



# Redcape Hotel Group

## Product Disclosure Statement

Issuer and responsible entity  
Redcape Hotel Group Management Ltd  
ACN 610 990 004, as responsible  
entity of the Redcape Hotel Trust I,  
ARSN 629 354 614 and the  
Redcape Hotel Trust II,  
ARSN 629 354 696

Manager  
MA Hotel Management Pty Ltd  
ACN 619 297 228

Draft PDS authorised  
for release on  
20 September 2021  
by the Board of Directors  
of Redcape Hotel Group  
Management Ltd,  
Responsible Entity of the  
Redcape Hotel Group



# Important Notices

This is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this product disclosure statement.

This document is a Product Disclosure Statement (PDS) for the purposes of Part 7.9 of the Corporations Act. This PDS is issued by Redcape Hotel Group Management Ltd ACN 610 990 004, AFSL 505932 (**Responsible Entity, us, our or we**), as responsible entity of the Redcape Hotel Trust I ARSN 629 354 614 (**Trust I**) and Redcape Hotel Trust II ARSN 629 354 696 (**Trust II**) (each a **Trust**) (together **Redcape Hotel Group** or the **Fund**). You should read this information before making an important decision. This material may change between the time when you read this PDS and when you acquire the product. This PDS is a summary of significant information about the Fund.

## Lodgement

This PDS is dated [x] and an in-use-notice relating to this PDS has been lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. Units in the Fund (**Units**) issued under this PDS will be issued by the Responsible Entity on the terms and conditions set out in this PDS.

## Invitation to apply for Units

This PDS contains an invitation to apply for Units. No person is authorised to provide any information, or to make any representation, about the Fund or the invitation to apply for Units that is not contained in this PDS. Potential investors should only rely on the information contained in this PDS. Any information or representation not contained in this PDS may not be relied on as having been authorised by the Responsible Entity or MA Hotel Management Pty Ltd ACN 619 297 228 (**MAHM** or **Manager**) in connection with the invitation to apply for Units. Except as required by law and only to the extent required by such law, neither the Responsible Entity, the Manager nor any other person associated with the Responsible Entity or the Manager (or the invitation to apply for Units) guarantees or warrants the future performance of the Fund, the return on an investment made under this PDS, the repayment of capital or the payment of distributions on the Units.

Before deciding to invest in the Fund, investors should read the PDS in its entirety. The information contained in individual sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Fund or the Units under this PDS. The invitation under this PDS does not take into account the investment objectives, financial situation or particular needs of individual investors. An investment in the Fund should be considered speculative. You should carefully consider the

risks (including those set out in section 7) that impact on the Fund in the context of your personal requirements (including your financial and taxation position) and, if required, seek professional guidance from your financial advisor, solicitor, accountant or other professional adviser prior to deciding to invest in the Fund.

The invitation to apply for Units under this PDS is available only to persons receiving this PDS (electronically or otherwise) in Australia and does not constitute an offer or recommendation in any jurisdiction, or to any person to whom it would be unlawful to make such an offer.

This PDS does not constitute an offer of Units in any jurisdiction where, or to any person to whom, it would be unlawful to make such an offer. Units have not been registered under the United States Securities Act of 1933 (as amended) (**US Securities Act**) or the securities laws of any state of the United States and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This PDS may not be transmitted in the United States or distributed, directly or indirectly, to any "U.S. person" (as defined in Regulation S under the US Securities Act) (a **US person**). It does not constitute an offer to sell, or a solicitation of an offer to buy, or an invitation to subscribe for or buy Units in the United States or to any US person or for the benefit of a US person, and is not available to persons in the United States or US persons or for the benefit of US persons. Each Applicant will be taken to have represented and warranted to the Responsible Entity that such Applicant is not a US person and is not acting on account of a US person.

## PDS updates

Information in this PDS may need to be updated from time to time. Any updated information in this PDS 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**]. A paper copy of the Updated Information will be provided free of charge on request. It is recommended that you review any such additional material before making a decision whether to acquire Units. Any new or updated information that is materially adverse to Unitholders will be available to Unitholders via a supplementary or new PDS accessible via the Fund's [**Website**].

This PDS and the Constitution of the Fund dated [**insert**] (as amended by two supplemental deeds on [**insert**]) (**Constitution**) supersede and replace any earlier information provided by the Responsible Entity, MA Financial Group, their affiliates and their respective representatives and agents in respect of the Fund.

# Important Notices (continued)

## Risks

An investment in the Units is subject to risk (refer to Section 7), which may include possible delays in repayment and loss of income and capital invested. There is no public market for the Units in the Fund.

None of the Responsible Entity, the Manager, or any of their related entities, directors or officers gives any guarantee or assurance as to the performance of, or the repayment of capital or income reinvested in, the Fund described in this PDS. The Responsible Entity, the Manager and their related entities may invest in or provide other services to the Fund.

## Forward-looking statements

This PDS contains forward-looking statements, statements identified by the use of the words 'believes', 'estimates', 'anticipates', 'expects', 'predicts', 'intends', 'targets', 'plans', 'goals', 'outlook', 'aims', 'guidance', 'forecasts', 'may', 'will', 'would', 'could' or 'should' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of the Responsible Entity, its Directors and its management. They are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

As set out above, the Responsible Entity, the Manager, or any of their related entities, directors or officers do not make any representation, express or implied, in relation to forward looking statements and you are cautioned not to place undue reliance on these statements and you should form your own view as to the reasonableness of any such matters and the assumptions on which they are based.

These statements are subject to various risk factors that could cause the Fund's actual results to differ materially from the results expressed or anticipated in these statements. Key risk factors are set out in section 7.

These and other factors could cause actual results to differ materially from those expressed in any statement contained in this PDS.

## Information about the Manager

This PDS contains certain information about the Manager, and businesses. It also contains details of their investment approach, strategy, and philosophy. To the extent that this PDS includes statements by the Manager or includes

statements based on any statement of, or information provided by the Manager, the Manager consents to each such statement being included in this PDS in the form and context in which it is included and has not withdrawn that consent at any time prior to the lodgement of this PDS.

## Websites

Any references to documents included on the Fund, the Responsible Entity or Manager's website are provided for convenience only, and none of the documents or other information on those websites is incorporated by reference into this PDS, except where the document or other information is Updated Information.

## Currency

References in this PDS to currency are to Australian dollars unless otherwise indicated.

## Time

All references in this PDS to time are to the legal time in Sydney, Australia.

## Glossary

Certain terms and abbreviations in this PDS have defined meanings that are explained in the Glossary to this PDS. Defined terms are generally identifiable by the use of an upper case first letter.

## Diagrams

Diagrams used in this PDS are illustrative only.

## Privacy

Please refer to Section 12.18 for information regarding the handling of your personal information in relation to the invitation to apply for Units.

## Applications

By lodging an Application Form or completing an Online Application, you declare that you were given access to the entire PDS, together with the Application Form or prior to completing the Online Application. The Responsible Entity will not accept a completed Application Form if it has reason to believe that it has been altered, or tampered with, in any way.

## Pictures of assets in this PDS

All pictures of assets in this PDS are either actual pictures or artists' impressions of assets to be held by the Fund unless stated otherwise.

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# 1 Fund features

This section presents an overview of a selection of the Fund features in a summarised and simplified form and is intended to provide a convenient way of locating where the further detail is located in this PDS. You should read the whole of this PDS before making an investment decision, and not rely solely on this section.

FEATURE	SUMMARY	FURTHER INFORMATION
<b>Fund Name</b>	Redcape Hotel Group	
<b>Fund structure</b>	The Fund is comprised of two unlisted Australian Unit trusts which are stapled together and are both registered managed investment schemes.	Section 6.1
<b>ARSN</b>	Trust I 629 354 614 Trust II 629 354 696	
<b>Responsible Entity</b>	Redcape Hotel Group Management Ltd ACN 610 990 004, AFSL 505932 ( <b>Responsible Entity</b> ) acts as responsible entity of the Fund.	Section 5.4
<b>Manager</b>	MA Hotel Management Pty Ltd ACN 619 297 228 ( <b>Manager</b> ) acts as the investment manager of the Fund.	Section 5.2
<b>Base currency</b>	The Fund is denominated in Australian dollars (AUD).	
<b>Fund investment objective</b>	The Fund's objective will be to provide investors with regular and growing cash distributions and capital growth over the investment term by investing in and actively managing a diversified portfolio of high-quality hotels and alternative use real estate opportunities with the potential for refurbishment or redevelopment to increase land utilisation.	Section 4.2
<b>Investor profile</b>	This Fund is typically suited to investors who: <ul style="list-style-type: none"> <li>• seek regular income payments with the potential for a tax deferred component;</li> <li>• want exposure to a diverse portfolio of predominantly owned and operated hotels;</li> <li>• are looking to diversify their existing investment portfolio; and</li> <li>• seek an investment with a long-term investment outlook and don't have an immediate need to access their investment in the short-term.</li> </ul>	Section 12.19
<b>Minimum suggested time frame for holding investment</b>	Considering the nature of the assets which the Fund invests the minimum suggested timeframe for an investment in the Fund is 5 years. Please note this is a guide only, not a recommendation.	Section 6.2
<b>Minimum investment</b>	Minimum Investment Amount of \$10,000 or such other amount as we may determine from time to time. Minimum additional investment amounts of \$1,000.	Section 9.1

