CONTINUOUS DISCLOSURE NOTICE

30 June 2019

Pooled Mortgage Managed Investment Scheme
Direct Mortgage Managed Investment Scheme

Understanding the Schemes

The Australian Securities and Investments Commission (**ASIC**) has developed eight benchmarks and disclosure principles to help you understand and assess the key risks of unlisted mortgage schemes, such as the Pooled Mortgage Managed Investment Scheme (**PMMIS**) ARSN 095 540 597 and Direct Mortgage Managed Investment Scheme (**DMMIS**) ARSN 095 540 659, collectively referred to as the 'Schemes'. The Responsible Entity of the Schemes is Tidswell Financial Services Ltd (**Tidswell**) ABN 55 010 810 607 AFSL 237628.

The benchmarks and disclosure principles, including how the Schemes measure against them, are set out in this Continuous Disclosure Notice. Where a benchmark and disclosure principle does not apply to a particular scheme a statement is made to that effect.

This information is current as at the date of reporting and has been provided to keep you informed and assist you in better understanding the Schemes.

Benchmarks

ASIC Benchmark	Compliance with Benchmark	Explanation	Disclosure Principles
BENCHMARK 1: LIQUIDITY RG 45.34			
For a pooled mortgage scheme, the responsible entity has cash flow estimates for the scheme that: **(a) demonstrate the scheme's capacity to meet it expenses, liabilities and other cash flow needs for the next 12 months;** **(b) are updated at lease every three months and reflect any material changes; and** **(c) are approved by the directors for the responsible entity at least every three months.**	Benchmark not met for the PMMIS. Benchmark does not apply to the DMMIS.	(a) Due to the short-term nature of the loans cash flow estimates for the PMMIS are prepared for the next 3 month period which account for all known transactions including distributions, withdrawals, discharges and other payments. Cash flow estimates are prepared on the basis of an estimate of zero inflows from new investments for the relevant period. (b) Cash flow estimates are updated on a weekly basis. (c) Cash flow estimates are reviewed by the Tidswell directors on a quarterly basis. In addition, management constantly monitors cash requirements to ensure sufficient liquidity.	Refer to Disclosure Principle 1 for additional disclosure relevant to this benchmark.

ASIC Benchmark	**Compliance with Benchmark**	**Explanation**	**Disclosure Principles**
BENCHMARK 2: SCHEME BORROWING RG 45.42			
The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.	Benchmark not met for the PMMIS. Benchmark does not apply to the DMMIS.	Although Tidswell does not have any current borrowings and does not intend to borrow on behalf of the PMMIS, it is permitted to borrow in accordance with the PMMIS constitution. The PMMIS has a loan facility available, which it may use in the future to manage its short-term cash flow requirements. Any borrowings from the loan facility must first be approved by the Board of Tidswell.	Refer to Disclosure Principle 2 for additional disclosure relevant to this benchmark.
BENCHMARK 3: LOAN PORTFOLIO AND DIVERSIFICATION RG 45.44			
For a pooled mortgage scheme: **(a) the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region;** **(b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets;** **(c) the scheme has no single borrower who exceeds 5% of the scheme assets; and** **(d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).**	Benchmark not met for the PMMIS. Benchmark does not apply to the DMMIS.	(a) The portfolio of assets in the PMMIS is diversified by size, borrower and class of borrower activity. Diversification by geographic region is limited with the majority of the portfolio of assets held in metropolitan Adelaide. (b) The PMMIS currently has 5 assets that each account for more than 5% of the total assets by value. (c) The PMMIS currently has 5 borrowers who account for more than 5% of total assets by value. (d) All loans made by the PMMIS are secured by registered first mortgages over properties of the borrowers.	Refer to Disclosure Principle 3 for additional disclosure relevant to this benchmark.
BENCHMARK 4: RELATED PARTY TRANSACTIONS RG 45.47			
The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.	Benchmark not met for the PMMIS. Benchmark not met for the DMMIS.	Tidswell does not, in its capacity as responsible entity or investment manager, lend to related parties. However, as a part of a consolidated tax group, and in its personal capacity Tidswell lends money to its related bodies corporate.	Refer to Disclosure Principle 4 for additional disclosure relevant to this benchmark.
BENCHMARK 5: VALUATION POLICY RG 45.50			
In relation to valuations for the scheme's mortgage assets and their security property, the board of the responsible entity requires: **(a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;**	Benchmark not met for the PMMIS. Benchmark not met for the DMMIS.	(a) Tidswell has a panel of valuers in each State and Territory that we use. The valuers used are members of an appropriate professional body in the jurisdiction in which they perform valuations and are registered or licenced by the relevant government agency in their State or Territory.	Refer to Disclosure Principle 5 for additional disclosure relevant to this benchmark.

