



**MA ASSET MANAGEMENT**  
M O E L I S A U S T R A L I A

**MA PRIORITY INCOME FUND**  
**REFERENCE BOOKLET**

**ISSUER AND RESPONSIBLE ENTITY**

**MAAM RE LIMITED**

**ACN 135 855 186, AFSL 335 783**

**MANAGER**

**MA INVESTMENT MANAGEMENT PTY LTD**

**ACN 621 552 896, AFSRN 001258449**

# C O N T E N T S

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## ABOUT THIS REFERENCE BOOKLET

This Reference Booklet (**Booklet**) has been issued by MAAM RE Limited ACN 135 855 186; AFSL 335 783 (**Responsible Entity**). The information in this Booklet forms part of the product disclosure statement of the MA Priority Income Fund ARSN 648 809 849 dated 12 April 2021 (**PDS**) and should be read together with the PDS. The PDS can be obtained at no charge at <https://moelisaustralia.com/asset-management/retail-funds/ma-priority-income-fund/>. The PDS contains references to additional important information contained in this Booklet. The information contained in this Booklet is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Before deciding to invest in the Fund, you should read the PDS (including this Booklet) in its entirety. You should take into account all risk factors referred to in the PDS (including those in Section 7 of the PDS) and this Booklet and consider whether acquiring Units represents an appropriate investment in view of your personal circumstances. You should carefully consider your particular investment objectives, financial circumstances and investment needs (including financial and taxation issues) and you should seek advice from your professional adviser before deciding whether to invest. You should consider the risk factors that could affect the financial performance of the Fund. Capitalised terms have the meaning given in the PDS unless otherwise defined in this document.

### **PDS updates**

Information in the PDS and this Booklet may need to be updated from time to time. Any updated information in the PDS or this Booklet that is considered not materially adverse to holders of Units (Unitholders) (Updated Information) will be made available by the Responsible Entity by publishing such information on the Fund's website at <https://moelisaustralia.com/asset-management/retail-funds/ma-priority-income-fund/>. A paper copy of any Updated Information will be provided free of charge on request. Any new or updated information that is materially adverse to Unitholders will be made available to Unitholders on the Fund's website and, if necessary, via a supplementary or new PDS accessible at <https://moelisaustralia.com/asset-management/retail-funds/ma-priority-income-fund/>.

The PDS, this Booklet and the constitution of the Fund dated 30 April 2020 (Constitution) supersede and replace any earlier information provided by the Responsible Entity, Moelis Australia, their affiliates and their respective representatives and agents in respect of the Fund.

# 1 OVERVIEW OF AUSTRALIA'S CREDIT MARKET

## 1.1 Private Credit Overview

Private credit is the supply of debt capital to corporate, consumers and small and medium-sized enterprises (SMEs) through loans and credit instruments. The term 'private' refers to these loans not being traded or issued in public markets. A loan is an advance of money to a borrower with obligations to make interest payments on the amount borrowed (principal) over a set period of time. When that period ends, the borrower is obligated to repay the principal in full. An investor in private credit is essentially a lender, earning a return on their capital through interest and fee income received during the term of the loan. As returns generated in private credit are contractually agreed, private credit investments are considered to offer lower volatility of returns than equity investments.

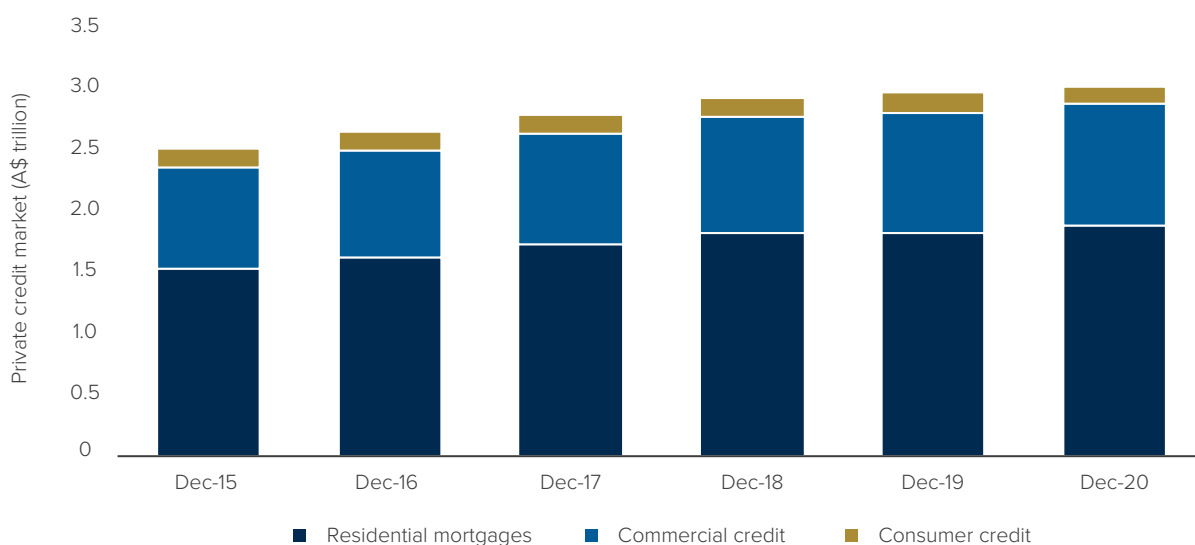
The priority in the ranking of the capital structure of a loan is a key determinant of the level of risk of the loan investment. Debtholders generally have preferential treatment over equity holders for income distributions and capital returns in the event of insolvency. Furthermore, some debtholders may have priority over other debtholders.

Higher ranking debt, such as senior secured debt will be the first debt to be repaid in the event of default, before lower ranking debt such as subordinated or unsecured debt, which ranks after senior debt. Secured credit refers to the loan being secured over a specific asset or business. This provides higher recoverability to investors should the borrower(s) default on their loan obligation(s).

Private credit is an important source of capital for the broader Australian economy. The Australian private credit market consists of commercial loans to businesses, consumer loans and residential mortgages. As at December 2020, the market size was approximately \$3.01 trillion, having grown at a compound annual growth rate of 3.8% since 2016. The largest segment is residential mortgages, accounting for 62.5% of the total private debt market, followed by commercial loans, accounting for 32.7%.<sup>1</sup>

Australian and international banks provide 92.6% of all private credit in Australia, with the remaining balance being provided by Non-Bank Financial Institutions (NBFIs).<sup>2</sup> NBFIs have emerged in recent years as an alternative source of capital to Australian corporate, consumers and SMEs.

Figure 1 – Size of the Australian Private Credit Market<sup>3</sup>



1 Source: Reserve Bank of Australia, D2 Lending and Credit Aggregates – December 2020.

2 Source: Reserve Bank of Australia, D2 Lending and Credit Aggregates – December 2020.

3 Source: Reserve Bank of Australia, D2 Lending and Credit Aggregates – December 2020.

# 1 OVERVIEW OF AUSTRALIA'S CREDIT MARKET (continued)

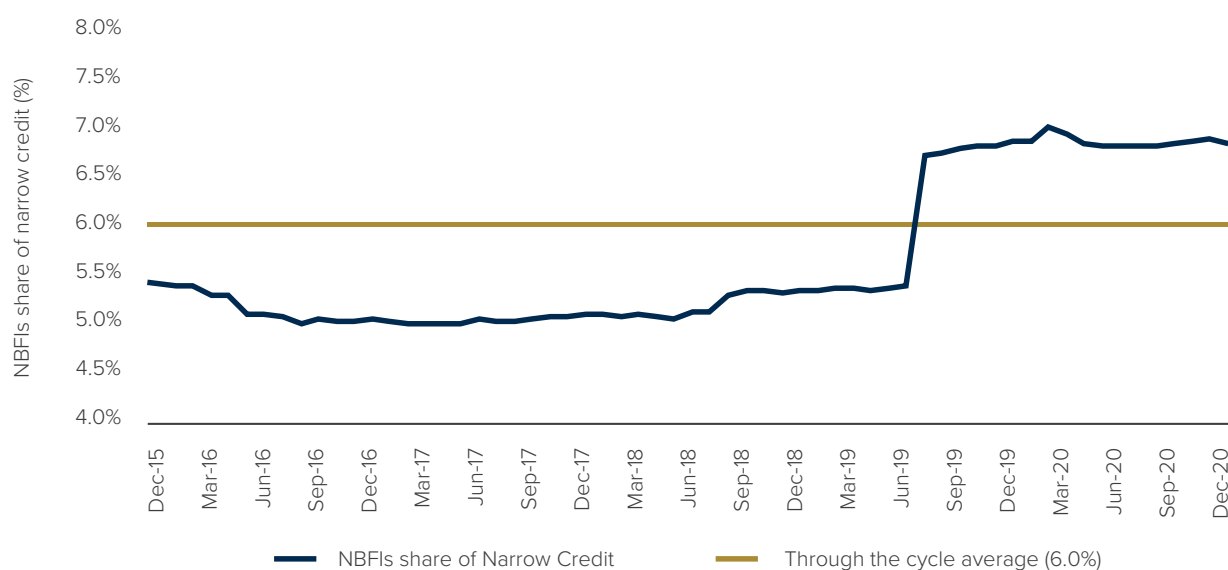
## 1.2 Introduction to Non-bank Financial Institutions (NBFIs)

NBFIs are non-depository financial institutions; meaning, unlike Authorised Deposit-taking Institutions, (ADIs), they do not hold deposits. NBFIs provide loans to consumers, SMEs and corporates, targeting market segments that are underserved by banks or where a bespoke approach is required. NBFIs are spread businesses – the income they earn is the difference between the cost they borrow money at and the cost they charge borrowers for loans. This difference is referred to as net interest margin. NBFIs typically borrow money through the process of securitisation, whereby investors, such as the Master Trust, and banks provide financing secured against the discrete loan assets originated by NBFIs.