# 1 Fund features (continued)

FEATURE	SUMMARY	FURTHER INFORMATION
<p><b>Buy/Sell spread and discount to withdrawals</b></p>	<p>Buy spread: Nil Sell spread: Nil</p> <p>Applicants and redeeming Unitholders in a Fund will not be charged a 'buy spread' or a 'sell spread' however under the Constitution the Responsible Entity has the ability to apply a spread to the Unit Price if it considers it is in the best interests of Unitholders.</p> <p>On and after 31 December 2022 the Withdrawal Price is intended to be at a 2.5% discount to Directors' NAV per Unit (with a greater discount applying prior to 31 December 2022 at the rates described below in section 6.2) while the Application Price will be Directors' NAV per Unit.</p> <p>The Responsible Entity intends the 2.5% discount to cover some or all costs which the Responsible Entity estimates the Fund would incur to redeem Units including administration costs and costs of selling the underlying assets.</p>	<p>Sections 6.2, 8.3 and 9.8</p>
<p><b>Fees and costs</b></p>	<p>The Responsible Entity and the Manager are entitled to fees and costs from the assets of the Fund. Further information on the fees and other costs is detailed in Section 8.</p>	<p>Section 8</p>
<p><b>Unit pricing frequency</b></p>	<p>The Responsible Entity will calculate the Unit Price (being the Directors' NAV per Unit) of the Fund on a monthly basis. The Unit Price will be subject to the adjustments outlined in the section 6.2 below in order to calculate the Withdrawal Price, while the Application Price will be Directors' NAV per Unit.</p>	<p>Sections 6.2 and 9.11</p>
<p><b>Investment term</b></p>	<p>The Fund will have rolling five-year investment terms commencing from the initial issue date of this PDS. At the end of each term, it is intended that there will be a liquidity event where, subject to its obligations of law, the Responsible Entity will endeavour to provide liquidity for Unitholders wishing to redeem all or some of their investment.</p> <p>To provide liquidity, the Responsible Entity may (but is not obliged to):</p> <ol style="list-style-type: none"> <li>1. sell one or more of the Fund assets;</li> <li>2. raise new equity;</li> <li>3. take on additional debt; or</li> <li>4. undertake a combination of these measures.</li> </ol> <p>The Responsible Entity intends to meet all withdrawal requests under a liquidity event within 180 days (although under the Constitution, the Responsible Entity will have up to 365 days to meet the requests, if needed).</p> <p>Liquidity events may be cancelled, deferred, scaled back or suspended in exceptional circumstances including for so long as it is impracticable to offer liquidity, or if it would not be in the best interests of Unitholders for liquidity to be offered. Accordingly, Unitholders should consider an investment in the Fund to be a long-term investment.</p>	<p>Section 6.2</p>

# 1 Fund features (continued)

FEATURE	SUMMARY	FURTHER INFORMATION
Applications	<p>The Responsible Entity accepts monthly applications for Units in the Fund, which can be submitted via the application portal link (<b>Online Application</b>) or by completing a paper Application Form for the Fund.</p> <p>The cut-off parameters as detailed in section 9 of this PDS may change from time to time. In accordance with the terms of the Constitution the Responsible Entity may, from time to time, change these cut-off parameters. Refer to the Fund's <a href="#">[Website]</a> for the latest published cut off parameters.</p>	Section 9.1
Redemptions	<p>The Responsible Entity will provide liquidity initially on a quarterly basis through a Liquidity Facility (<b>Liquidity Facility</b>) on each 'closing date' commencing at the quarter ending 30 June 2022. The Liquidity Facility is limited to 2.5% of the Fund's Directors' NAV as at each relevant quarter end.</p> <p>The 'closing date' for notification of withdrawals to the Responsible Entity is generally 2.00pm Sydney time 45 days prior to the last day of the relevant quarter, or the next Business Day if the last day of the relevant quarter is a non-Business Day.</p> <p>The cut-off parameters as detailed in section 9 of this PDS may change from time to time. In accordance with the terms of the Constitution the Responsible Entity may, from time to time, change these cut-off parameters. Refer to the Fund's <a href="#">[Website]</a> for the latest published cut off parameters.</p> <p>The Liquidity Facility aims to offer investors quarterly liquidity at a withdrawal price calculated by reference to the Fund's Directors' NAV per Unit, less a discount as detailed below.</p> <p>Liquidity pricing will be as follows:</p> <ul style="list-style-type: none"> <li>• for the quarter ending 30 June 2022, liquidity will be offered at a 7.5% discount to the Directors' NAV per Unit as at the quarter end date;</li> <li>• for the quarter ending 30 September 2022, liquidity will be offered at a 5.0% discount to the Directors' NAV per Unit as at the quarter end date; and</li> <li>• for the quarter ending 31 December 2022 and onwards, liquidity will be offered at a 2.5% to the Directors' NAV per Unit as at the relevant quarter end date.</li> </ul> <p>The Responsible Entity may from time to time reduce the amount of discount applied subject to its discretion. The Responsible Entity expects that the amount of available liquidity in each quarter will be capped at 2.5% of the Fund's Directors' NAV as at the relevant quarter end date with scope to adjust the amount of available liquidity as the Responsible Entity determines.</p> <p>Proceeds from accepted withdrawal requests will be generally paid within 10 business days of the last business day of the relevant quarter. However, under the Fund's Constitution, the Responsible Entity is allowed up to 365 days in which to accept any withdrawal requests. Withdrawals will take effect as at the end of the quarter in which the relevant request is accepted.</p> <p>Further information on the withdrawals is detailed in the applications and withdrawals section below.</p>	Sections 6.2 and 9.8

# 1 Fund features (continued)

FEATURE	SUMMARY	FURTHER INFORMATION
Distributions	<p>The Responsible Entity expects to pay distributions on a quarterly basis and will advise Unitholders if it intends to do otherwise before the end of the respective quarter.</p> <p>Distributions are aligned to the Fund's ongoing earnings capacity from assets held.</p> <p>While the Responsible Entity has full discretion with regards to the distribution policy of the Fund, its intention is to pay-out at least 80.0% of Underlying Earnings.</p> <p>The Fund's Distribution Reinvestment Plan (<b>DRP</b>) is not currently activated. However, the Responsible Entity currently intends that, if the <b>DRP</b> is activated in the future, and if Unitholders have previously made an election to participate in the <b>DRP</b> then that election will continue to apply in respect of the Fund (unless a Unitholder notifies the Responsible Entity that they wish to withdraw or change their election).</p> <p>If the <b>DRP</b> is activated at a future point in time, details of the <b>DRP</b> will be made available to Unitholders in the Fund.</p>	Section 6.3
Hotel asset valuations	<p>The Responsible Entity's valuation policy is for the hotel assets of the Fund to be independently valued on a rolling semi-annual basis with all hotel assets to be independently valued at least once every 24 months.</p> <p>If the Responsible Entity believes that any of the Fund's hotel assets have had a significant valuation movement relative to its last independent valuation, under its valuation policy the Responsible Entity will determine an updated valuation based on its best assessment of the value of the assets in the portfolio having regard to the most recent independent valuations available of similar assets in the Fund, similarities and differences between relevant assets, local market conditions and trading, and such other market evidence as is available to the Responsible Entity at the time.</p>	Section 12.8
Gearing	<p>The Fund may borrow to acquire hotel assets directly or indirectly. The Responsible Entity has a target Directors Gearing level of between 40.0 – 50.0%.</p> <p>It is proposed that Directors Gearing will not exceed 50.0% on an ongoing basis. If the value of the Fund's assets fall and Directors Gearing increases above this level, the Responsible Entity will implement a strategy to restore the level of Directors Gearing to 50.0% or below.</p>	Section 12.4
Interest cover	<p>The Fund's minimum interest cover ratio is 2.5x on a rolling semi-annual basis calculated as at 30 June and 31 December each year. If the Fund's interest cover ratio falls below 2.5x, the Responsible Entity will implement a strategy to restore the level of interest cover to 2.5x or above.</p>	Section 12.5
Investor reporting	<p>The Fund will publish quarterly fund updates, semi-annual and annual management reports (including audited financial statements), annual periodic statement and an annual taxation statement. It is intended that investors will be able to access correspondence and details of their investments electronically or via paper. Financial statements and required disclosures are intended to be accessible electronically through Fund's <a href="#">[Website]</a>.</p>	Section 12.9

# 1 Fund features (continued)

FEATURE	SUMMARY	FURTHER INFORMATION
Conflict of interest policy	The Responsible Entity has a conflicts-of-interest policy in place to ensure that any related-party transaction entered into by the Responsible Entity is on arm's length terms and monitored on a regular basis.	Section 12.7
Investment considerations and risks	<p>All investments are subject to risk, which means the value of your investment may rise or fall. Before making an investment decision, it is important to understand the risks that can affect the value of your investment.</p> <p>There is an extensive regulatory regime that affects many aspects of the operation of the Fund's assets including:</p> <ul style="list-style-type: none"> <li>• licensing requirements;</li> <li>• regulations of electronic gaming machines;</li> <li>• Anti-money laundering laws; and</li> <li>• workplace health and safety regulations.</li> </ul> <p>A failure by the Responsible Entity to comply with any of the regulatory regimes and associated licenses which apply to its operations may significantly and adversely affect its reputation and financial performance and any Unitholder's investment in the Fund.</p> <p>Other general risks of an investment in the Fund include but are not limited to:</p> <ul style="list-style-type: none"> <li>• the inability of the Fund to meet redemption requests;</li> <li>• the risk that the Fund does not achieve its investment objective; and</li> <li>• the risk that Unitholders may lose some or all of their capital invested in the Fund.</li> </ul> <p>Further information on risks associated with the fund is detailed in the Risk section below.</p>	Section 7

## Further information

The PDS contains important information regarding the Fund. We encourage you to read it carefully and in its entirety, including without limitation Section 7 which sets out certain key risks associated with an investment in the Fund, and Section 8 which sets out the fees and other costs associated with investing in the Fund. If you have any questions, you should seek relevant professional advice before making an investment decision.

## 2 ASIC disclosure benchmarks for an unlisted property scheme

In ASIC Regulatory Guide 46: *Unlisted property schemes: Improving disclosure for retail investors (RG 46)*, ASIC has developed a range of benchmarks for unlisted property schemes (**ASIC RG 46 Benchmarks**). ASIC expects issuers of products of such funds to disclose in a Product Disclosure Statement whether the responsible entity meets the benchmarks on an 'if not, why not' basis. The ASIC RG 46 Benchmarks are intended to assist investors to understand the risks associated with an investment in the Fund, assess the potential benefits of the Fund and decide whether an investment in the Fund is suitable for them.

The following table provides a summary of the benchmarks set out in RG 46 and a summary of information about how we meet the benchmarks. You should consider this information together with the detailed explanation of the cross-referenced information set out in this PDS and the key risks of investing in the Fund highlighted in Section 7 of this PDS.