ASIC Benchmark	Compliance with Benchmark	Explanation	Disclosure Principles
(b) a valuer to be independent; **(c) procedures to be followed for dealing with any conflict of interest;** **(d) the rotation and diversity of valuers;** **(e) in relation to security property for a loan, an independent valuation to be obtained:** **(i) before the issue of a loan and on renewal:** **(A) for development property, on both an 'as is' and 'as if complete' basis; and** **(B) for all other property, on an 'as is' basis; and** **(ii) within two months after the directors form a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.**		(b) All valuers are independent of Tidswell, the schemes and assets of the schemes. (c) To ensure there is no conflict of interest Tidswell requires all valuers to sign a Statutory Declaration declaring that they hold no ownership or interest in Tidswell, the schemes or the assets of the schemes. (d) No valuer undertakes more than two consecutive valuations on a security property. Our panel of valuers are reviewed annually and from time to time we remove and add new firms. (e) Independent valuations on an 'as is' basis are obtained before the issue of a new loan and on renewal of an existing loan. For property development loans, valuations on an 'as if complete' basis are also obtained. Where the loan-to-valuation ratio (**LVR**) of the security property is 25% or less (as evidenced by the most recent Valuer General valuation) Tidswell has discretion to waive the requirement for a valuation and, under these circumstances, it does not meet this benchmark. Independent valuations are also obtained within two months after the directors form a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.	Refer to Disclosure Principle 5 for additional disclosure relevant to this benchmark.
BENCHMARK 6: LENDING PRINCIPLES – LOAN-TO-VALUATION RATIOS RG 45.56			
If the scheme directly holds mortgage assets: **(a) where the loan relates to property development – funds are provided to the borrower in stages based on independent evidence of the progress of the development;** **(b) where the loan relates to property development – the scheme does not lend more than 70% on the basis of the latest 'as if complete' valuation of property over which security is provided; and**	Benchmark met for the PMMIS. Benchmark met for the DMMIS.	(a) Where a loan relates to property development Tidswell only releases funds in stages as construction work is completed to our satisfaction and inspection, unless written certification from a quantity surveyor or approved valuer is required. (b) Where a loan relates to property development Tidswell does not lend more than 70% on the basis of the latest 'as if complete' valuation of the security property.	Refer to Disclosure Principle 6 for additional disclosure relevant to this benchmark.