In recent years there has been an increase in NBFI lending, driven by (i) The Royal Commission into Banking, Superannuation and Financial Services Industries, which has curtailed some ADI lending in certain market segments, and (ii) the Australian Prudential Regulation Authority's (APRA's) requirement for banks to hold more capital against non-standard loan types meaning it is uneconomical for banks to provide these loans.

The growth in NBFI lending may provide opportunities for debt investors, as they are the key source of capital for NBFIs through securitisation investments. Without continued investment, it would be more difficult for NBFIs to continue lending money to the broader Australian economy.

Figure 2 – Non-bank financial institution share of narrow credit<sup>4</sup>



4 Source: Reserve Bank of Australia, D2 Lending and Credit Aggregates – December 2020.

# 1 OVERVIEW OF AUSTRALIA'S CREDIT MARKET (continued)

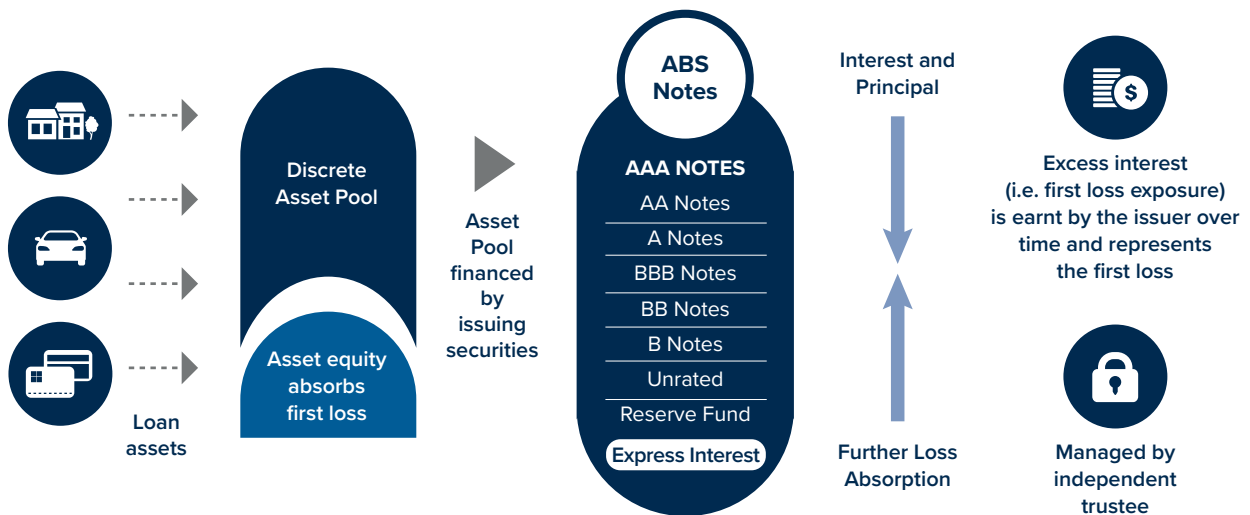
## 1.3 Introduction to Structured Credit and Securitisation

Securitisation is the process of converting typically illiquid portfolios of cashflow generating assets into securities. A bankruptcy remote vehicle purchases the pool of assets (such as loans, credit cards and mortgages) and finances this purchase through the issuance of investable securities to investors. The underlying assets act as collateral for the security. Cash flows generated from the pool of assets, such as interest and principal, are used to pay interest and principal on the notes issued by the securitisation.

Notes issued to investors are typically distinguished by tranches of different levels of risk based on seniority. The seniority impacts the order of repayment of principal and interest, and therefore the relative risk. The originator of the underlying pool of assets, referred to as the Issuer typically takes the equity or lowest ranking note. As this note is the last note to be repaid and the first to incur losses, this creates an alignment of interest between the originator and investors. Figure 3 illustrates the typical securitisation process from pooling assets into a bankruptcy remote special purpose vehicle (SPV) to issuing financing to investors, in the form of notes, against the pool of assets.

Investment in notes in securitisations are typically only available to institutional investors. Investment in the mezzanine (being a subordinated tranche of debt to the senior tranche) notes of securitisations is a material part of the Master Trust's investment strategy.

Figure 3 – Securitisation Process



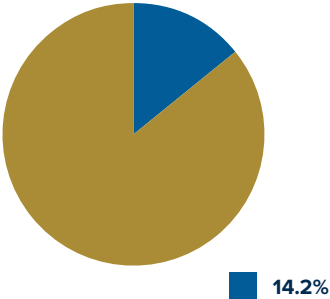
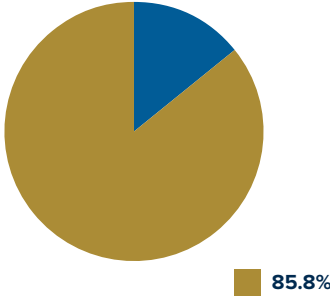
Source: Moelis Australia.

# 1 OVERVIEW OF AUSTRALIA'S CREDIT MARKET (continued)

## 1.4 Australian Structured Credit Market Overview<sup>5</sup>

The Australian structured credit market includes both public and private Asset Backed Securities (ABS) and Residential Mortgage-Backed Securities (RMBS) created through securitisation. ABS are a type of fixed income investment, where interest payments are linked and secured against the performance of an underlying pool of loan assets. RMBS is similar to ABS, however the pool of assets are exclusively loans secured by residential property.

There is \$~143.9bn of ABS and RMBS outstanding in Australia as at December 2020.<sup>6</sup> The majority (85.8%) of these are RMBS.<sup>7</sup>

Types of Credit	Market Composition	Description and Features
<b>ABS</b>	 <p>14.2%</p>	<p>ABS includes financing to consumers and businesses for a variety of purposes. Examples include:</p> <ul style="list-style-type: none"> <li>• Auto and equipment loans</li> <li>• Personal loans</li> <li>• Credit Cards and Buy Now Pay Later</li> <li>• Legal fee and disbursement financing</li> <li>• Medical bill financing</li> <li>• Accounts receivable and invoice financing</li> <li>• Strata loans.</li> </ul>
<b>RMBS</b>	 <p>85.8%</p>	<p>RMBS includes financing to consumers and businesses with security against residential property. Typical forms of RMBS include:</p> <ul style="list-style-type: none"> <li>• Prime residential mortgages</li> <li>• Self-Managed Super Fund (SMSF) mortgages</li> <li>• Alternative documentation residential mortgages</li> <li>• Non-conforming residential mortgages</li> <li>• Construction loans</li> <li>• Non-resident mortgages.</li> </ul>

<sup>5</sup> The past performance of the Australian structured credit sector is not a reliable indicator of future returns of this sector.

<sup>6</sup> Source: Reserve Bank of Australia, D4 Debt Securities Outstanding – December 2020.

<sup>7</sup> Source: Reserve Bank of Australia, D4 Debt Securities Outstanding – December 2020.

# 1 OVERVIEW OF AUSTRALIA'S CREDIT MARKET (continued)

## 1.5 Australian Structured Credit Performance

The Australian ABS and RMBS market have performed well over time, with low losses and impairments to assets. Credit enhancement provides multiple layers of protection to investors, mitigating losses to ABS and RMBS investors caused by losses on the underlying loans.