The information in this section about the ASIC RG 46 benchmarks will be updated periodically. Where this updated information is not materially adverse to Unitholders it will be available on the Fund's [\[Website\]](#) and a paper copy will be given to you, without charge, upon request by contacting Client Services. If there is a materially adverse change to the information in this section, we will issue a supplementary or new PDS.

While the Fund has a substantial share of its non-cash assets invested in real property, it operates hotels on these properties and does not derive rental income from these operations. The Fund is therefore not the type of fund to which the RG 46 Benchmarks are typically applied and as such there are some departures from RG 46 Benchmarks.

ASIC RG 46 BENCHMARK	DOES THE MANAGER COMPLY?	EXPLANATION/REFERENCE
<b>Benchmark 1: Gearing</b> The responsible entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.	Yes	For additional disclosure on this benchmark, refer to Section 12.4
<b>Benchmark 2: Interest cover policy</b> The responsible entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.	Yes	For additional disclosure on this benchmark, refer to Section 12.5
<b>Benchmark 3: Interest capitalisation</b> The interest expense of the scheme is not capitalised.	No	<p>The interest expense of the scheme is not capitalised.</p> <p>Interest capitalisation occurs when accrued or accumulated interest is added to the loan principal instead of being paid on a regular basis.</p> <p>The Fund intends to primarily expense interest costs as they are incurred on a regular basis. However, the Fund may capitalise interest expenses as they relate to future alternative use and development projects where capitalising interest expenses would be in the best interests of Unitholders due to the potential lack of income generated by the asset during development.</p> <p>There are risks associated with capitalising interest. This practice may result in increased leverage as interest is capitalised resulting in an increased gearing ratio and gearing related risks. In addition, if there isn't sufficient headroom in the debt facility to finance capitalised interest then the Fund may not be able to continue to meet its debt facility covenants.</p> <p>The Fund intends to operate within its capital management policy in order to manage these risks. For further information or to obtain a copy of the capital management policy please contact the Responsible Entity.</p> <p>Refer to Section 12.6.</p>

## 2 ASIC disclosure benchmarks for an unlisted property scheme (continued)

ASIC RG 46 BENCHMARK	DOES THE MANAGER COMPLY?	EXPLANATION/REFERENCE
<p><b>Benchmark 4: Valuation policy</b></p> <p>The responsible entity maintains and complies with a written valuation policy that requires:</p> <p>(a) a valuer to:</p> <ul style="list-style-type: none"> <li>(i) be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction; and</li> <li>(ii) be independent;</li> </ul> <p>(b) procedures to be followed for dealing with any conflicts of interest;</p> <p>(c) rotation and diversity of valuers;</p> <p>(d) valuations to be obtained in accordance with a set timetable; and</p> <p>(e) for each property, an independent valuation to be obtained:</p> <ul style="list-style-type: none"> <li>(i) before the property is purchased: <ul style="list-style-type: none"> <li>(A) for a development property, on an 'as is' and 'as if complete' basis; and</li> <li>(B) for all other property, on an 'as is' basis; and</li> </ul> </li> <li>(ii) within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.</li> </ul>	No	<p>The Responsible Entity maintains and complies with a written valuation policy, however a modified approach is adopted in respect of the source of valuations.</p> <p>Due to the operational nature of the assets in the Fund's portfolio and potential variability of earnings of each asset, it would be cost prohibitive for the fund to use independent valuers to update valuations for an asset which on its own would not have a material impact on a portfolio level considering size and scale of the Fund's portfolio. As such, the Responsible Entity considers that it would be appropriate to adopt Director's Valuations in order to more accurately reflect movements in individual asset values between independent valuations. Note that under the valuation policy, assets will be independently valued at least every two years.</p> <p>The Responsible Entity will require an updated independent valuation where the Director's Valuation for an asset produces a variance of greater than 10% to the asset's independent valuation.</p> <p>There are risks associated with the use of Director's Valuations instead of independent valuations. While the Responsible Entity will determine an updated valuation based on its best assessment of the value of the assets in the Portfolio, the Responsible Entity is not considered a qualified expert that is register or licensed in the relevant jurisdictions. As such Director's Valuations may vary from independent valuations.</p> <p>Refer to section 12.8</p>
<p><b>Benchmark 5: Related party transactions</b></p> <p>The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.</p>	Yes	<p>For additional disclosure on this benchmark, refer to Section 12.7 of this PDS.</p>

## 2 ASIC disclosure benchmarks for an unlisted property scheme (continued)

ASIC RG 46 BENCHMARK	DOES THE MANAGER COMPLY?	EXPLANATION/REFERENCE
<p><b>Benchmark 6: Distribution practices</b></p> <p>The scheme will only pay distributions from its cash from operations (excluding borrowings) available for distribution.</p>	No	<p>The Fund intends to pay distributions primarily from cash from operations. However, the Fund may pay distributions from other sources if it would be in the best interests of Unitholders and where payment from that source is expected to be sustainable in the relevant circumstances. Other sources include excess cash and cash equivalents or borrowings. Examples of where distributions may be paid from other sources include but are not limited to:</p> <ul style="list-style-type: none"> <li>• If Underlying Earnings are reduced due to short term trading volatility;</li> <li>• If Underlying Earnings are reduced in the period between asset sales and the re-investment of sale proceeds into new acquisitions; and</li> <li>• Payment of a special distribution if the Fund were to realise a capital gain on sale of an asset.</li> </ul> <p>There are risks associated with paying distributions from sources other than cash from operations. This practice may not be commercially sustainable over the longer term, particularly where asset values are not increasing.</p> <p>Where part of the distribution is paid from borrowings, this reduces Unitholders' equity and the Directors' NAV per unit. It will also increase the Fund's gearing ratio and gearing related risks. Where the Fund is close to its loan to valuation ratio covenant, the risk of breaching these covenants is increased.</p>

### 3 ASIC disclosure principles for an unlisted property scheme

In RG 46, ASIC has developed eight disclosure principles for unlisted property schemes (**ASIC RG 46 Principles**) and expects issuers of products of such funds to disclose in a Product Disclosure Statement information about the disclosure principles.

The following table sets out the ASIC RG 46 Principles and a summary of information applicable to the Fund in relation to the principles. You should consider this information together with the detailed explanation of the cross-referenced information set out in this PDS and the key risks of investing in the Fund highlighted in Section 7 of this PDS.

The information in this section about the ASIC RG 46 benchmarks will be updated periodically. Where this updated information is not materially adverse to Unitholders it will be available on the Fund's [\[Website\]](#) and a paper copy will be given to you, without charge, upon request by calling Client Services. If there is a materially adverse change to the information in this section we will issue a supplementary or new PDS.

While the Fund has a substantial share of its non-cash assets invested in real property, it operates hotels on these properties and does not derive rental income from these operations. The Fund is therefore not the type of fund to which the RG 46 Principles are typically applied and as such there are some departures from RG 46 Principles.

ASIC RG 46 PRINCIPLES	DOES THE MANAGER COMPLY?	WHERE CAN I FIND FURTHER INFORMATION IN THIS PDS?
<b>Disclosure Principle 1: Gearing ratio</b> The Responsible Entity will disclose a gearing ratio in accordance with RG 46 requirements.	Yes	Section 12.4
<b>Disclosure Principle 2: Interest cover ratio</b> The Responsible Entity will disclose an interest cover ratio in accordance with RG 46 requirements.	Yes	Section 12.5
<b>Disclosure Principle 3: Scheme borrowing</b> If a scheme has borrowed funds, the Responsible Entity will disclose relevant information on such borrowings.	Yes	Section 12.6
<b>Disclosure Principle 4: Portfolio diversification</b> The Responsible Entity will disclose information as required by RG 46 around the level of diversification in a portfolio.	No	<p>The Responsible Entity will disclose details on the geographic location of the Fund's portfolio on the Fund's <a href="#">[Website]</a>. However, the Responsible Entity does not intend to disclose individual asset valuations or yields as it would be inappropriate and not in the best interests of the Unitholders to do so. This information is considered commercially sensitive, and any disclosure of such information may compromise future divestment optionality for assets within the Fund's portfolio.</p> <p>The Responsible Entity intends to disclose the geographical split of the Fund's portfolio as well as the concentration of the larger assets within the Fund.</p> <p>Since the Fund does not lease its properties to third parties, lease expiry, occupancy rates and top five tenant information are not applicable. The Fund will own both the property and operational components for each freehold going concern asset (and only the operational component for leasehold assets).</p> <p>For additional disclosure on the reasons for non-compliance, see section 12.8</p>

### 3 ASIC disclosure principles for an unlisted property scheme (continued)

ASIC RG 46 PRINCIPLES	DOES THE MANAGER COMPLY?	WHERE CAN I FIND FURTHER INFORMATION IN THIS PDS?
<p><b>Disclosure Principle 5: Related party transactions</b></p> <p>If the Responsible Entity enters into transaction with related parties it will disclose such arrangements relevant to the investment decision.</p>	Yes	Section 12.7
<p><b>Disclosure Principle 6: Distribution practices</b></p> <p>If the scheme is making or forecasts making distributions to investors, the Responsible Entity should disclose relevant information as required by RG 46.</p>	Yes	Section 6.3
<p><b>Disclosure Principle 7: Withdrawal arrangements</b></p> <p>If investors are given the right to withdraw from a scheme, the Responsible Entity should disclose relevant information to investors as required by RG 46.</p>	Yes	Section 9.9
<p><b>Disclosure Principle 8: Net tangible asset</b></p> <p>The Responsible Entity should disclose the NTA of the scheme on a per unit basis.</p>	Yes	Section 12.8

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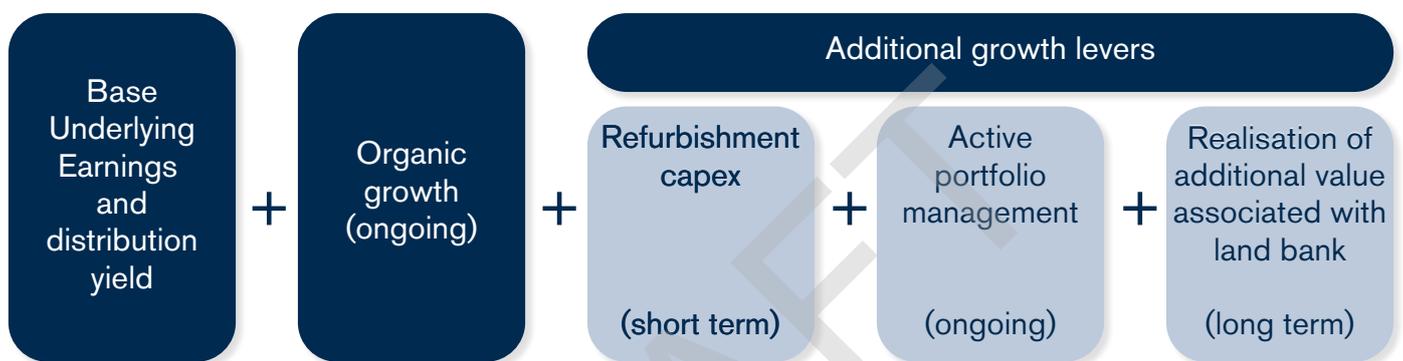
## 4 Overview of the investment strategy

### 4.1 Industry overview

Hotels are high volume, defensive and cash generative businesses underpinned by diverse earnings profiles across food & beverage, gaming, off premise and accommodation operations. The hospitality industry is underpinned by a number of supportive trends including dining out trends outpacing stay at home over the longer term, consumers shift towards more premium and expensive liquor products, preference for experiences over goods and favourable macroeconomic influences including consistent growth in disposable income in Australia.