ASIC Benchmark	Compliance with Benchmark	Explanation	Disclosure Principles
(c) in all other cases – the scheme does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.		(c) In all other cases Tidswell does not lend more than 80% on the basis of the latest market valuation of property over which security is provided. However, during the life of the loan portfolio, revaluations may be required (for reasons such as defaults) and, as a result of the revaluation, there may be times were the portfolio holds loans with an LVR greater than 80%.	
BENCHMARK 7: DISTRIBUTION PRACTICES RG 45.61			
The responsible entity will not pay current distributions from scheme borrowings.	Benchmark met for the PMMIS. Benchmark met for the DMMIS.	All distributions are calculated from income received in the relevant period. At the time a distribution is paid, PMMIS may have borrowings, principally to fund short term timing differences of borrower loan settlements or discharges. Distributions would be reduced if the responsible entity formed the view that borrowings were needed to support distributions.	Refer to Disclosure Principle 7 for additional disclosure relevant to this benchmark.
BENCHMARK 8: WITHDRAWAL ARRANGEMENTS			
RG 45.64 Liquid schemes **For liquid schemes:** **(a) the maximum period allowed for in the constitution for the payment of withdrawal requests is 90 days or less;** **(b) the responsible entity will pay withdrawal requests within the period allowed for in the constitution; and** **(c) the responsible entity only permits members to withdraw at any time on request if at least 80% (by value) of the scheme property is:** **(i) money in an account or on deposit with a bank and is available for withdrawal immediately, or otherwise on expiry of a fixed term not exceeding 90 days, during the normal business hours of the bank; or** **(ii) assets that the responsible entity can reasonably expect to realise for market value within 10 business days.**	Benchmark not met for the PMMIS. Benchmark does not apply to the DMMIS.	(a) Maximum period allowed for in the constitution for the payment of withdrawals when the scheme has liquidity is 90 days; (b) the responsible entity will pay withdrawal requests within the period allowed for in the constitution; and (c) the responsible entity only permits members to withdraw at any time on request if the responsible entity reasonably believes that at least 80% (by value) of the scheme property can be realised for its market value within 90 days.	Refer to Disclosure Principle 8 for additional disclosure relevant to this benchmark.

RG 45.65 Non-liquid schemes **For non-liquid schemes, the responsible entity intends to make withdrawal offers at least quarterly.**	Benchmark not met for the PMMIS. Benchmark not met for the DMMIS.	PMMIS, whilst not meeting the definition of a liquid scheme from time to time invests in short mortgage loans, which generally provides sufficient turnover of cash to meet withdrawal requests within the payment terms under the constitution. Therefore, directors see no need to provide withdrawal windows. Under the definition of 'liquid assets' in the Corporations Act 2001, the DMMIS is considered non-liquid. Funds cannot be withdrawn from the DMMIS until the loan is repaid by the borrower, unless a replacement investor can be found.	Refer to Disclosure Principle 8 for additional disclosure relevant to this benchmark.

Disclosure Principles

Disclosure Principle 1: Liquidity

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

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

As at the date of reporting the PMMIS had liquidity as defined under the ASIC benchmark (i.e. cash or cash equivalents) of $6,515,186 or 10.41% of total assets. The composition and level of liquidity may change over time.

The cash flow estimates enable Tidswell to ensure the PMMIS has sufficient cash or cash equivalents to meet its projected cash flow needs over the next 12 months.

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

There are many risk factors that may affect the liquidity of the PMMIS including:

- insufficient equity in the mortgage assets of the scheme to repay investor's capital;
- an increase in withdrawal requests (in a short period) to an amount greater than the level of cash or cash equivalents available in the scheme;
- a decline in the Australian property market making it difficult to sell the underlying securities;
- a significant increase in the number of defaults within the loan portfolio; and or
- Government intervention and regulation changes resulting in the scheme being unable to fulfil its objectives.

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

The PMMIS does not have any liabilities with a maturity date; therefore does not need such policy.

The DMMIS is a contributory mortgage scheme; therefore, this disclosure principle does not apply. Funds cannot be withdrawn from the DMMIS until the loan is repaid by the borrower, unless a replacement investor can be found.

Disclosure Principle 2: Scheme borrowing

The PMMIS has a standby loan facility with a limit of $4 million or 10% of the net assets of the PMMIS, whichever is the lesser.

The standby loan facility is maintained in order to fund short term cash flow requirements of the PMMIS. This 'at call' standby loan facility is with a related party[1] and is due to expire 31 December 2019. The interest paid on the loan facility is the base lending rate as determined from time to time. The current rate is 8.75% pa. These funds and amounts owing to other creditors of the PMMIS, are ranked before the investor's interests in the PMMIS. We are not and, have never been, in default of any loan agreement with any lender in relation to the standby loan facility.

The main risk associated with the standby loan facility is the related party demanding repayment. This is mitigated by the facility only being activated to manage short term cash flow requirements.

The DMMIS does not borrow funds as all loans are fully funded by the investor(s), therefore, this disclosure principle does not apply.