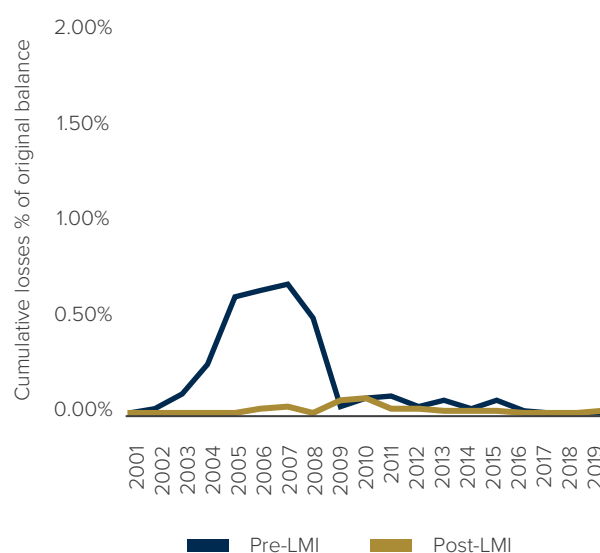
**All investment strategies are subject to risk, and the past success of these strategies is not a reliable indicator of future returns.**

Performance has been particularly strong in RMBS, across both prime and non-conforming RMBS. Mortgages in Australian RMBS are first mortgages with priority claim over the property in the event of a borrower default. Historically default rates have been low, but even in this event there is typically a level of property equity, lenders mortgage insurance or structural credit enhancements such as excess spread, loss reserves and additional credit subordination from the loan originator that have mitigated loss rates for RMBS investors. For prime RMBS, all losses as a result of foreclosure on properties secured by defaulted loans have been met by the lenders' mortgage insurance (LMI), the mortgage originator or excess available income, with no losses to RMBS rated noteholders.<sup>8</sup> Highest losses in non-conforming RMBS to past credit impaired borrowers was cumulatively 1.39% during the GFC.<sup>9</sup>

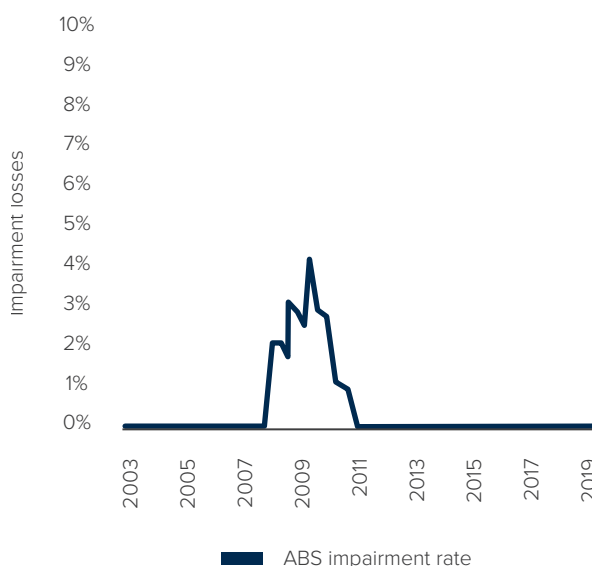
The positive performance from securitisation is typically due to both the underlying asset performance and the idiosyncratic structural credit enhancements available to ABS and RMBS investors that provide additional loss absorption thus often mitigating (but not eliminating) downside risk. Please refer to section 1.6 of this Booklet for more information.

Figure 4 and 5 outlines the loss rates of Australian ABS and RMBS.

**Figure 4 – Australian Prime RMBS Cumulative Loss Performance (Source: Moody's Australia RMBS Performance Update 17 November 2020)**



**Figure 5 – Australian ABS Performance (Source: Moody's Trailing 12-month Impairment Rates for Asia-Pacific (ex-Japan) ABS by Cohort Rating 1993-2019)**



8 Source: S&P: An Overview of Australia's Housing Market and Residential Mortgage-Backed Securities 2020

9 Source: Moody's Nonconforming Losses: Non-conforming RMBS – Australia cumulative losses (by Issuer – Bluestone Sapphire



# 1 OVERVIEW OF AUSTRALIA'S CREDIT MARKET (continued)

## 1.6 Structural credit enhancements

ABS and RMBS investments benefit from a number of credit enhancements that are built into the investment structure and provide loss mitigation to investors.

### Structural protections include:

#### Security

In a securitisation, the special purpose vehicle (SPV) holds security over all loan assets. This means the investor benefits from the underlying collateral that the loan is secured against, such as the residential property, commercial property or vehicles. When a borrower defaults, the first protection provided to investors is the repossession of the secured collateral, which provides high recoverability to investors. The Manager views investments in asset classes like residential mortgages or automotive loans as preferable given their higher recoverability characteristics due to the deep secondary resale markets for these assets.

#### Seniority

In many RMBS and ABS the Issuer is required to hold the most junior tranche in the capital structure. This provides an alignment of interest, whereby any losses in the underlying portfolio of loans are first absorbed by the issuer before any other debtholders. This creates incentive for the issuer to underwrite new loans in a prudent manner, as they will be the first to be adversely impacted in the event of a loss.

#### Excess Spread

Excess Spread refers to the surplus difference between the interest received by an underlying asset pool and the interest paid to the debtholders. It is typically one of the first defences against loss, as any losses incurred in the underlying portfolio will be first absorbed by the 'excess spread' before impacting first the junior (Issuer's) tranche then debtholders interest and principal.

#### Diversification

Structured credit investments typically benefit from a high degree of diversification, both in the underlying collateral pool and the type of assets. Investments in ABS and RMBS are often secured by thousands of loans, with thousands of individuals or businesses repaying those loans. In a conventional loan, investors are generally exposed to a single borrower or asset. Even in traditional credit funds, concentration levels are typically much higher than the broad-based pools of underlying assets in ABS or RMBS transactions. The diversification provided to ABS and RMBS investors seeks to provide additional credit protection by limiting exposure to the risk of one or a small number of borrowers defaulting.

The idiosyncratic protections available to structured credit investors detailed above, have assisted in the performance of structured credit in Australia to date.

## 1.7 Market opportunity

RMBS and ABS markets play an important role in Australian capital markets and it is expected that continued growth in the NBFIL lending market in Australia will further support funding requirements. Given the historical performance of ABS and RMBS, the Manager views the asset class as an attractive alternative investment option that has traditionally not been available to retail investors seeking stable cash yield across all economic conditions.<sup>10</sup> For further detail on the Master Trust's investment strategy refer to Section 3.

<sup>10</sup> Past performance is not a reliable indicator of future performance.

## 2 INVESTMENT STRUCTURE

### 2.1 Overview of the Master Trust

The Master Trust was established on 4 January 2019 and is an open-ended unregistered unit trust. MA Asset Management Ltd (**MAAM**) acts as trustee of the Master Trust (**Trustee**). The Trustee has appointed MAIM as the Manager of the Master Trust, which also acts as Manager of the Fund.

The Master Trust issues Class A units (**Class A Units**) to the Fund and Class B units (**Class B Units**) to Moelis Australia.

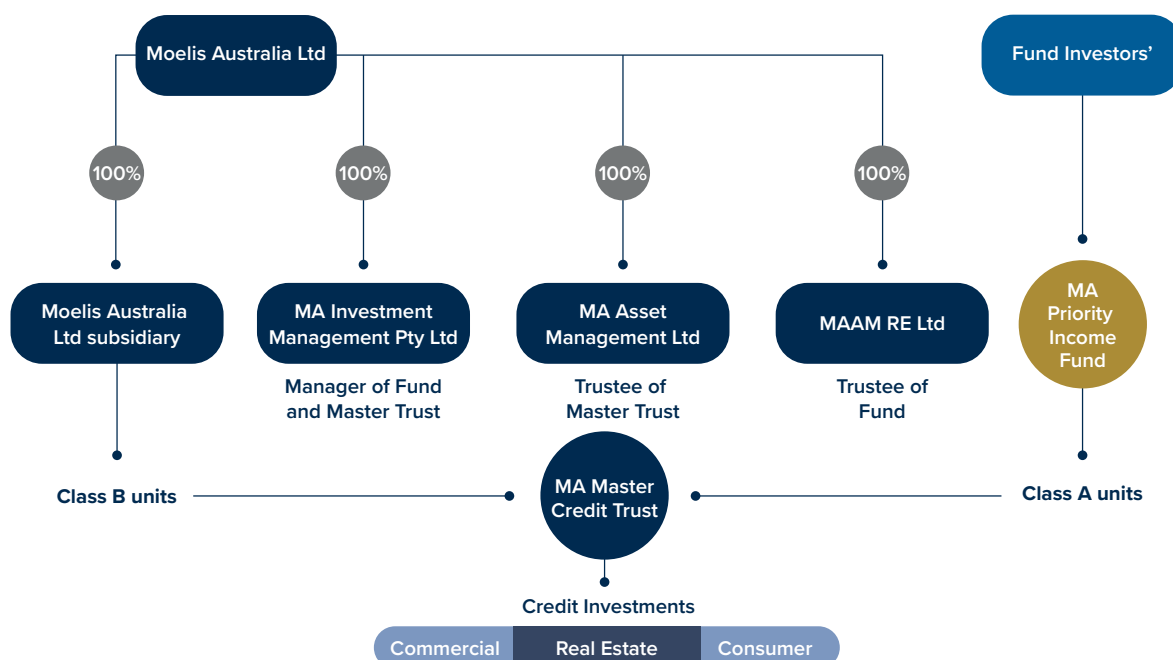
The Master Trust uses proceeds received from the issuance of Class A Units and Class B Units to construct and actively manage the Portfolio in accordance with the investment strategy and investment guidelines (see Section 6 of the PDS and Section 3 for further information).

The NAV of the Master Trust<sup>11</sup> is \$189.3 million as at 31 December 2020, with \$172.1 million attributed to Class A Units and \$17.2 million attributed to Class B Units.

### 2.2 The Fund's investment structure

The investment structure comprises the Fund and the Master Trust and reflects the structure through which Unitholders will achieve an underlying exposure to the Portfolio and benefit from Priority Return features associated with the Manager Co-Investment.