#### Yields plus industry growth

The Fund seeks to deliver regular and growing distributions and capital growth underpinned by a Portfolio of 36 hotels (as at the date of this PDS). Consistent distribution growth is anticipated to be driven by organic growth in addition to potential growth from refurbishment capital expenditure, active portfolio management and alternative use opportunities from its real estate land bank.



#### Valuable real estate land bank

As at the date of this PDS the Fund owns (via wholly owned investment vehicles and operating entities) 34 of the 36 hotels it operates as a freehold going concern (meaning the Fund owns the land, building, PPE (property plant equipment) and operational entitlements of each hotel). Freehold ownership helps provide the following:

- Autonomy over the capital allocation process and therefore the ability to quickly respond to changes in customer preferences and/or regulatory changes;
- Cost effective debt funding (secured against the Fund's underlying asset values); and
- The ability for Unitholders to retain the benefits associated with both property ownership and hotel operator growth.

The majority of the Fund's hotels are in growth suburban infill markets across Sydney, Brisbane and major regional QLD cities.

Ownership of this underlying real estate land bank provides the Fund with the potential to realise additional value over time through the subdivision and/or redevelopment of properties to increase land utilisation and convert surplus land holdings into higher and better use alternatives. This additional value potential is not captured in the independent valuations.

#### Capital expenditure opportunities

The Fund's expansive real estate ownership across its Portfolio provides the opportunity for the Fund to deliver value enhancing capital refurbishment. The Fund has a successful track record of investment in its hotels, completing multiple venue refurbishments in the past 4 years. The refurbishments typically focus on creating attractive, safe and locally relevant hotel environments for customers and involve the refurbishment of bars, TABs, bistros and gaming rooms. Investments have delivered improvements in customer satisfaction, revenue and profitability. The Fund has a future pipeline of refurbishment opportunities which are expected to continue to deliver future revenue and earnings growth.

## 4 Overview of the investment strategy (continued)

### Managed by an experienced operator with a proven track record

MAHM's management and operating platform comprises industry expertise and a management team with a successful track record. MAHM will seek to leverage its active portfolio management and asset optimisation capabilities to acquire select additional assets and divest non-strategic assets to recycle capital into higher growth opportunities. MAHM's portfolio management and asset optimisation capabilities are supported by the Fund's freehold ownership of 34 of the 36 hotels it operates and a strong balance sheet. The Fund has a focus on people management and development and aims to hire venue staff who are aligned with the Fund's strategy.

### 4.2 Investment strategy and target returns

The Fund aims to provide investors with regular and growing cash distributions and capital growth over the investment term by investing in and actively managing a diversified Portfolio of high-quality hotels and alternative use real estate opportunities with the potential for refurbishment or redevelopment (subject to approvals) to increase land utilisation.

The Fund's investment strategy is to:

- **Invest in high-quality community hotels** underpinned by sustainable cashflows with opportunities for accretive capital expenditure.
- **Leverage the MAHM platform** to drive enhanced outcomes from existing assets and new acquisitions.
- **Actively manage the Portfolio** over time including through the sale of existing assets or acquiring new assets to maximise risk adjusted returns for investors.

### 4.3 Investment guidelines

The Manager aims to make investment decisions having regard to the following criteria:

CATEGORY	GUIDELINES
Asset type	Community centric hotels with a preference for Freehold Going Concern venues.
Location	Hotels in well-established towns and cities, with easy access and high passing traffic.
Refurbishments	The Fund intends to focus refurbishment spend on: <ul style="list-style-type: none"><li>• Local communities and their associated need for affiliation and belonging; and</li><li>• Generating attractive risk adjusted returns through refurbishment capital expenditure focused on optimising the performance of the Fund's portfolio.</li></ul>
Asset optimisation	Extract incremental value from underutilised land and property holdings.
Operating platform	The Fund intends to focus on: <ul style="list-style-type: none"><li>• Leveraging MAHM's Scalable and adaptable platform;</li><li>• High level of digital enablement; and</li><li>• Enhanced performance through buying and operational efficiencies</li></ul>

The Responsible Entity may revise these investment guidelines from time to time, having regard to the best interests of Unitholders. Changes to these investment criteria will be communicated to investors on the Fund's [\[Website\]](#) or in the quarterly Fund updates.

### 4.4 Portfolio overview

As at the date of this PDS, the Portfolio comprises 36 hotels across New South Wales and Queensland consisting of 34 freehold and 2 leasehold hotels worth approximately \$1.3 billion. More information about the Portfolio can be found on the Fund's [\[Website\]](#).

## 4 Overview of the investment strategy (continued)

### **Acquisition of future assets from MA Financial Group**

The Fund may, from time to time, acquire assets from MA Financial Group or from other related parties of MA Financial Group on arms-length terms, provided that:

- the investment is in accordance with its investment strategy and investment parameters;
- the investment complies in all material respects with applicable law; and
- the investment is acquired at independent value and on arms-length terms.

The Fund is under no obligation to acquire investments that are offered for investment by MA Financial Group or related parties of MA Financial Group.

See Sections 12.7 and 12.14 for details on related party transaction policies.

### **4.5 Changes to investment strategy**

It is expected that the investment strategy of the Fund will be implemented as detailed in this PDS. However, changes in the market conditions, which could be favourable or adverse to the Portfolio's performance, may require the Manager to adopt changes to the investment strategy and the investment guidelines. Subject to compliance with the Corporations Act, the Manager may change the investment strategy in order to achieve the Fund's investment objective (subject to the Responsible Entity's written consent).

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## 5 About the Manager and the Responsible Entity

### 5.1 About MA Financial Group

MA Financial Group is a leading financial services group listed on the Australian Securities Exchange (**ASX**) (ASX:MAF). MA Financial Group operates across asset management, corporate advisory and equities.

Through its asset management division, MAAM, MA Financial Group as at 18 August 2021 managed over \$6.1 billion in assets across both alternative and traditional asset classes. MAAM adopts an investment philosophy based on developing focused and bespoke investment strategies outside of traditional asset classes. This is a key differentiator of the business as it is able to provide investors exposure to alternative asset classes that are generally not available to retail investors.

MAAM manages investments for institutional, wholesale and retail investors across real estate, hospitality, equities, credit, private equity and venture capital. As at 18 August 2021 the firm manages \$3.8 billion in hospitality and real estate assets.

MA Financial Group is a principal investor in many of its funds (including the Fund), on the same terms as investors ensuring strong partnerships and aligned objectives.

### 5.2 The Manager

MAHM is the investment manager and operator of the Fund and is one of Australia's leading hotel managers with diverse expertise in strategy, operations, talent development, community engagement, property refurbishment and capital management.

MAHM is a wholly owned subsidiary of MA Financial Group and has been appointed by the Responsible Entity as the manager of the Fund.

As a leading hospitality group with scalable systems and capable people, MAHM is led by an experienced and proven management team driving growth through active management of its Portfolio.

MAHM's mission is to deliver enriching hospitality experiences for local communities by providing sociable, fun, friendly and safe hospitality offerings in the communities it operates in.

The MAHM senior leadership team has extensive experience across a broad range of hospitality venues in both regional and metropolitan areas. As at the date of this PDS, MAHM manages 39 community hotels across the eastern seaboard of Australia.

### 5.3 Role of the Manager

The primary responsibility of the Manager is to provide investment management and administrative services in addition to the management and operation of Portfolio assets.

As Manager of the Fund, the Manager has agreed to:

- implement the investment strategy, including actively manage and supervise the Fund's investments;
- construct and manage the Portfolio of the Fund in accordance with the investment guidelines set out in the Investment Management Agreement;
- regularly update the Responsible Entity regarding the Fund's portfolio and provide all information necessary for the maintenance of the Fund's financial accounts to be completed; and
- provide administrative support to assist and ensure the maintenance of the Fund's records and compliance with the Corporations Act.

More information about the Investment Management Agreement can be found at Section 11.2.

As Manager of the Fund's portfolio assets under the Hotel Operating Agreement, the Manager has agreed to:

- the efficient operation, management, marketing and conduct of the business of each asset in the Fund's portfolio;
- the management of any legal proceedings in the name of the Fund;
- negotiation and execution of agreements on behalf of the Fund to effect any of these services;

## 5 About the Manager and the Responsible Entity

- the obtaining and holding of any licences and permits issued by public authorities and necessary for operation of the hotel either by its own name or in the Fund's name (or the investment vehicles where the underlying assets are held); and
- development management services in respect of each asset. The development management services are all services required to develop or redevelop any asset in the Fund's portfolio.

More information about the Hotel Operating Agreement can be found at Section 11.3.