[1] Tidswell Master Superannuation Plan – Div 1

Disclosure Principle 3: Loan portfolio and diversification

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

(a) by number and value:

(i) loans by class of activity

Asset class	No. of loans	Value ($)
Residential	28	23,987,350
Commercial	3	619,250
Industrial	0	0
Rural	0	0
Construction & development	17	31,440,989
Land division	0	0
Other direct mortgage schemes	0	0
Other pooled mortgage schemes	0	0
Total	**48**	**56,047,589**

(ii) loans by geographic region

Region	No. of loans	Value ($)
South Australia		
Adelaide Hills	1	140,000
Barossa	1	187,000
Eyre & Western SA	1	3,180,000
Far North	1	31,250
Fleurieu & Kangaroo Island	2	1,108,000
Limestone Coast	0	0
Metropolitan Adelaide	37	31,691,350
Murray & Mallee	0	0
Yorke & Mid North	0	0
Sub-total – SA	**43**	**36,337,600**
Interstate		
NSW	4	16,867,179
QLD	1	2,842,810
VIC	0	0
WA	0	0
TAS	0	0
ACT	0	0
NT	0	0
Sub-total – Interstate	**5**	**19,709,989**
Total	**48**	**56,047,589**

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

Days in default/arrears	No. loans	Amount ($)[2]	Proportion (%)[1]
31-60 days	0	0	0
61-90 days	0	0	0
More than 90 days	6	10,981,365	17.2
Total	**6**	**10,981,365**	**17.20**

A loan is considered in default when interest is in arrears for more than 30 days.

Initially Tidswell will work with the borrower to manage loans that are in arrears to help rectify the arrears and agree on alternative payment arrangements.

In the event that a borrower defaults, there is a process to manage the default as quickly as possible. The board monitors all defaults regularly and will takes legal action to take possession of the security property in order to recover the loan amount outstanding, when it considers recovery is unlikely otherwise. Third party service providers may also assist in the recovery process.

At the date of reporting Tidswell had a total of 6 loans in default secured by 43 properties with a total security value of $13,565,000. Tidswell holds possession orders over 28 properties with a total security value of $9,480,000 on 4 of the default loans.

(iv) the nature of the security for loans made by the scheme

All loans are secured by a registered first mortgage over the properties of the borrowers.

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

As at the date of reporting, the PMMIS had 19 loans totalling $15,568,008 approved but not yet advanced, which include:

- existing loans not yet fully advanced of $14,048,008; and
- loans approved but not yet settled of $1,520,000.

[2] Includes principal and interest.

Undrawn loan commitments are funded from available cash in the PMMIS.

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

Maturity profile	No. loans	Value ($)
1 year or less	47	55,537,589
1 to 2 years	1	510,000
Total	**50**	**56,047,589**

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

Loan-to-valuation ratio (%)	No. loans	Value ($)
0-19.99%	1	350,000
20-39.99%	5	1,630,350
40-59.99%	13	15,482,868
60-74.99%	26	30,616,121
75-100%	3	7,968,250
Total	**48**	**56,047,589**

(viii) interest rates on loans, in percentage ranges

Interest rates (%)	No. loans	Value ($)
0-7.99%	2	5,410,750
8-9.99%	35	25,481,900
10-11.99%	8	21,765,689
12-13.99%	3	3,389,250
14-15.99%	0	0
Total	**48**	**56,047,589**

(ix) loans where interest has been capitalised

	No. loans	Value ($)
Capitalised interest	24	29,703,084

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

	Value ($)	Proportion (%)
Largest borrower	6,235,588.63	9.96
10 largest borrowers[3]	32,193,739.52	51.45

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

There are no loans in the PMMIS secured by second-ranking mortgages.

(d) The use of derivatives (if any)

Tidswell does not use derivatives to manage risk in the PMMIS; therefore, this disclosure principle does not apply.

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

The current non-mortgage assets of the PMMIS include cash and cash equivalent investments to the value of $6,515,186.

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

The PMMIS is authorised to lend in all Australian States and Territories but does not have a diversification policy. Each loan application received by Tidswell is unique and is assessed in accordance with our lending policies and procedures.

RG 45.81 The responsible entity should disclose its policy on the above matters and how the scheme will lend funds generally.