Figure 6 – MA Priority Income Fund Structure



11 The NAV of the Master Trust is calculated in accordance with the accounting policies of the Master Trust.

## 2 INVESTMENT STRUCTURE (continued)

The Fund invests its capital after fees and costs in Class A Units, which, together with small cash balances from time to time, are the sole investment of the Fund. The Fund receives income distributions on its investment in Class A Units up to the Class A Unit Target Return, which is set equal to the Target Return of the Fund. The Fund then distributes this income to Unitholders.

Moelis Australia makes its subordinated first-loss Manager Co-Investment by subscribing for Class B Units. Each time the Fund invests in Class A Units, Moelis Australia will make an additional Manager Co-Investment equal to 10% of the amount invested in Class A Units. The rights attributed to Class A Units and Class B Units give effect to the Priority Return features outlined in Section 2.3.

### 2.3 Priority Return features

Moelis Australia invests in the Master Trust by way of Class B Units. Class B Units' receipt of income and capital from the Master Trust is subordinated to those of Class A Units (which are held by the Fund). The Class A Units' Priority Return features (to which the Fund is exposed) comprise:

- Income Priority
- Income Shortfall Top-Up
- Capital Buffer
- Capital Priority
- Capital Buffer Top-Up.

Each of which are described in turn below.

#### (a) Income Priority

The Master Trust makes income distributions based on an underlying measure of net income defined in the accounting policies of the Master Trust Deed (**Realised Profit**) (see Section 2.5 below).

Class A Units have a priority entitlement to all Realised Profit up to the Class A Target Return (**Income Priority**).

Class B Units will have an entitlement to Realised Profit exceeding the Class A Target Return (if any), subject to amounts payable under the Income Shortfall Top-Up and Capital Buffer Top-Up mechanisms (see below).

#### (b) Income Shortfall Top-Up

If, in any period, Class A Units receive less than the Class A Target Return, the income shortfall will carry forward to future periods to be paid in priority to any income distribution to Class B Units (Income Shortfall Top-Up).

#### (c) Capital Buffer and Priority

Class A Units rank in priority of Class B Units on a capital basis, meaning:

- if the Master Trust incurs an impairment of capital, it is Class B Units that are impacted first. Only once Class B Unit capital has been impaired to zero will Class A Units (and therefore Unitholders) incur any capital impairment (**Capital Buffer**); and
- in the event of a wind-up, Class A Units receive back their Invested Capital in priority to any return to Class B unitholders,

(collectively referred to as the **Capital Buffer and Priority**).

In this way, Class B Units act as a buffer, providing a degree of protection to Class A Units (and therefore Unitholders in the Fund) from capital losses. An underlying measure of the capital buffer provided by the subordinated, first-loss Manager Co-Investment in Class B Units will be calculated by the Trustee on an ongoing basis in accordance with the accounting policies of the Master Trust. The Capital Buffer may change due to various factors such as performance of the Portfolio and future equity raises. The formula for calculation of the Capital Buffer is set out in the Master Trust Deed. In summary, the Capital Buffer will be reduced if the Master Trust suffers a Realised Loss in any six-month period and will be replenished in subsequent periods by any Realised Profit retained under the Capital Buffer Top-Up mechanism (see below). The calculation of the Capital Buffer is reviewed semi-annually by the Auditor.

It is a requirement that the Capital Buffer is equal to 10% of Class A Unit Invested Capital before Class B can receive any income distributions or capital distributions (in the event of a wind-up or return of capital).

## 2 INVESTMENT STRUCTURE (continued)

### (d) Capital Buffer Top-Up

If the Capital Buffer is less than 10% of Class A Invested Capital, then

- Class B is not entitled to any distributions
- any distributable income that would otherwise be available to Class B is retained by the Master Trust until the Capital Buffer is replenished to equal 10% of Class A Invested Capital. (Capital Buffer Top-Up).

Figure 7 – Capital loss protection illustration

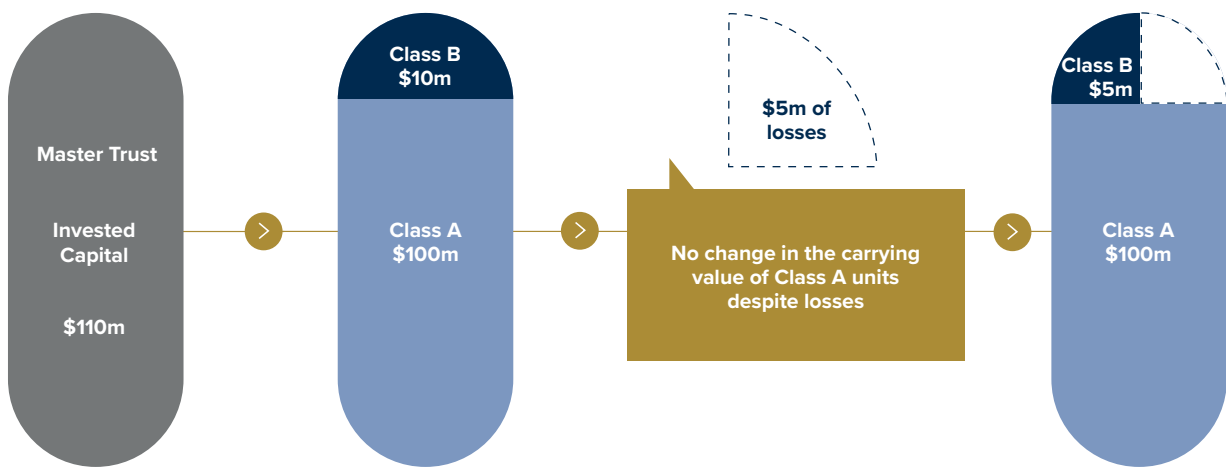
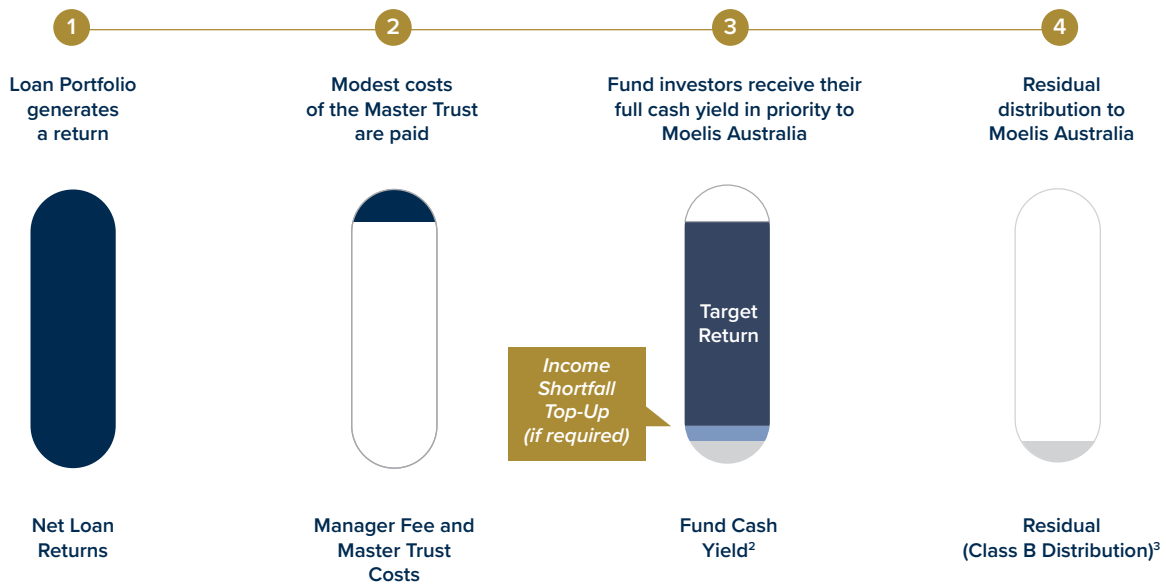


Figure 8 – Income priority illustration



## 2 INVESTMENT STRUCTURE (continued)

### 2.4 Priority Return illustrative numerical examples

The operation of the Priority Return features is demonstrated using the illustrative numerical examples below. The examples are based on the following assumptions:

- the NAV of the Fund is \$100 million and the Capital Buffer is \$10 million
- the Target Return is \$4.10 million, being the RBA Cash rate + 4.00% multiplied by the Fund size of \$100 million
- RBA Cash Rate of 0.10% as at 31 December 2020.

#### Illustrative worked example: Income Priority and Income Shortfall Top-Up

A\$m unless otherwise stated	Year 1	Year 2	Year 3
Class A Target Return	4.10	4.10	4.10
Realised Profit/(Loss)	5.10	3.60	5.10
Class A Distribution (Income Shortfall Top-Up)	–	–	0.50
Class A Distribution (Target Return)	4.10	3.60	4.10
<b>Total Class A Distribution</b>	<b>4.10</b>	<b>3.60</b>	<b>4.60</b>
Class B Distribution	1.00	–	0.50
<b>Income Shortfall Top-Up Balance</b>	<b>–</b>	<b>0.50</b>	<b>–</b>

The Income Priority and Income Shortfall Top-Up mechanisms ensure that Unitholders, via the Fund's investment in Class A Units, receive their full Target Return (for the current and all prior periods) in priority to any residual distributions to Class B Units.