### 5.4 Role of the Responsible Entity

The Responsible Entity is responsible for the overall management of the Fund in accordance with its duties to Unitholders. While the Responsible Entity has the power to delegate investment management and administrative services to other entities, it retains ultimate responsibility for these functions. As such, the Constitution contains indemnity provisions covering the Responsible Entity for losses and liabilities incurred in connection with the operation of the Fund subject to certain limited exclusions. More information about the Constitution can be found at Section 11.4.

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

The Responsible Entity is bound by the Constitution and the Corporations Act.

The Responsible Entity has the power to delegate certain aspects of its duties.

In addition to the appointment of the Manager described above, the Responsible Entity has appointed [redacted] Pty Limited ACN [redacted] as the Custodian, and [redacted] Pty Limited ACN [redacted] as the Unit registry (**Unit Registry**). A summary of the services provider arrangements are set out in Section 12.1.

## 6 Overview of the fund and investment structure

### 6.1 Overview of the Fund

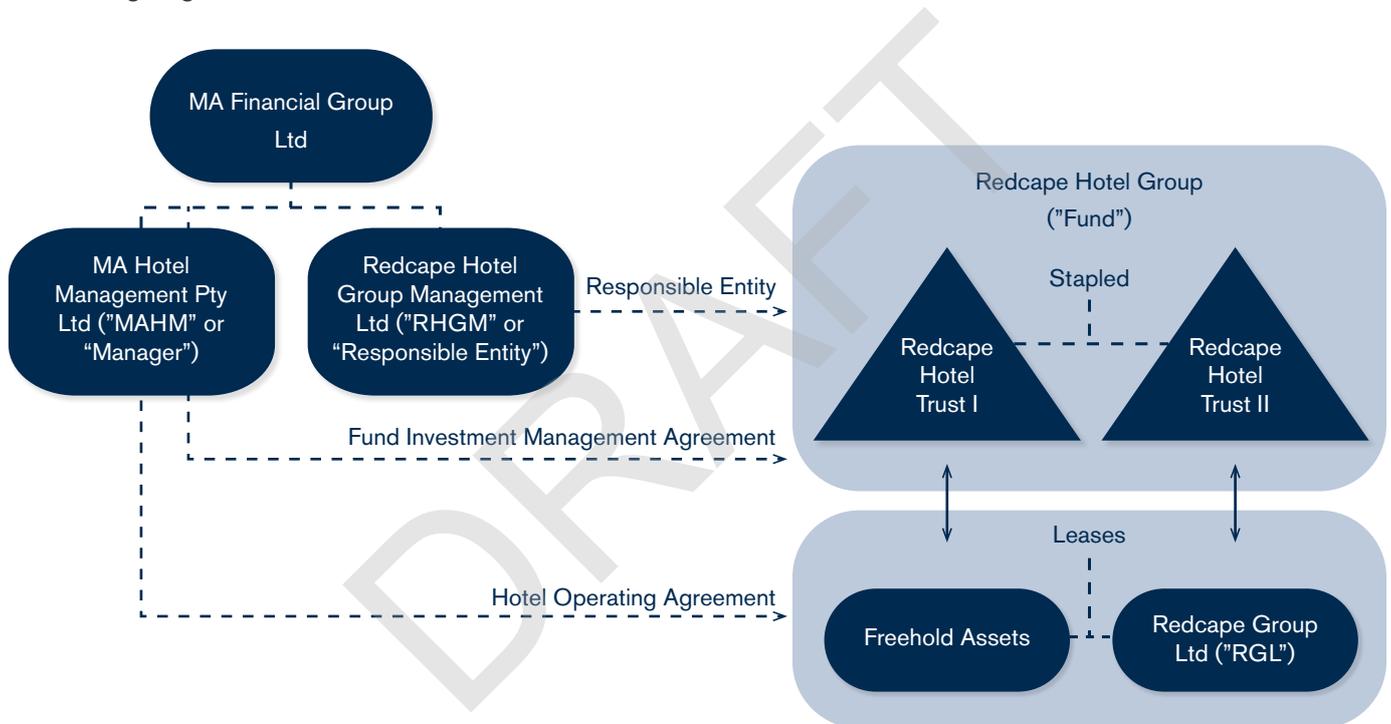
The Fund is comprised of two unlisted Australian Unit trusts which are stapled together and are both registered managed investment schemes, operated and managed by the Responsible Entity which is a wholly-owned subsidiary of MA Financial Group.

The Responsible Entity has appointed MAHM as Manager of the Fund to provide certain investment management and administration services pursuant to an Investment Management Agreement which has been entered into between the Responsible Entity and MAHM on arms-length terms. MAHM is a business division of MA Financial Group. Refer to Section 11.2 for a summary of the terms of the Investment Management Agreement.

In addition, the Responsible Entity has appointed MAHM to manage and operate all the Fund's assets under a Hotel Operating Agreement. Refer to Section 11.3 for a summary of the terms of the Hotel Operating Agreement.

The Directors' NAV, Application Price and Withdrawal Price of the Fund are available on the Fund's [\[Website\]](#).

The following diagram shows the Fund's structure.



### 6.2 Fund term and liquidity

The Fund will have rolling five-year investment terms commencing from the date of this PDS. At the end of each term, there will be a liquidity event where, subject to its obligations at law, the Responsible Entity will provide liquidity for investors wishing to redeem all or some of their investment.

To provide liquidity, the Responsible Entity may (but is not obliged to):

- (1) Sell one or more of the Fund's assets;
- (2) Raise new equity;
- (3) Take on additional debt; or
- (4) Undertake a combination of these measures.

The Responsible Entity will aim to meet all withdrawal requests under a liquidity event within 180 days (although under the Fund's Constitution, the Responsible Entity will have up to 365 days to use its reasonable endeavours to meet the requests, if needed).

## 6 Overview of the fund and investment structure (continued)

Liquidity events may also be cancelled, deferred, scaled back or suspended in exceptional circumstances including for so long as it is impracticable to offer liquidity, or if it would not be in the best interests of Unitholders for liquidity to be offered. As such, investors should consider an investment in the Fund to be a long-term investment.

### Liquidity Facility

In addition to the liquidity event the Responsible Entity will provide liquidity initially on a quarterly basis through a Liquidity Facility (**Liquidity Facility**) on each 'closing date' commencing at the quarter ending 30 June 2022. The Liquidity Facility is limited to 2.5% of the Fund's Directors' NAV as at each relevant quarter end.

The Liquidity Facility aims to offer investors quarterly liquidity at a Withdrawal Price calculated by reference to the Fund's Directors' NAV per Unit, less a discount as detailed below.

Liquidity pricing will be as follows:

- for the quarter ending 30 June 2022, liquidity will be offered at a 7.5% discount to the Directors' NAV per Unit as at the quarter end date;
- for the quarter ending 30 September 2022, liquidity will be offered at a 5.0% discount to the Directors' NAV per Unit as at the quarter end date; and
- for the quarter ending 31 December 2022 and onwards, liquidity will be offered at a 2.5% to the Directors' NAV per Unit as at the relevant quarter end date.

The Responsible Entity may from time to time reduce the amount of discount applied subject to its discretion. The Responsible Entity expects that the amount of available liquidity in each quarter will be capped at 2.5% of the Fund's Directors' NAV as at the relevant quarter end date with scope to adjust the amount of available liquidity as the Responsible Entity determines.

Proceeds from accepted withdrawal requests will be generally paid within 10 business days of the last business day of the relevant quarter. However, under the Fund's Constitution, the Responsible Entity is allowed up to 365 days in which to accept any withdrawal requests. Withdrawals will take effect as at the end of the quarter in which the relevant request is accepted.

Further information on the withdrawals is detailed in the applications and withdrawals section below.

### 6.3 Distributions

The Responsible Entity expects to pay distributions on a quarterly basis unless advised otherwise before the end of the respective quarter. The amount of distribution income paid is based on the number of Units held at the end of each distribution period.

Distributions are usually paid into an Investor's bank account by the last business day two months after the relevant quarter end date.

The Manager anticipates that a proportion of distributions will be tax-deferred for Australian tax residents. An advantage of the investment structure is the ability of the Fund to pass on taxation allowances, such as building allowances, imputation credits, and plant and equipment depreciation to Australian tax residents. Please refer to Section 10 for further information on the tax implications for Australian tax residents investing in the Fund.

Distributions from the Fund are dependant on the ongoing earnings capacity of assets held. The Fund aims to source distributions primarily from Underlying Earnings. However, it is permitted to fund distribution payments from other sources, such as capital, if the Responsible Entity considers it to be in the interests of investors and where payment from that source is expected to be sustainable given the circumstances. Other sources include cash and cash equivalents or borrowings. Examples of where distributions may be paid from other sources include but are not limited to:

- If Underlying Earnings are reduced due to short term trading volatility;
- If Underlying Earnings are reduced in the period between capital raisings or asset sales and investment of proceeds into acquisitions; and
- Payment of a special distribution if the Fund were to realise a capital gain on sale of an asset.

## 6 Overview of the fund and investment structure (continued)

There are risks associated with paying distributions from sources other than cash from operations. This practice may not be commercially sustainable over the longer term, particularly where asset values are not increasing.

Underlying Earnings is a key determinant for the Fund when calculating and deciding the level of distribution to pay. Underlying earnings are based on Operating EBITDA less cash rent, cash interest and maintenance capital expenditure.

While the Responsible Entity has full discretion with regard to the distributions of the Fund, its intention is to pay-out at least 80.0% of Underlying Earnings.

Where the Fund makes distributions from capital, this will have the effect of reducing investor equity. Where this occurs and the Fund has borrowings, the reduction in investors' equity will have the effect of increasing the gearing ratio and gearing related risks. Where a fund is close to its gearing related covenants, the risk of breaching these covenants is increased.

Further information on the Fund's distributions is set out in the Fund's latest quarterly report a on the Fund's [\[Website\]](#).

The Fund's Distribution Reinvestment Plan (**DRP**) is not currently activated. However, the Responsible Entity currently intends that, if the DRP is activated in the future, and if Unitholders have previously made an election to participate in the DRP then that election will continue to apply in respect of the Fund (unless a Unitholder notifies the Responsible Entity that they wish to withdraw or change their election).

If the DRP is activated at a future point in time, details of the DRP will be made available to Unitholders in the Fund.