(a) the maximum loan amount for any one borrower

The maximum loan amount for any one borrower is generally 10% of the assets in the PMMIS; however, loans in excess of 10% may be made in exceptional circumstances where directors consider the risks are sufficiently mitigated. This limit has been reduced to 7.5% for borrowers in metropolitan Sydney.

The maximum amount lent is $4 million before full board approval is required.

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

The capacity to service the loans is assessed on financial information provided by the borrower for at least the previous financial period. Borrowers are generally required to meet a minimum interest coverage ratio of 1.0 times plus a $5,000 per annum surplus.

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

Before rolling over or renewing an existing loan the security property is revalued by one of Tidswell's panel of approved valuers.

(d) the responsible entity's approach to taking security on lending by the scheme

All loans are secured by a registered first mortgage. Tidswell will accept as security for loans income producing residential, commercial, industrial or retail, properties. We may accept other forms of property as acceptable security for loans, which are not income-producing, e.g. owner-occupied property, security property for construction loans or rural property. Tidswell will not take security over high risk, highly specialised properties such as hotels (pubs), nursing homes, fuel depots, etc., without full Board approval.

Tidswell uses a risk-based approach towards the loan portfolio. For example, there is no limit on the PMMIS exposure to residential property. We endeavour to minimise exposure to property sectors which are considered to have excessive risk at any given time.

RG 45.82 If an unlisted pooled mortgage scheme invests in, or may invest in, other unlisted mortgage schemes (whether registered or unregistered) the responsible entity must disclose its policy on investing in those schemes, including the extent to which the responsible entity required

[3] Includes the largest borrower.

those schemes to meet the benchmarks and apply the disclosure principles.

The approval of investment in other unlisted mortgage schemes is subject to the same policy requirements as our own loans. It is Tidswell's intention to give preference to sourcing, assessing, approving and managing our own loans.

Tidswell will seek confirmation from other unlisted mortgage schemes the PMMIS invests into that these schemes meet ASIC's benchmarks and apply the disclosure principles on an "if not, why not" basis. Where these schemes do not meet the relevant benchmarks and disclosure principles, Tidswell will assess the reasons why and will take this into account in determining whether the relevant scheme is an appropriate investment for the PMMIS. Generally, we will only invest PMMIS funds in other unlisted mortgage schemes which comply with ASIC's benchmarks and apply the disclosure principles.

Disclosure Principle 4: Related party transactions

The schemes do not lend to Tidswell or related parties of Tidswell or the scheme's investment manager.

Some of the directors and employees of Tidswell and their families have or may have holdings in the schemes as investors.

Tidswell maintains and complies with a documented related party transactions policy to ensure that all related party transactions are assessed and monitored and comply with the relevant legislation and regulations. In addition, Tidswell maintains and complies with a documented conflicts of interest policy to identify, monitor and manage actual or perceived conflicts of interests, including those of related party transactions.

Disclosure Principle 5: Valuation policy

RG 45.91 The responsible entity should disclose:

(a) where investors may access the scheme's valuation policy

The scheme's valuation policies are contained within the constitution. A copy of the constitution is available from Tidswell free of charge on request.

(b) the processes that the directors employ to form a view on the value of the security property

Tidswell uses a range of processes to form a view on the value of a security property including:

- obtaining an independent valuer's opinion on a market basis;
- obtaining an independent licenced real estate agents opinion;
- obtaining the Valuer General's opinion; and
- obtaining the opinion of a representative of Tidswell having inspected the property.

Where the loan-to-valuation ratio of the security property is 25% or less (as evidenced by the most recent Valuer General valuation) Tidswell has discretion to waive the requirement for a valuation.

Tidswell considers each of the above valuation methods, as applicable, when forming its decision to lend.

(c) the frequency of valuations of security property

Tidswell requires an updated valuation in circumstances where:

- a loan is being rolled over or renewed;
- the current valuation is more than 3 years old;
- the existing valuer will not provide current insurance details;
- Tidswell has formed the view that the value of the underlying security property has decreased to such an extent as to create a material breach of a loan covenant;
- the security property is to be sold by Tidswell as mortgagee in possession;
- at such times that Tidswell considers necessary; or
- any material inconsistencies between any current valuation over security property and the scheme's valuation policy.