The Income Shortfall Top-Up mechanism is triggered if there is insufficient Realised Profit to pay the Class A Target Return. In this case, all available Realised Profit is paid to Class A Units. Any shortfall to the Class A Target Return is carried forward on a cumulative basis to be paid in future periods where there is sufficient Realised Profit. Class B Units are only paid a distribution after Class A Units (and therefore Unitholders in the Fund) have received the Class A Target Return for all previous periods.

#### Illustrative worked example: Capital priority on wind-up

A\$m unless otherwise stated	Scenario 1	Scenario 2
Class A Invested Capital	100	100
Class B Invested Capital	10	10
<b>Total Invested Capital</b>	<b>110</b>	<b>110</b>
<b>Net Asset Proceeds Realised</b>	<b>110</b>	<b>105</b>
Class A Capital Return	100	100
Class B Capital Return	10	5

In the event of a wind-up of the Master Trust, Class A Units (and therefore Unitholders in the Fund) receive their Invested Capital back in priority to Class B Units. If net asset proceeds realised on a wind-up are insufficient to cover all Invested Capital, Class B unitholders lose all of their capital, before Class A unitholders make any loss on their investment.

## 2 INVESTMENT STRUCTURE (continued)

### Illustrative worked example: Income Shortfall Top-Up and Capital Buffer Top-Up

A\$m unless otherwise stated	Year 1	Year 2	Year 3	Year 4	Year 5
Realised Profit/(Loss)	5.10	(2.0)	6.10	6.20	7.10
Class A distribution (Income Shortfall Top-Up)	–	–	4.10	2.10	–
<b>Class A distribution (Target Return)</b>	<b>4.10</b>		<b>2.00</b>	<b>4.10</b>	<b>4.10</b>
Total Class A distribution	4.10	–	6.10	6.20	4.10
Capital Buffer Top-Up	–	–	–	–	2.00
Class B Distribution	1.00	–	–	–	1.00
Income Shortfall Top-Up Balance	–	4.10	2.10	–	–
Capital Buffer	10.0	8.0	8.0	8.0	10.0
<b>Capital Buffer (%)</b>	<b>10.0%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>10.0%</b>

Under the Capital Buffer Top-Up mechanism, if the Capital Buffer is less than 10% of Class A Unit Invested Capital, then no distributions can be paid on Class B Units until the Capital Buffer is replenished in full.

As noted in Section 2.3 above, the Capital Buffer may be impaired if the Master Trust incurs a period of negative Realised Profit (for example, if the Portfolio experiences a heightened level of losses on the Portfolio). In future periods, Realised Profit otherwise available for distribution to Class B Units will be retained to replenish the Capital Buffer. Once the Capital Buffer returns to 10% of Class A Invested Capital, any remaining residual Realised Profit may be distributed to Class B Units.

## 2.5 Distribution Policy

### (a) Fund Distribution Policy

While the Responsible Entity has full discretion with regard to the distribution policy of the Fund, its intention is to pay 100% of its income less fees and costs in regular monthly distributions to Unitholders.

Distribution payments are generally made within 15 Business Days after the end of the distribution period subject to receipt of distributions from the Master Trust.

### (b) Master Trust Distribution Policy

The Master Trust distribution policy will be based on an underlying measure of net income defined in the accounting policies of the Master Trust Deed (referred to above as **Realised Profit**). The Realised Profit measure recognises loan losses on a realised basis which differs from the fair value and provisioning accounting principles under AASB9.

The Trustee will distribute 100% of the Master Trust's Realised Profit (subject to any amounts retained under the Capital Buffer Top-Up) on a monthly basis to the holders of Class A units and six-monthly to the holders of Class B units. Periodic distributions will be based on the Trustee's calculation of Realised Profit, with calculation to be reviewed by the auditor engaged by the Master Trust (**Master Trust Auditor**) every six-month period (June and December) and any true-up distributions made accordingly.

In accordance with the Priority Return features, the Master Trust will apply its Realised Profit in the following order of priority:

1. payment of Income Shortfall Top-Up to Class A Units (if any);
2. payment of Class A Target Return to Class A Units;
3. retention by the Master Trust of any balance in the Capital Buffer Shortfall Top-Up; then
4. payment of residual distribution to Class B Units.

## 2 INVESTMENT STRUCTURE (continued)

### (c) Reinvestment

A distribution reinvestment feature is not available for the Fund at the time of this PDS. The Responsible Entity may determine to offer a distribution reinvestment feature in its discretion and will communicate such to Investors by way of updated on the Fund's website. Where distribution reinvestment is offered by the Responsible Entity, distributions will not be automatically reinvested unless you instruct us otherwise in the Application Form. If you do not nominate a bank account for payment of distributions, we will treat this as a request to reinvest your distributions. You may change your distribution option by notifying us in writing at least 30 Business Days prior to the end of the relevant distribution period. Distributions will be reinvested using the applicable unit price of the Fund for the last Business Day of the relevant distribution period, adjusted to exclude the income to be distributed for the distribution period.

### 2.6 Asset valuation

The NAV of the Fund is expected to be calculated monthly by the Manager and made available on the Fund's website. The NAV of the Fund will be calculated by deducting from the total value of the assets of the Fund all liabilities, which includes declared but unpaid distributions, calculated in accordance with Australian Accounting Standards (AAS).

The NAV of the Fund will include the value of its holding in Class A Units in the Master Trust. The value of the Class A Units will be calculated in accordance with AAS, taking into consideration the valuation of the Portfolio of the Master Trust and reflecting the priority ranking of Class A Units over Class B Units.

The NAV of the Master Trust will be calculated in accordance with its accounting policies.

The Trustee must calculate the Master Trust NAV by deducting the value of the Master Trust Liabilities (other than the liabilities representing rights attaching to units in the Master Trust) from the value of the Master Trust Property (determined on the basis of the most recent valuation of each item), each as at the Valuation Time.

The calculation of the Fund NAV and the Master Trust NAV will be reviewed annually by the Auditor.

## 3 OVERVIEW OF THE INVESTMENT STRATEGY

### 3.1 Investment Strategy

The investment strategy of the Master Trust, to which the Fund is exposed comprises investments in the commercial, consumer and real estate credit segments as well as maintaining cash positions. The details of each of these are described below.

#### (a) Commercial

The commercial lending strategy encompasses financing to SMEs, either directly or indirectly. The commercial lending strategy is focused on asset-backed or specialised lending. Asset-backed lending is secured by collateral, which is a defensive characteristic to help minimise losses. Examples of asset-backed lending include, debtor and trade finance, legal disbursement funding, insurance premium funding, fleet and equipment finance, supply chain/inventory finance and other receivables-backed financing. The Master Trust typically invests in this segment through ABS, targeting established originators of loans that have demonstrated a track record in their chosen sub-sector.

Specialised lending opportunities are niche lending opportunities that arise through the Manager's proprietary origination platforms and provide attractive risk-return characteristics.

#### (b) Consumer

The consumer lending strategy involves financing individual and household consumers. The Master Trust will achieve exposure to consumer lending by investing in assets originated by Moelis Australia owned subsidiary MAF Credit Pty Ltd (**MAF Credit**), which holds an Australian Credit Licence, or by third party platforms. Consumer lending can either be secured or unsecured loans. Examples of consumer lending includes legal disbursement funding, personal loans, auto loans and strata finance.

#### (c) Real Estate

The real estate lending strategy involves financing backed by either residential or commercial real estate. Loans are typically secured by a first lien mortgage over the property. Examples of real estate lending include RMBS, commercial mortgage-backed securities (**CMBS**) and construction loans.

#### (d) Cash

The Master Trust expects to maintain a small allocation towards cash and other liquid assets. Cash will be held for liquidity and portfolio risk management purposes and to allow the Master Trust to take advantage of investment opportunities as and when they arise.

### 3.2 Portfolio Construction

#### Existing Portfolio

As at 31 December 2020, the Fund had Net Asset Value of \$172.1 million and the Master Trust had Net Asset Value of \$189.3 million in credit and cash investments.<sup>12</sup>

Credit Segment	Committed Amount (\$m)	Net Asset Value (\$m)	Portfolio Contribution (%)
Commercial	92.5	73.1	38.6
Consumer	51.0	48.0	25.4
Real Estate	39.4	39.2	20.7
Portfolio	182.9	160.3	84.7
Net cash		29.0	15.3
<b>Total</b>		<b>189.3</b>	<b>100</b>

<sup>12</sup> The NAV of the Master Trust is calculated in accordance with the accounting policies of the Master Trust.