### 6.4 Fund operations and service providers

The Responsible Entity has outsourced:

- investment valuation, accounting and certain administrative functions to the Manager;
- management and operation of all the Fund assets to MAHM;
- custody services to [\[Company\]](#) Pty Limited; and
- Unit registry services to [\[Company\]](#) Pty Limited.

A summary of the services provider arrangements are set out in Section 12.1.

KPMG has been appointed auditor of the Fund and will perform certain audit procedures in relation to the investment valuation, accounting and administration roles performed by the MAHM relevant to KPMG's obligations as the financial statement auditor and compliance plan auditor of the Fund.

# 7 Risks

## 7.1 Introduction

The level of income distributed can also vary from month to month or no distribution may be made. Before making an investment decision, it's important to understand the risks that can affect the value of your investment.

While not exhaustive, this section identifies the risks that the Responsible Entity and Manager regard as the major risks associated with an investment in the Fund, including risks relating to the business and operations of the Portfolio assets, specific Fund risks, general risks and general investment risks. You should read the whole of this PDS in order to fully appreciate the risks of an investment in Units before any decision is made to subscribe for Units.

Different strategies may carry different levels of risk, depending on the assets that make up the strategy and past performance is not a reliable indicator of future performance. The value of Units may decline significantly if the Fund's business, financial condition or operations were to be negatively impacted. In these circumstances, you could lose all or part of your investment in the Fund.

If you are considering an investment in the Fund, you are also strongly advised to consider whether the Units are a suitable investment having regard to your personal investment objectives and financial circumstances (and the risk factors set out in this Section 7). If you are in any doubt about the suitability of an investment in the Fund, you should consult with your financial adviser, stockbroker, solicitor, accountant or other professional adviser before deciding whether to apply for the Units.

## 7.2 Risks relating to the business and operations of the Hotels

This Section sets out risks associated with an investment in the Fund which are specific to the Fund's business activities and operations.

### Pandemic risk

COVID-19 has caused, is currently causing, and may continue to cause significant disruption to, the Fund's business, the sectors in which the Fund operates as well as securities markets.

At the date of this PDS, the lockdowns in Sydney and other parts of New South Wales and Queensland have caused and are causing significant disruption to the Fund's hotel operations and impacting on its financial performance and cash position. As outbreaks of COVID-19 have occurred and then become controlled, Australia has observed the iterative introduction and removal by Federal and State governments of laws and regulations intended to suppress the transmission of COVID-19. Examples of these measures include, but are not limited to social distancing rules, capacity limits at hospitality venues, and lockdowns. Once

the restrictions in New South Wales and Queensland which are in place at the date of this PDS are eased, the Fund's hotels may continue to experience significant disruptions to their operations which are caused by continuing laws and regulations designed to suppress transmission of COVID-19, and the reintroduction of more severe measures in the case of further outbreaks or variants. Disruptions may also be caused by ongoing customer concerns regarding pandemic risks (which may discourage patronage of the fund's hotels), and by any visitation of premises by people who have been exposed to COVID-19 (including both employees and customers) which may require the Fund to close those premises for periods of time or discourage customers from attending those premises. These disruptions may result in material adverse impacts on the Fund's financial and operating performance, cash position and ability to comply with its covenants. As it has done in previous lockdowns, the Fund would engage with its lenders to seek the appropriate waivers if it was at risk of breaching its covenants.

The long term impact of the COVID-19 pandemic upon the Fund's employees and suppliers, and on consumer preferences and behaviours, business activity levels, and regional and global economic conditions and cycles, is not yet known.

### Regulatory risk

There is an extensive regulatory regime that affects many aspects of the Fund's operating business, including restrictions on the number of electronic gaming machines permitted in venues, restrictions on gaming machine entitlements and forfeitures and taxation of gaming machine revenues. It is likely that state and territory governments will continue addressing issues such as alcohol-based violence, health reforms and problem gambling. The extent and degree of regulation differs on a state-by-state basis. Inconsistencies in the regulatory regimes, as well as potential changes in legislation and government policies, or the interpretation of legislation and policies, may adversely impact on the Fund's profitability. Any legislative or regulatory changes in NSW or QLD may have a greater adverse impact on the Fund's profitability given the geographic concentration of the Fund's hotels.

The Fund is bound by laws relating to the prevention of money laundering and the financing of terrorism, including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 ("AML/CTF Laws"). The Responsible Entity could face civil penalty proceedings, and other legal and regulatory sanctions, as well as reputational damage, following any failure to comply with AML/CTF Laws. Penalties, fines or other compensation payable as a result of any breach of AML/CTF laws, and related reputational damage, could have a material adverse effect on the Fund's business, financial condition and performance, and operating performance and growth.

## 7 Risks (continued)

There is a risk that liability arising from workplace health and safety matters at any of the Portfolio's hotels may be attributable to the Fund and, to the extent that the Fund bears any such liability which is not covered by insurance, this may impact the Fund's financial performance. In addition, the Fund may have to pay monetary penalties, which may also adversely affect its financial performance.

A failure by the Responsible Entity to comply with any of the regulatory regimes and associated licenses which apply to its operations may significantly and adversely affect its reputation and financial performance and any Unitholder's investment in the Fund.

### Supplier risks

The Fund has a number of agreements with certain suppliers for the supply of key business inputs, such as EGMs, liquor and food. All current supply arrangements are based on commercial supplier and customer terms, and the interruption or termination of these supply agreements may have a material adverse impact on the Fund. Additionally, the Fund cannot guarantee that its existing arrangements with key suppliers will be renewed, or renewed on terms similar to its current supply terms.

### Demographics and changes in consumer preferences and tastes risk

Consumers' spend on entertainment and alcoholic beverages is discretionary in nature, and as such, the Fund's offering of products and services in its hotels, and its financial performance, may be affected by changes in consumers' disposable income, or their preferences as to the utilisation of that disposable income. Any decrease in the real disposable income of the Fund's patrons in NSW and QLD as a result of general economic forces, such as an increase in interest rates, may decrease consumer confidence and consumer demand, which may subsequently result in lower levels of trading activity and the Fund's profitability.

Additionally, any changes in population density, growth and demographics in local communities may adversely affect the Fund's financial performance and the value of an investment in the Fund. Conversely, any increase in the real disposable income of the Fund's patrons may lead to increased competition, from both existing and prospective entrants, in the hospitality industry.

Further, any change in Australian attitudes towards, and societal norms concerning, gambling and alcohol consumption and their potential implications may affect the Fund's profitability.

Technology changes, including product development in the EGM industry and offerings for online and mobile gaming, could drive a change in the level of consumer demand for EGMs and lead to lower demand for the Fund's existing EGMs.

### Competition risk

The Fund could be adversely affected by increased competition in the hotel, gaming and retail liquor markets in Australia. The Fund's hotels compete for customers with a wide variety of other hotels and entertainment venues, and the Fund's competitors may be better equipped and could have access to greater financial resources than the Fund. Further, change to the design or application of the classification of Local Government Area gaming 'bands' in NSW may increase competition in the Local Government Areas in which the Fund operates.

Furthermore, the various offerings of online and mobile gaming also pose a risk to the Fund which may detrimentally affect its operations and financial performance. Increased competition in the retail liquor markets and other specialty stores in the regions of Australia in which the Fund operates, including competing with supermarkets where alcoholic and other products could be purchased more cheaply, as well as general competition with alternative entertainment and leisure activities, have the potential to adversely affect the Fund's profitability.

Rapid changes in technology may lead to the Fund's competitors introducing technologies that provide them with a competitive advantage relative to the Fund and may lead to increased risk of asset obsolescence.

### Refurbishment and development risk

There is a risk that future refurbishments of the Fund's portfolio are delayed, take longer or cost more than anticipated to implement or be completed, which may detrimentally affect the Fund's profitability and future returns.

Additionally, there is no guarantee the refurbishment of gaming facilities of certain premises will add value to, or result in improved profitability of, the Fund's portfolio or its operations.

Furthermore, delays in or failure to obtain any required development approvals, planning and zoning issues and any failure to complete renovations or developments according to planned timelines may result in a loss of revenue, and may have a material detrimental effect on the Fund's profitability and financial performance.

## 7.3 Specific Fund risks

### Manager risk

The success and profitability of the Portfolio, and therefore the Fund, will depend in large part upon the performance of the Manager, which is dependent on the skill and expertise of the investment team. The Manager may not manage the Portfolio in a manner that consistently achieves the Fund's investment objective over time. If the Manager was to lose the services of its key members of the investment team or otherwise be precluded from providing its management

## 7 Risks (continued)

services (for example, by virtue of the loss of their respective licenses or registration), the success and profitability of the Portfolio could be materially and adversely affected. There can be no assurances that the investment team will remain wholly intact or that the Manager will maintain key licences and registrations throughout the term of the Fund. If the Manager ceases to manage the Fund, the Responsible Entity will need to identify and engage an alternative, and suitably qualified and experienced investment manager. This may affect the Fund's success and performance.

Additionally, the operations of the Fund's business depend on its ability to attract and retain quality venue staff. Any changes that adversely impact the Fund's ability to attract and retain key venue staff may adversely impact the Fund's profitability, and the Fund securityholder returns from the Fund Units.

### **Potential conflicts of interest of the Responsible Entity, the Manager and their affiliates**

The Responsible Entity, the Manager and third party service providers of the Fund may, in the course of their business, have potential conflicts of interest which may not be managed effectively and may be detrimental to the Fund and its Unitholders. The Manager, the Responsible Entity and their affiliates are part of MA Financial Group. MA Financial Group businesses include asset management, corporate advisory and equities businesses. MA Financial Group may in the future acquire interests in other businesses. As a result of the range of MA Financial Group's activities, the Manager and its affiliates, personnel and associates may have multiple advisory, transactional, financial and other interests and relationships that conflict with the interests of the Fund. They manage a range of investment funds and vehicles which may compete with the Fund for investment opportunities. These funds and vehicles may also take actions which are contrary to the interests of the Fund – in particular, when the assets respectively held do not align in interests. MA Financial Group may also provide other services to the Fund. These service providers may receive fees, commissions and other payments for these activities. MA Financial Group also makes substantial investments for its own account, which may have an adverse impact on the Fund, for example by reducing the amount of an investment opportunity that is allocated to the Fund. The Manager, the Responsible Entity and their affiliates have implemented policies and procedures to seek to identify and manage conflicts in a fair and equitable manner. There can be no guarantee that any such conflicts will be resolved in a manner that will not have an adverse effect on the Fund.