As at the date of reporting, Tidswell is not aware of any material inconsistencies between any current valuation over security property and the scheme's valuation policy.

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

All investors in the DMMIS are provided with a copy of the valuation of the property securing a loan in which they have or are being offered an interest.

Disclosure Principle 6: Lending principles – Loan-to-valuation ratios

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

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

	% as at date of reporting
Maximum LVR	Residential 75% Commercial/Industrial 67% Rural 55%
Weighted average LVR[4]	63.95%

During the life of the loan portfolio, revaluations may be required (for reasons such as defaults). As a result of the revaluation, there may be times when the portfolio holds loans with an LVR greater than 80%. In these circumstances, Tidswell may:

- contact the borrower and require a principal reduction to bring the LVR into line with our requirements; and/or
- contact the borrower and require additional security to bring the LVR into line with our requirements; and/or
- place the loan in default and commence recovery actions; and/or

[4] Weighted by the value of the loans in the PMMIS.

- continue with the loan at the higher LVR.

As at the date of reporting, the PMMIS had 2 loans totalling $7,128,250 with an LVR greater than 80%.

(b) where funds are lent for property development:

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

Where a loan relates to property development Tidswell only releases funds to the borrower in stages based on the following criteria:

- As construction work is completed to our satisfaction and inspection, unless written certification from a quantity surveyor or approved valuer is required. Written certification may include:
  - the value of the existing works at each instalment stage;
  - the amount that has been outlaid on construction of the proposed security property;
  - the value of the works of the particular development yet to be completed; and
  - the amount to be retained to enable completion of the property (the retention monies).
  - Retention monies will, at all times, be invested in an interest-bearing deposit account and held as additional security. All interest accrued on such money will be assigned to the benefit of the borrower.
- On completion of the development project, when the loan is fully advanced, the LVR will not exceed 75% of the "on completion" value of a residential security property and 67% of a commercial or industrial security property.

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

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

Loan-to-cost Ratio		
Loan number	**% complete by value**	**Loan-to-cost ratio**[5]
547	48.86	65.53
549	100.00	55.52
555	92.43	32.30
560	100.00	74.14
571	99.74	67.64
574	69.72	60.61
575	98.50	60.98
578	93.08	83.38
579	97.89	75.54
581	70.18	77.00
582	100.00	58.24
583	99.91	76.82
584	96.85	56.52
585	89.19	58.38
586	100.00	53.53
588	63.33	74.48
589	70.29	65.44
590	83.24	69.03
591	83.53	68.95
594	83.56	62.07
596	69.12	69.31
597	63.91	54.74
598	48.00	64.52
600	52.90	66.98

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

As at the date of reporting, the PMMIS had property development loans (includes construction and development, and land division loans) totalling 35.42% of the scheme's assets. Accordingly, the PMMIS invests a large component of funds in property development loans.

The PMMIS also had 5 property development loans totalling $15,135,000 with a loan-to-cost ratio exceeding 75%. As at the date of reporting a total of $12,112,983 has been drawn from these loans.

Disclosure Principle 7: Distribution practices

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

(a) the source of the current and forecast distributions

Distributions are sourced from income received in the relevant distribution period, which includes interest payments on loans and interest earned on the cash and cash equivalents component of the PMMIS portfolio.

Tidswell does not forecast distribution amounts to investors nor does it promote a particular return on investment.

(b) if the distribution is not solely sourced from income received in the relevant distribution period, the reasons for making those distributions and the risks associated with such distributions

All distributions are sourced from income received in the relevant distribution period; therefore, this disclosure principle does not apply.

(c) if the distribution is sourced other than from income, whether this is sustainable over the next 12 months

All distributions are sourced from income received in the relevant distribution period; therefore, this disclosure principle does not apply.

[5] The ratio of the loan amount to the total cost of the development project, including the cost of land.

(d) when the responsible entity will pay distributions and the frequency of payment of distributions

Distributions are payable quarterly on the 15th day of April, July, October and January each year.