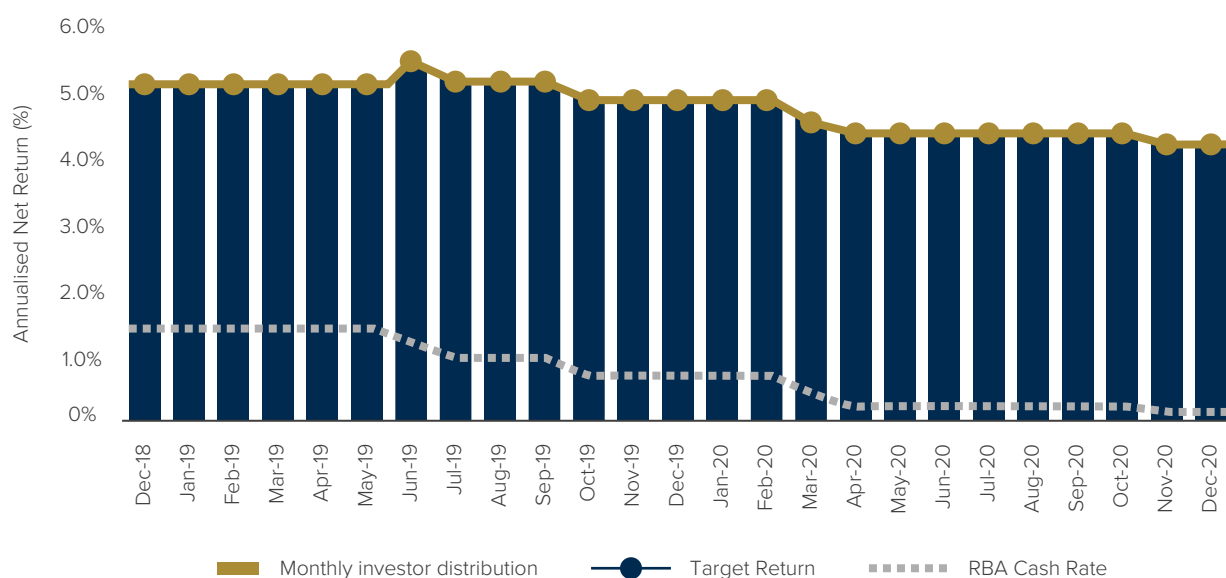
### 3 OVERVIEW OF THE INVESTMENT STRATEGY (continued)

On a look through basis, the portfolio of the Fund is diversified by credit counterparty and average exposure. As at 31 December 2020, the Portfolio had 26,059<sup>13</sup> underlying credit counterparties with an average credit exposure of \$166,379. There have been no losses in the Master Trust or Fund from inception and up to 31 December 2020.

As at 31 December 2020, approximately 32% of the investments of the Master Trust were originated via Moelis Australia owned platforms. As at the date of this PDS, the Manager expects a similar origination split between proprietary platforms and third-party originators.

#### 3.3 Performance history

Since inception, the Master Trust has paid out the target return as monthly distributions, with no defaults or losses to the capital buffer.<sup>14</sup> **Past performance is not a reliable indicator of future performance.**



<sup>13</sup> The underlying counterparty is the party that the Master Trust is ultimately exposed to. In the case of securitisation investments, the number of counterparties and average credit exposure reflects the total number of receivables funded by the warehouse.

<sup>14</sup> Slight increase in Jun-19 Fund return reflects the Manager increasing the Class A Target return from RBA + 350bps to RBA + 400bps amid a lower interest rate.

## 4 TAXATION

### 4.1 Introduction

**WARNING:** Investing in a registered managed investment scheme is likely to have tax consequences and you are strongly advised to seek professional tax advice.

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 the PDS.

The following information summarises some of the Australian taxation issues you may wish to consider before making an investment in the Fund and assumes that you hold your Units 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. This information is based on our current interpretation of the relevant taxation laws and does not consider any potential Unitholder's specific circumstances. As such, potential or current Unitholders should not place reliance on this as a basis for making their decision as to whether to acquire, retain or dispose of Units. The information should be used as a guide only and does not constitute professional tax advice as individual circumstances may differ. It is recommended that you seek your own advice before investing in the Fund.

### 4.2 Income tax status of the Fund

The Responsible Entity of the Fund has elected into the Attribution Managed Investment Trust (AMIT) regime. This election is irrevocable.

The Fund intends to act as a flow through vehicle by ensuring that Unitholders are attributed all its taxable income so that the Fund itself will not be liable for Australian income tax.

### 4.3 Taxation of distribution to Australian tax resident Unitholders

Australian resident Unitholders are generally subject to tax on the taxable income from the Fund in the year they are 'attributed' the income under the AMIT regime. Any attribution must be worked out by the Responsible Entity on a fair and reasonable basis in accordance with the Constitution of the Fund.

If the cash distribution to a Unitholder exceeds a Unitholder's allocation of the Fund's net (taxable) income, the excess (known as a 'tax deferred' distribution) will generally not be assessable to the Unitholder. Similarly, a return of capital by the Fund will not be assessable to the Unitholders.

Distributions of tax deferred or capital will generally reduce the Unitholder's CGT cost base of their Units in the Fund. Once the cost base of a Unitholder's Units has been reduced to nil any additional tax deferred or capital distributions will be assessable to a Unitholder as an E10 capital gain.

Conversely, under the AMIT regime, if the cash distributed to a Unitholder is less than the Unitholder's allocation of the Fund's net (taxable) income, the Unitholder will be entitled to a cost base increase on their Units in the Fund.

These cost base adjustments will impact upon the capital gains tax position upon the eventual disposal of the Unitholder's Units in the Fund.

Unitholders should wait until receipt of an attributed managed investment trust member annual statement (AMMA) before completing an income tax return. AMMA will set out details of any taxable income, non-assessable components and capital gains (if any) attributed to the Unitholder in the financial year.

## 4 TAXATION (continued)

### 4.4 Disposal of Units – Australian tax resident Unitholders

If an Australian resident Unitholder transfers or redeems their Units, this will be a disposal for income tax purposes.

Where an Unitholder holds their Units on capital account, a disposal of those Units may trigger a capital gain or loss and each Unitholder should calculate their capital gain or loss according to their own particular facts and circumstances.

Unitholders would derive a taxable capital gain where the capital proceeds received as a result of the disposal of their Units exceed the cost base of the relevant Unit at the time of disposal. Unitholders would incur a capital loss where the reduced cost base of the Units disposed of is greater than the capital proceeds.

Generally, the capital proceeds received by Unitholders from the disposal of Units will equal the consideration received on disposal of those Units. The Unit cost base will generally be equal to the amount paid to acquire those Units plus brokerage (if any) and any other incidental costs. The Unit cost base will also need to include relevant cost base adjustments since acquisition (such as tax deferred components or cost base increases as outlined above).

In calculating the capital gain, a discount of 50% for individuals and trusts, or 33 $\frac{1}{3}$ % for complying Australian superannuation funds may be allowed where the Units have been held for at least 12 months. No 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. For corporate and trust Unitholders, net capital losses carried forward and sought to be utilised in future income years will be subject to the tax loss recoupment rules under the Australian income tax law.

### 4.5 Taxation of distributions to Foreign tax resident Unitholders

At this stage, the Fund is only expected to earn and distribute interest income. The distribution of interest income by the Fund will be subject to 10% interest withholding tax when paid to a Non-resident Unitholder.

In the event that the Fund distributes income that is not in the nature of interest, such income will either be:

- (a) a fund payment subject to a final withholding tax under the MIT regime (where the Fund so qualifies); or
- (b) a distribution that retains its character (e.g. other Australian sourced income or capital gains) that is subject to a non-final withholding tax under the ordinary Trust tax rules.

Non-resident Unitholders may also be subject to tax in the country they reside in and may be entitled to a credit for some or all of the tax paid in Australia.

### 4.6 Disposal of units – Foreign tax resident Unitholders

If a foreign resident Unitholder disposes of their investment in the Fund, the disposal would generally be a CGT event. However, the capital gain or loss that arises in relation to the CGT event can be disregarded if the Units do not meet the definition of taxable Australian property (TAP).

In the case of the Fund, the Units are not expected to meet the definition of TAP. Consequently, any capital gain/ loss arising on a disposal by a foreign resident Unitholder should be disregarded.

#### Goods and Services Tax (GST)

The Fund is registered for GST. The acquisition and disposal of Units should not be subject to GST. The distributions paid by the Fund should not be subject to GST. GST is payable on certain ongoing expenses, but the Fund may be able to claim a reduced input tax credit, depending on the precise nature of the expenses incurred. All fees and expenses are quoted inclusive of GST net of RITCs.

## 4 TAXATION (continued)

### Duty

No duty should arise on the issue or redemption of Units although duty may be payable on the transfer of Units. Unitholders should seek professional taxation advice regarding any potential duty in connection with any transfer of Units.

### Tax File Number (TFN) and Australian Business Number (ABN)

The Fund is an investment body for income tax purposes and accordingly, in certain cases the Responsible Entity will be required to obtain a TFN or ABN from 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.

### Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

In compliance with the US income tax laws commonly referred to as FATCA and the Intergovernmental Agreement signed with the Australian Government in relation to FATCA, the Responsible Entity 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 Responsible Entity intends to conduct all appropriate FATCA related due diligence. Where Unitholders do not provide appropriate information, the Responsible Entity will also be required to report those accounts to the ATO.

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 and accordingly 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.