### **Acquisition and disposal risk**

In seeking to maximise returns for the Fund's Unitholders, the Fund may acquire further hotels in accordance with its acquisition strategy. The risks faced by the Fund in relation to a future acquisition will depend on the terms of the transaction at the time. Future acquisitions may affect the

value of, and returns from, an investment in the Fund. There is a risk that the Fund may be unable to source and acquire properties or hotels, as well as dispose of any hotels or properties, on commercially appropriate terms, which may in turn limit the Fund's growth.

There is also a risk that the Fund may be unable to successfully integrate any future acquisitions into its business model, or deliver the anticipated returns from those acquisitions.

Additionally, distributions may be adversely affected by future acquisitions or disposals, and there is no guarantee that any future acquisitions or disposals will enhance the investment returns of the Fund Unitholders.

### **Liquidity risk**

Despite the Fund offering certain liquidity opportunities as described in Section 9.8, there may be circumstances where the Manager is not able to satisfy withdrawal requests within the timeframes specified, or at all. The ability to withdraw (in part or in full) at any particular time is not promised nor guaranteed. It may be difficult for the Manager to maintain the quarterly Liquidity Facility and to offer periodic liquidity events. This may occur as a result of, for example, movements in the hotel market, withdrawal requests exceeding the Fund's available liquid assets or the Fund not being able to realise sufficient assets in a timely manner or at an optimal sale price. This may affect the Manager's ability to return capital to investors and may reduce the Directors' NAV per Unit.

The assets in the Fund's portfolio are, by their nature, illiquid investments. There is a risk that, if required to do so, the Fund may not be able to realise value for the assets within a short period of time or may not be able to realise the full valuation, which may affect an investment in the Fund.

### **Reputational risk**

There is a risk that the Fund's reputation may erode if the Fund fails to comply with its licences and regulatory requirements, or if there is any episode of death, armed robbery or violence at any of the Fund's hotels or other occurrences which adversely affect the reputation of the Fund's hotels. Further, episodes of death, armed robbery or violence may result in the loss of patronage.

These risks may in turn detrimentally affect the Fund's profitability and financial performance.

### **Concentration risk**

MA Financial Group and its associates could control the majority of the Funds Units. Accordingly, these parties would continue to be in a position to exert significant influence over matters relating to the Fund and may control the Fund. Although the interests of these Fund Unitholders and other Unitholders are likely to be aligned in most cases, there may

## 7 Risks (continued)

be instances where their respective interests diverge. For example, the Manager, which is a Subsidiary of MA Financial Group may obtain higher performance fees if the Fund undertakes transactions and raises additional capital which may not coincide with the preferences of particular the Fund Unitholders.

### **Change in control risk**

There is a risk that change in control provisions in contracts to which the Fund is a party, including supplier agreements and licensing and regulatory approvals, may be triggered if MA Financial Group and its associates move to a control position and if the Fund cannot obtain the relevant counterparty's consent. In such a case, this may give the counterparty a right to terminate the agreement, which in turn has the potential to affect the Fund's operations and financial performance.

## **7.4 General Risks**

### **General taxation risk**

An investment in the Fund involves a number of complex tax considerations which may differ for each investor. Changes in tax legislation and their interpretation in relation to the Fund could adversely impact the returns achieved by the Fund. No assurance can be given regarding the actual level of taxation that may be imposed upon the Fund, its investments or investors with respect to their investments in the Fund. While the Manager will endeavour to structure the Fund's investments in a manner that is intended to achieve the Fund's investment objective and investment strategy, there can be no guarantee that the structure of any investment will be tax efficient for a particular investor or that any particular tax result will be achieved. Any investor may be required to provide such information as may reasonably be required by the Manager to enable the Fund to properly and promptly make such filings or elections as the Manager may consider desirable or as required by law. Prospective investors should consult their own tax advisers regarding the tax implications of acquiring, holding and disposing of Units.

### **Global health pandemics**

Global health pandemics, such as COVID-19, can cause significant disruption to consumer behaviours and activity levels, in the sectors in which the Fund operates, as well as to securities markets and global and regional economic conditions and cycles. These pandemics can therefore directly and adversely impact the operation of the Fund's venues and supply chains, including through changes in consumer behaviours, and the introduction laws and regulations designed suppress the transmission of viruses and disease.

### **Gearing risk**

Gearing exposes the Fund to any changes in interest rates and increases its exposure to movements in the value of its Portfolio or performance measures. If the Fund's level of gearing increases over the term of its debt financing, this will

increase the volatility of earnings and increase the level of financial risk, including the risk of default under the Fund's financing facilities. Higher gearing may also affect the Fund's ability to refinance its financing facilities.

### **Funding and extension and refinancing of debt**

The Fund's ability to raise funds from either debt or equity markets in the future, on favourable terms for future activities, depends on a number of factors, including the:

- state of debt and equity markets at the time;
- general economic and political climate;
- appetite of finance providers to provide debt to hotel operators;
- appetite of finance providers to provide debt to unlisted vehicles as opposed to listed vehicles;
- performance, reputation and financial strength of the Fund; and
- value of business and properties in the Fund's portfolio.

There is a risk that the Fund may not be able to refinance its debt before expiry or may not be able to do so on as favourable terms as its current financing facilities.

### **Facility undertakings and covenants risk**

Under the Fund's financing facilities, the Fund is subject to a number of undertakings and covenants, including in relation to loan to value levels and interest cover ratios. An event of default would occur if the Fund fails to maintain these financial covenants. This may be caused by unfavourable movements in interest rates (to the extent interest rates are not hedged) or deterioration in the income or the value of the Fund's operations or the properties in its Portfolio. In the event that an event of default occurs, the lender may require immediate repayment of facility. The Fund may need to dispose of all or parts of its business or properties in its Portfolio for less than their market value or reduce or suspend distributions in order to repay the Fund's financing facilities.

### **Interest rate risk**

To the extent that interest rates are not hedged, unfavourable movements in interest rates relating to the syndicated debt facility could lead to increased interest expense. Any such movement may have a negative impact on the Fund's financial position and results.

Increased general interest rates may also result in a reduction in consumers' discretionary income (which may affect the Portfolio's operations), increased capitalisation rates for hotel real estate (which may negatively impact the valuation of the Portfolio's existing owned hotels) and a reduction in the attractiveness of debt funding of the Portfolio's growth initiatives such as refurbishments and acquisitions.

## 7 Risks (continued)

### **Cyber security, data and privacy risk**

The Fund collects a range of customer, supplier, employee and company data through its ordinary course of business. In addition, through providing certain online services, such as the ability for customers to reserve hotel bookings online, the Fund is exposed to risks relating to security of customer information and payment details.

Cyber-attacks, data breaches or unauthorised access to confidential information such as customer information may have a negative impact on the Fund's operations and reputation and could cause the Fund to suffer financial loss and regulatory consequences.

### **Changing community expectations with respect to environmental, social and governance standards**

Changes in community expectations regarding environmental, social and governance standards and risk management (such as responsible sourcing of products, serving of alcohol and gaming, and community engagement) may impact the hospitality industries, including the operations and profitability of the Fund. These changes in community expectations may also lead to regulatory changes and increased operational and compliance costs for the Fund, and restrict the Fund's ability to attract financing and investment.

### **Employment costs and disputes risk**

The Fund has a range of agreements with various employees and contractors which are on a rolling basis and may be amended or terminated by complying with the relevant notice periods. In addition, the ability to appropriately manage its labour needs and requirements while controlling costs associated with hiring and training new employees is subject to external factors such as unemployment rates and minimum wage requirements imposed at law.

Disputes may arise in the course of such renegotiations that could disrupt the Fund's operations and in times of high employment or a shortage of appropriately skilled employees, there can be upward pressure on wages. If any of these events occur, the Fund's financial performance and position may be affected.

### **Economic and political risk**

The Fund's financial performance is subject to general economic conditions in Australia, as well as general economic conditions globally. Prolonged downturn in general economic conditions (including as a result of the COVID-19 pandemic) may impact the demand for services, decreasing consumer demand and lowering sentiment or its assets, which may affect the ability of the Fund to fulfil its investment objectives and could result in a loss of some or all of Fund's Unit holders' capital invested in the Fund. These events could be expected to have a material impact on the Fund's business and financial performance.

### **Accounting Standards**

Changes to Australian Accounting Standards issued by the Australian Accounting Standards Board or changes to the application and interpretation of those standards could materially adversely affect the financial performance and position reported in the Fund's financial statements.

### **General business risks**

The Fund is subject to a number of additional general business risks, including but not limited to litigation, environment, IT systems and insurance risks, and the risk of counterparties failing to perform obligations under contracts with the Fund.

## **7.5 General investment risks**

General investment risks include:

- a downturn in the Australian and/or global economy in general;
- interest rate fluctuations;
- legislative changes (which may or may not have a retrospective effect) including taxation and accounting issues;
- inflation;
- natural disasters, including earthquakes, social unrest, terrorist attacks or war in Australia or overseas; and
- if you are a foreign investor, currency exchange rate fluctuations.

## 8 Fees and other costs

### DID YOU KNOW?

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

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

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower fees. Ask the Fund or your financial adviser.

### TO FIND OUT MORE

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

### 8.1 Fees and costs summary

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole.

Tax details are set out in the 'Taxation' section 10 of this PDS.