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

The PMMIS does not promote a particular return on investment; therefore, this disclosure principle does not apply.

Investors in the DMMIS receive a Supplementary Product Disclosure Statement (SPDS) which includes a particular return on investment being the interest rate on the loan. Details of the circumstances in which a lower return may be payable together with details of how that lower return will be determined are disclosed in the SPDS.

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

The Schemes do not make distribution forecasts; therefore, this disclosure principle does not apply.

Disclosure Principle 8: Withdrawal arrangements

RG 45.104 The responsible entity should disclose:

(a) the scheme's withdrawal policy and any rights that the responsible entity has to change the policy

Provided the PMMIS has sufficient liquidity and withdrawals have not been suspended, Tidswell exercises its discretion to pay withdrawal requests within the period allowed for in the constitution.

Tidswell may resolve to change its policy in relation to withdrawals requests at any time.

(b) the ability of investors to withdraw from the scheme when it is liquid

Provided the PMMIS has sufficient liquidity, withdrawal requests are generally processed within 7 business days of being received.

(c) the ability of investors to withdraw from the scheme when it is non-liquid

Generally, investors will be able to withdraw within 90 days from PMMIS unless an extreme even takes place and it is frozen by the responsible entity.

In the event that the PMMIS is 'frozen' (in whole or in part) investors will not be permitted to withdraw from the scheme until such time a withdrawal offer is made. Tidswell has full discretion as to the timing and payment of withdrawal offers and may refuse or suspend withdrawal requests until such time that a withdrawal offer is made.

In poor economic conditions it may be difficult to realise loans in the scheme or sell underlying securities to repay investor's capital.

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

There are many risk factors that may affect the ability of investors to withdraw from the PMMIS including:

- insufficient equity in the mortgage assets of the scheme to repay investor's capital;
- an increase in withdrawal requests (in a short period) to an amount greater than the level of cash or cash equivalents available in the scheme;
- a decline in the Australian property market making it difficult to sell the underlying securities;
- a significant increase in the number of defaults within the loan portfolio; and or
- Government intervention and regulation changes resulting in the scheme being unable to fulfil its objectives.

(e) how investors can exercise their withdrawal rights, including any conditions in exercising these rights

Investors can submit a withdrawal form for the PMMIS at any time to Tidswell. Provided the PMMIS has sufficient liquidity the payment of a withdrawal request will be made within 7 business days of being received.

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

Investments in the PMMIS do not have a maturity date or specified term, therefore, are not automatically rolled over or renewed. There is no specified investment term; however, investments in the PMMIS should be made with the intention of being invested for a minimum 12 month period.

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

The PMMIS has an 'at call' loan facility with a limit of $4 million or 10% of the net assets of the PMMIS, whichever is the lesser.

This loan facility is maintained in order to fund short term cash flow requirements

Tidswell may suspend or cancel this loan facility at any time.

For more details on the loan facility please refer to Benchmark and Disclosure Principle 2.

The DMMIS does not borrow funds as all loans are fully funded by the investor(s), therefore, this disclosure principle does not apply.

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

Under the PMMIS constitution the maximum withdrawal period that applies to the payment of withdrawal requests when the scheme has liquidity is 90 days.

(i) any rights the responsible entity has to refuse or suspend withdrawal requests

Tidswell may refuse or suspend withdrawal requests at any time.

(j) the policy of the scheme on balancing the maturity of its assets with the maturity of its liabilities and the ability of its members to withdraw

The PMMIS does not have any liabilities with a maturity date; therefore, this disclosure principle does not apply.

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

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

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

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

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

Tidswell makes no representations to investors about their ability to withdraw from the PMMIS.

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

Investors in PMMIS should not conclude that any statements that historically may have stated, withdrawal requests have been satisfied within a particular period also infers this will be the case in the future.

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

Neither the PMMIS or DMMIS promote a fixed unit price for investments; therefore, this disclosure principle does not apply.

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

The DMMIS is a contributory mortgage scheme. Funds cannot be withdrawn from the DMMIS until the loan is repaid by the borrower, unless a replacement investor can be found.

Contact us

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