If requested by the Responsible Entity, the Investor agrees, and it is a condition of the issue of the Units to provide certain information required by it or the Responsible Entity/Custodian in order to comply with any applicable law, including the *United States Foreign Account Tax Compliance Act (FATCA)* and the Common Reporting Standards under the CRS Laws.

### 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 income year.

## 5 ADDITIONAL INFORMATION

### 5.1 Additional information about the Master Trust

#### Master Trust Deed

The Master Trust Deed contains the rules governing the operation of the Master Trust and the rights, liabilities and responsibilities of the Trustee and unitholders in the Master Trust. The Master Trust Deed includes provisions dealing with:

- unit class rights;
- distributions to unitholders in the Master Trust;
- obligations, duties and powers of the Trustee;
- duration and termination of the Master Trust and distribution of net proceeds on winding-up;
- reimbursement and indemnification of the Trustee and others for expenses in connection with the Master Trust;
- procedures for convening and holding unitholder meetings;
- fees payable to the Trustee;
- issue, transfer and redemption of units in the Master Trust;
- retirement of the Trustee;
- valuation of Master Trust assets; and
- amendments to the Master Trust Deed.

The key provisions of the Master Trust Deed are summarised below.

#### Transfer of units in the Master Trust

A unitholder in the Master Trust may only transfer units in the Master Trust in the manner determined by the Trustee.

#### Powers of Trustee

Subject to the Master Trust Deed, the Trustee has all the powers in respect of the Master Trust that it is legally possible for a natural person, corporation or Trustee to have.

#### Redemption of units in the Master Trust

The Master Trust Deed contains provisions dealing with the redemption of units in the Master Trust. A unitholder in the Master Trust may make a request

to redeem all or some of their units in the Master Trust. The Trustee has no obligation to satisfy any redemption request other than as set out in the Master Trust Deed.

#### Termination and winding up of the Fund

Under the Master Trust Deed, the Trustee may at any time terminate the Master Trust by written notice to holders of units in the Master Trust. When such notice is given there will be no redemption of units in the Master Trust.

### 5.2 Related party transactions and conflicts

#### General

Except as otherwise disclosed 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 of the Responsible Entity had or will have a direct or indirect material interest.

#### Related party transactions in portfolio construction

As detailed in Section 6.4 of the PDS, when constructing the portfolio of the Master Trust, in addition to sourcing investments directly from third parties, the Manager will make use of the resources and lending infrastructure of the Moelis Australia group by investment in or acquiring assets originated by, or warehoused by, other Moelis group entities. These arrangements comprise:

- Investing in consumer loans originated by MAF Credit pursuant to the sale deed and servicing deed;
- Investing in or acquiring loans from Moelis Australia or other funds managed by Moelis Australia, including:
  - (i) acquisition of the warehouse portfolios; and
  - (ii) ad-hoc acquisitions.
- In 2020 a wholly owned subsidiary of Moelis Australia acquired a minority interest in residential mortgage lending business, MKM Capital (MKM) with an option to acquire 100% ownership. In December 2020, the Master Trust

## 5 ADDITIONAL INFORMATION (continued)

made an investment in a loan portfolio senior to MKM. In the future, the Master Trust may (but is not obliged to) make an investment in a loan portfolio alongside or senior to MKM or an entity wholly or partially owned by MKM. These transactions will be on arms-length terms and benchmarked against the prevailing market conditions at the relevant time.

### Manager loans

#### Bridging loan from Moelis or an entity owned and controlled by Moelis to the Master Credit Trust

A wholly owned subsidiary of Moelis may provide bridging loans to the Trustee in its capacity as trustee of the Master Trust from time to time to support liquidity of the Master Trust and to facilitate swift allocation to investments. Such bridging loans will be on arms-length terms and benchmarked against the prevailing market conditions at the relevant time.

#### Co-investment alongside a Moelis entity

The Master Trust may make an investment in a loan portfolio alongside or senior to an entity or securitisation warehouse vehicle that is wholly or partially owned by Moelis.

#### Investment in a Moelis entity

The Master Trust may make an investment in a loan portfolio or securitisation warehouse vehicle that is wholly or partially owned by Moelis.

#### Class B Units

Class B Units are held by Moelis' related entities and as such Moelis and its related entities have co-invested in the Master Trust.

### Conflicts of interest and approval of related party transactions

The Trustee considers that all related party arrangements are arrangements that have been entered into on an arm's length basis and for reasonable remuneration.

The Manager, Trustee and Moelis Australia offer a variety of products and services to their clients and may find themselves in a position where the

interests of one part of the business could be or is in conflict with the interests of another part of the business (including for example, where the Master Trust is lending to a borrower where Moelis Australia is providing financial advisory services to that borrower).

As detailed in Section 4.4 of the PDS, the investment committee has been established to assist with governance and decision making of the Fund and the Master Trust in relation to transactions that do not involve a related party of the Trustee or the Manager.

As a matter of policy, all related party transactions (which will include all of the arrangements described in 'Related party transactions in portfolio construction' above) will require approval of both the Fund's investment committee and the Group Investment Committee. In addition, the approval of each independent member of the Fund's investment committee and the Group Investment Committee will be required. The Fund's investment committee and the Group Investment Committee periodically monitor compliance with this policy. Member approval is not sought in relation to such transactions.

### Interests and benefits of experts and advisers

Except as disclosed below or elsewhere in this PDS, no person named in this PDS and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this PDS, promoter of the Fund or financial services licensee involved in the issue of the Units under this PDS holds at the time of lodgement of this PDS with ASIC, or has held in the two years before lodgement of this PDS with ASIC, any interest in:

- (a) the formation or promotion of the Fund; or
- (b) property acquired or proposed to be acquired by the Fund in connection with its formation or promotion or the invitation under this PDS

and no amount (whether in cash, Units or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to such persons for services in connection with the formation or promotion of the Fund or the issue of units under this PDS.

## 5 ADDITIONAL INFORMATION (continued)

### 5.3 Service providers

The Responsible Entity has appointed a number of key services providers that are involved in the ongoing operation of the Fund and the Master Trust.

Where applicable, we have appointed the same service providers for the Fund as used by the Master Trust and have relied on the due diligence previously undertaken in respect of these service providers.

We have a policy which sets out the procedures for selecting, monitoring and reviewing the performance of third-party service providers (and in some instances for new service providers we have performed additional due diligence). The Responsible Entity conducts annual and other periodic reviews to ensure compliance with service level obligations.

**The key service provider arrangements are summarised below:**

#### Custodian and Administrator

The Responsible Entity has appointed an independent custodian to hold the assets of the Fund.

The Responsible Entity has appointed Certane CT Pty Limited as the custodian (**Custodian**) of the Fund's assets pursuant to the Custody Agreement.

The Custodian's role is to hold the assets in its name and act on the direction of the Responsible Entity to effect cash and investment transactions.

Certane CT Pty Limited has no supervisory role in relation to the operation of the Fund and has no liability or responsibility to a Unitholder pursuant to and in accordance with the Custodian Agreement for any act done or omission made in accordance with the Custodian Agreement.

Certane CT Pty Limited's role as Custodian is limited to holding the assets of the Fund pursuant to and in accordance with the Custodian Agreement.

The Responsible Entity has appointed and Alter Domus Australia Pty Limited as the administrator (**Administrator**) for the Fund to provide certain administration services.

Subject to the relevant agreements between the Responsible Entity and the Manager, the Responsible Entity, in its discretion, may change the Custodian and Administrator from time to time and appoint additional service providers.

Certane CT Pty Limited also acts as the custodian for the Master Trust.

#### Unit Registry

The Responsible Entity has appointed Boardroom Pty Limited to act as the Unit Registry.

#### Auditor

The Responsible Entity has appointed Deloitte Touche Tohmatsu Limited as the independent auditor of the Fund and compliance plan as required by the Corporations Act.

#### Legal Adviser

MinterEllison has acted as the Responsible Entity's Australian legal adviser and in that capacity has been involved in providing Australian legal advice to the Responsible Entity in relation to this PDS.

We will inform investors of any changes to the key service providers to the Fund and the Master Trust during the year on an annual basis. We may provide this information more frequently where it is considered a material change to the fund. The updated information will also be available on our website at <https://moelisaustralia.com/asset-management/retail-funds/ma-priority-income-fund/>.

### 5.4 Material contracts

#### Fund IMA

##### Term

The Manager has been appointed by the Responsible Entity as the exclusive manager of the Fund pursuant to the Fund IMA. The Manager may also perform investment management services in respect of other funds and for other entities. The Responsible Entity may, under certain circumstances terminate the Fund IMA, thus terminating the Manager's appointment as investment manager of the Fund.

## 5 ADDITIONAL INFORMATION (continued)

These circumstances include but are not limited to:

- the Manager's liquidation;
- where the Manager breaches the Fund IMA in a material manner and fails to correct such within 20 Business Days of receiving notice in writing from the Responsible Entity; and
- where required by law.

The Fund IMA may also be terminated by the Manager on 3 months' written notice and at any time in particular circumstances, such as the Responsible Entity's insolvency.

