Closing Date</b>	Thursday, 12 September 2019.*
<b>Wholesale Entitlement Offer Opening Date</b>	9.00am (AEST), on Wednesday, 11 September 2019.*
<b>Wholesale Entitlement Offer</b>	The Entitlement Offer to Eligible Wholesale Unitholders.
<b>Wholesale Entitlement Offer Period</b>	The period between the Wholesale Entitlement Offer Opening Date and the Wholesale Entitlement Offer Closing Date.
<b>Wholesale Shortfall</b>	Has the meaning given in Section 2.2.1.

\* Dates in this Glossary marked with an asterisk (\*) are indicative only and may be subject to change. The Responsible Entity reserves the right to amend any and all of these dates (but for the avoidance of doubt, not including the date of this PDS) without notice subject to the Corporations Act.