### Indemnification

The Manager is entitled to be indemnified by the Responsible Entity against any amounts or direct losses or liabilities the Manager reasonably incurs 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 Fund IMA or on account of any bona fide investment decision made by the Manager or its officers or agents, other than where such amounts arise out of the Manager or any of its officers', employees' or agents' gross negligence, fraud or dishonesty, or its officers, employees or agents or the Manager's breach of the Fund 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 Investors for which the Responsible Entity has no right of indemnity from the Fund.

The Manager must indemnify the Responsible Entity against any amounts or direct losses the Responsible Entity incurs in connection with any gross negligent, fraudulent or dishonest act or omission of the Manager, its officers, employees or agents, the Manager's breach of the Fund IMA 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 Investors for which the Responsible Entity has no right of indemnity from the Fund.

### Amendment

The Fund IMA may be amended by the written agreement of the Manager and the Responsible Entity.

### Master Trust Deed

The following provides a high level and non-exhaustive summary of the Master Trust Deed which governs the terms of investment of the Fund into the Master Trust.

### Redemption

The Trustee may approve or reject redemption requests for units in the Master Trust in its absolute discretion. Any redemption request in respect of units in the Master Trust is irrevocable unless consented to by the Trustee. The Master Trustee may in certain circumstances suspend the redemption of units in the Master Trust for up to 180 days, for example where total redemption requests in the Master Trust exceeds 5% of the value of Master Trust's property or where redemption requests are at a level such that if met immediately the Trustee considers that remaining investors would be disproportionately burdened.

### The ability of the Fund to redeem from the Master Trust may affect the ability of Investors to redeem from the Fund.

The Trustee may determine to redeem units in the Master Trust compulsorily on 3 days' notice in certain circumstances, including where:

- the Trustee believes Units are held in circumstances which might result in a violation of an applicable law or regulation, or subject the Master Trust to taxation or otherwise adversely affect the Master Trust in any material respect;
- the holder of units in the Master Trust has made a misrepresentation in acquiring such units; or
- where the Trustee determines such is in the interests of investors in the Master Trust.

### Indemnity

The Trustee is indemnified out of the property of the Master Trust for any liability it, or its agents incur in relation to the proper performance by that person of their duties in relation to the Master Trust.

### Master Trust Management Fee

The Manager is entitled to be paid a management fee out of the assets of the Master Trust equal to 0.50% of the Master Trust's NAV per annum.



## 5 ADDITIONAL INFORMATION (continued)

### Expenses

The Trustee is entitled to be reimbursed out of the assets of the Master Trust for all costs reasonably and properly incurred by the Trustee in the proper performance of its duties.

### Retirement and Removal

The Trustee may, on notice to investors in the Master Trust, retire as trustee of the Master Trust effective on the appointment of a new trustee. The Trustee must retire when required by law or directed to do so by a Special Resolution of investors in the Master Trust.

### Master Trust IMA

The Trustee has appointed the Manager as the investment manager of the Master Trust under the Master Trust IMA.

### Termination

The Manager may retire as manager of the Master Trust on no less than 3 months' written notice to the Trustee or as otherwise determined by the Manager and the Trustee.

The Master Trust IMA may also be terminated if the Manager ceases to be the Manager of the Fund in certain circumstances.

The Trustee may terminate the Manager as manager of the Master Trust in certain circumstances such as where required by relevant law or where the Manager as manager of the Master Trust breaches a provision of the Fund IMA and fails to correct such within 20 Business Days of the Trustee notifying the Manager of such in writing.

### Custody agreement

The Responsible Entity has entered into a custody agreement with the Custodian under which the Custodian agrees to hold the assets of the Fund on custody for the Responsible Entity. The Custodian is not responsible for any investment decisions or the valuation of any of the Fund's assets.

## 5.5 Privacy

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

- (a) the kinds of personal information the Responsible Entity or Manager collects and holds;
  - (b) how the Responsible Entity or Manager collects and holds personal information;
  - (c) the purposes for which the Responsible Entity or Manager collects, holds, uses and discloses personal information;
  - (d) how you may access personal information that the Responsible Entity or Manager holds about you and seek correction of such information (note that exceptions apply in some circumstances);
  - (e) 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 or Manager, and how the Responsible Entity or Manager will deal with such a complaint; and
  - (f) whether the Responsible Entity or Manager is likely to disclose personal information to overseas recipient and, if so, the countries in which such recipients are likely to be located if it is practicable for the Responsible Entity or Manager to specify those countries.
- The Responsible Entity, Manager and the Unit Registry may disclose your personal information with their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988 (Cth)*:
- (g) the Unit Registry for ongoing administration of the unit register;
  - (h) the printers and the mailing house for the purposes of preparation and distribution of holding statements and for handling of mail; and
  - (i) others who provide services on the Fund's behalf, some of which are located outside of Australia.

## 5 ADDITIONAL INFORMATION (continued)

Your information may also be used or disclosed from time to time to inform you about the Manager's products or services that the Manager thinks may be of interest to you. If you do not want your personal information to be used for this purpose, you should contact the Unit Registry. Under the *Privacy Act 1988 (Cth)*, you may request access to your personal information held by (or on behalf of) the Fund or the Unit Registry. You can request access to your personal information by writing to the Fund or contacting the Unit Registry at: [maclientservices@boardroomlimited.com.au](mailto:maclientservices@boardroomlimited.com.au)

You can obtain a copy of the Responsible Entity's and Manager's Privacy Policy free of charge online by emailing [MAClientservices@moelisaustralia.com](mailto:MAClientservices@moelisaustralia.com).

The Responsible Entity may use your personal information for direct marketing purposes. Please contact Client Services at [MAClientservices@moelisaustralia.com](mailto:MAClientservices@moelisaustralia.com) to request not to receive direct marketing communications from us.

If you are investing in the Fund via an IDPS, please be aware that the Responsible Entity does not collect or hold personal information in connection with an investment in the Fund.

### 5.6 Anti-money laundering and counter-terrorism financing

The AML Act is enforced by AUSTRAC. In order to comply with the AML Requirements, the Responsible Entity is required to, amongst other things:

- (a) verify an investor's identity and the source of their application monies before providing services to them, and to re-identify them if they consider it necessary to do so; and
- (b) where an investor supplies documentation relating to the verification of their identity, keep a record of this documentation for 7 years.

The Responsible Entity and Unit Registry as its agent (collectively, the Entities) reserve the right to request such information as is necessary to verify the identity of an investor and the source of the payment. In the event of delay or failure by the investor to produce this information, the Entities, may refuse to accept an application and the application monies relating to such application or may suspend the payment of withdrawal proceeds

if necessary, to comply with AML Requirements applicable to them. Neither the Entities nor their delegates shall be liable to the investor for any loss suffered by the investor as a result of the rejection or delay of any subscription or payment of withdrawal proceeds.

The Entities have implemented a number of measures and controls to ensure they comply with their obligations under the AML Requirements, including carefully identifying and monitoring investors. As a result of the implementation of these measures and controls:

- (c) transactions may be delayed, blocked, frozen or refused where an Entity has reasonable grounds to believe that the transaction breaches, or causes the Responsible Entity to commit or participate in an offence under, the law or sanctions of Australia or any other country, including the AML Requirements;
- (d) where transactions are delayed, blocked, frozen or refused the Entities are not liable for any loss investors suffer (including consequential loss) caused by reason of any action taken or not taken by them as contemplated above, or as a result of their compliance with the AML Requirements as they apply to the Fund; and
- (e) the Responsible Entity or Unit Registry may from time to time require additional information from investors to assist it in this process.
- (f) the Entities have certain reporting obligations under the AML Requirements and are prevented from informing you that any such reporting has taken place. Where required by law, an entity may disclose the information gathered to regulatory or law enforcement agencies, including AUSTRAC. The Entities are not liable for any loss an investor may suffer as a result of their compliance with the AML Requirements.



## 6 CORPORATE DIRECTORY

### Responsible Entity

**MAAM RE Limited ACN 135 855 186**  
**AFSL 335 783 (MAAM RE)**

Address: Governor Phillip Tower, 1 Farrer Place  
Sydney NSW 2000

### MAAM RE Client Services (Client Services)

Address: Level 27, Governor Philip Tower  
One Farrer Place, Sydney, NSW 2000

Phone: 02 8288 5594 (within Australia)  
+61 2 8288 5594 (outside Australia)

Email: [MAclientservices@moelisaustralia.com](mailto:MAclientservices@moelisaustralia.com)

### Unit Registry

#### Boardroom Pty Limited

Address: Level 12, Grosvenor Place  
225 George Street, Sydney, NSW 2000

Phone: 1300 135 167 (within Australia)  
+61 2 8023 5415 (outside Australia)

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### Administrator

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### Auditor

**Deloitte Touche Tohmatsu Limited**

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### Custodian

**Certane CT Pty Limited**

Address: Level 19, 60 Castlereagh Street  
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### Legal Advisor

**MinterEllison**

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### Manager

**MA Investment Management Pty Ltd**  
**ACN 621 552 896**

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### Trustee

**MA Asset Management Ltd ACN 142 008 535**

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### Tax Advisor

**ShineWing**

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