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

REDCAPE HOTEL GROUP		
TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>Ongoing annual fees and costs<sup>1</sup></b>		
<i>Management fees and costs<sup>2</sup></i> The fees and costs for managing your investment <sup>3</sup>	1.22% p.a. of the Gross Portfolio Value of the Fund which comprises 0.50% p.a. of Management fees, 0.18% p.a. of indirect costs and normal expense recoveries <sup>4</sup> , 0.05% p.a. of debt arrangement fees and 0.49% of abnormal expense recoveries.	The Management Fee component of management fees and costs are accrued monthly and are payable from the assets of the Fund monthly in arrears.  Management fees and costs include indirect costs and recoverable expenses (if incurred). Indirect costs and recoverable expenses are variable.  All of the above management fees and costs are deducted and reflected in the Unit price of the Fund as they are incurred or accrued.
<i>Performance fees</i> Amounts deducted from your investment in relation to the performance of the product <sup>5</sup>	0.69% p.a. of the Gross Portfolio Value of the Fund	Performance Fees are calculated semi-annually and are paid from the assets of the Fund semi-annually in arrears and reflected in the Unit Price of the Fund as they are incurred.
<i>Transaction costs</i> The costs incurred by the scheme when buying or selling assets	0.41% p.a. of the Gross Portfolio Value of the Fund per annum	Transaction costs are variable and deducted from the assets of the Fund as they are incurred and reflected in the Unit Price of the Fund.
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the Fund)</b>		
<i>Establishment fee</i> The fee to open your investment	Not applicable	Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Not applicable	Not applicable

## 8 Fees and other costs (continued)

REDCAPE HOTEL GROUP		
TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<i>Buy-sell spread</i> An amount deducted from your investment representing costs incurred in transactions by the scheme	Not applicable	Not applicable <sup>6</sup>
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Not applicable	Not applicable
<i>Exit fee</i> The fee to close your investment	Not applicable	Not applicable
<i>Switching fee</i> The fee for changing investment options	Not applicable	Not applicable

- The amounts of fees and charges quoted above are inclusive of GST less input tax credits, including reduced inputs tax credits.
- Acquisition and disposal fees have been excluded from this calculation (refer to section 6.2 for an overview of these fees). These fees are included in 'Transaction costs'.
- The amount of management fees and costs and transaction costs are based on the FY21 costs. Please see "Additional Explanation of Fees and Costs" below for more information.
- The amount of indirect costs and normal expense recoveries includes an estimate of \$50,000 p.a. of custodian fees which were not incurred by the Fund in FY21.
- This represents the Performance fee of the Fund which is payable as an expense of the Fund to the Manager. The amount of Performance fee is based on the average of the performance fees over each previous financial year of the Fund. Please see "Performance fees" below for more information.
- While the Fund does not intend to charge a buy-sell spread, withdrawal pricing will be offered starting at a 7.5% discount to Directors' NAV per Unit in the quarter ending 30 June 2022, decreasing to a 5.0% discount to Directors' NAV in the quarter ending 30 September 2022 and stabilising at a 2.5% discount to Directors' NAV from the quarter ending 31 December 2022 onwards.

### 8.2 Example of annual fees and costs for the Fund

The following table gives an example of how the fees and costs in relation to the Trusts can affect your investment over a one-year period. You should use this table to compare this product with other products offered by managed investment schemes.

EXAMPLE – REDCAPE HOTEL GROUP	AMOUNT	BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING THE YEAR
Contribution fees	Not applicable	For every \$5,000 you put in, you will be charged \$0
<b>PLUS</b> Management fees and costs	1.22% p.a. of the Gross Portfolio Value of the Trusts	<b>And</b> , for every \$50,000 you have in the Redcape Hotel Group you will be charged or have deducted from your investment \$1,286 <sup>1</sup> each year
<b>PLUS</b> Performance fees	0.69% p.a. of the Gross Portfolio Value of the Trusts	<b>And</b> , you will be charged or have deducted from your investment \$725 in performance fees each year
<b>PLUS</b> Transaction costs	0.41% p.a. of the Gross Portfolio Value of the Trusts	<b>And</b> , you will be charged or have deducted from your investment \$430 in transaction costs
EQUALS cost of the Redcape Hotel Group		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees and costs of: \$2,441 <sup>2</sup>  What it costs you will depend on the fees you negotiate

- This amount will depend on actual expenses incurred by the Fund.
- Additional fees may apply.

## 8 Fees and other costs (continued)

This example assumes the \$5,000 contribution occurs at the end of the first year, therefore the fees and costs are calculated using the \$50,000 balance only. This example is based on the Pro Forma FY21 Balance Sheet for the period ending 30 June 2021 as per the Notice of Meeting released by Redcape on the 18th of August which assumes a Directors Gearing ratio of 46.1%.

Warning: If you have consulted a financial adviser, you may pay additional fees. You should refer to the Statement of Advice or Financial Services Guide provided by your financial adviser in which details of the fees are set out.

The performance fees stated in this table are based on the average Performance Fee for the Fund, over the previous 4 financial years. The performance of the Fund for this financial year, and the performance fees, may be higher or lower or not payable in the future. It is not a forecast of the performance of the Fund or the amount of the performance fees in the future.

### 8.3 Additional Explanation of fees and costs

#### Management fees and costs

Management fees and costs include the amounts payable for administering the Fund, amounts paid for investing in the assets of the Fund and other expenses and reimbursements in relation to the Fund and investments. The Management fees and costs of the Fund are comprised of a Management fee, indirect costs and recoverable expenses and abnormal recoverable expenses (if incurred). Management fees and costs do not include performance fees or transaction costs, which are disclosed separately.

#### Management Fees (includes normal expenses)

##### Management fees

The Responsible Entity is entitled to receive a Management fees of 0.50% per annum of the Gross Portfolio Value of the Fund for providing investment management services to the Fund. The Responsible Entity has appointed the Manager to manage the Fund under the Investment Management Agreement summarised in Section 11.2.

The Responsible Entity and the Manager may rebate all or part of the fees they receive to 'wholesale clients' as defined in the Corporations Act on an individually negotiated basis. For further information, on negotiated fees, see the 'Differential Fees' section below.

Wholesale clients seeking to negotiate alternate fee arrangements can contact the Responsible Entity at the address specified in the 'Corporate Directory' in Section 14 of this PDS.

The Fund's historical Management Fees may not be an accurate indicator of the actual Management fees deducted from the Fund in the future. Details of any future changes to Management fees will be provided on the Fund's [\[Website\]](#)

where they are not otherwise required to be disclosed to investors under law.

#### Other costs

##### Debt arrangement fees

The Responsible Entity is entitled to receive a fee equal to 0.50% of the total amount of any third-party debt finance or refinancing obtained for the Fund (this fee will be paid to the Manager under the Investment Management Agreement). Debt arranging fees are payable from the assets of the Fund on the date binding commitment documentation for the third-party debt finance or refinancing is entered into. The management fees and costs figure disclosed in the fees and costs summary of this PDS includes debt arrangement fees of the Fund of 0.05% p.a. of Gross Portfolio Value of the Fund, which is the amount which was incurred during FY21.

##### Indirect costs and normal recoverable expenses

Indirect costs include any amount that we know or reasonably ought to know, or where this is not the case, may reasonably estimate has reduced or will reduce (as applicable), whether directly or indirectly, the return of the Fund, or the amount or value of the income of, or investment attributable to the Fund. These indirect costs are reflected in the Unit price of your investment in the Fund and include any underlying (indirect) management fees and costs and other indirect costs.

The Responsible Entity is entitled to separately recover expenses (such as fund accounting, Unit registry, custody, audit costs, postage and preparation of tax returns etc) from the assets of the Fund. Provided that the expenses are properly incurred, there is no limit on the amount of these expenses that may be recovered by the Responsible Entity from the assets of the Fund.

The management fees and costs disclosed in the fees and costs summary of this PDS includes indirect costs and normal expense recoveries of 0.18% p.a. of Gross Portfolio Value of the Fund, which is the amount incurred during FY21 plus an estimated \$50,000 p.a. of custodian fees, not incurred by the Fund in FY21. The actual indirect costs and normal expense recoveries incurred may vary from year to year.

The actual indirect costs and normal expense recoveries that the Fund incurs may differ from the indirect costs disclosed in this PDS. Details of any future changes to indirect costs will be provided on the Fund's [\[Website\]](#) where they are not otherwise required to be disclosed to investors under law.

##### Abnormal expense recoveries

The Responsible Entity may also recover abnormal expenses (such as costs of Unitholder meetings, changes to Constitution, and defending or pursuing legal proceedings) from the Fund.

## 8 Fees and other costs (continued)

Abnormal expenses are not generally incurred during the day-to-day operation of the Fund and are not necessarily incurred in any given year. In circumstances where such events do occur, we may decide not to recover these from the Fund.

The management fees and costs figure disclosed in the fees and costs summary in this PDS includes abnormal expense recoveries of the Fund of 0.49% p.a. of Gross Portfolio Value of the Trusts, which is the amount which was incurred during FY21.

### Performance fee

Performance fees include amounts paid or payable calculated by reference to the performance of the Fund.

As the fund has not been in operation for the previous five financial years, the Performance Fee of 0.69% of Gross Portfolio Value of the Trusts disclosed in the fees and costs summary of this PDS has been calculated using the average Performance Fee paid over the 4 years since the Fund's inception of \$26.6 million and dividing it by the average Gross Portfolio Value for FY21 of \$1,073.5 million.

The performance of the Fund for this financial year, and the performance fees, may be higher or lower or not payable in the future. It is not a forecast of the performance of the Fund or the amount of the performance fees in the future.

### Performance Fee calculation

The Responsible Entity is entitled to and is to be paid out of the assets (which fees may be paid to the Manager in accordance with the Investment Management Agreement), a Performance Fee calculated and accrued as set out below.

Under the terms of the Investment Management Agreement, the Responsible Entity will pay this fee to MAHM.

For each six-month period ending on 30 June and 31 December each year (Performance Fee Period), the Performance Fee is the positive amount (if any) that is calculated as follows:

$$P = 20.0\% \times [(Outperformance/SNA \text{ per Stapled Unit}) - Hurdle \text{ Return}] \times ENA \text{ per Stapled Unit} \times \text{Weighted Average Stapled Units on Issue}$$

where:

P is the Performance Fee for the Performance Fee Period

Outperformance is calculated as:

$[ENA \text{ per Stapled Unit} - SNA \text{ per Stapled Units}]$  plus any distributions per Stapled Unit made to Members during the Performance Fee Period

Hurdle Return: is 10% per annum (adjusted pro rata where the Performance Fee Period is less than 12 months)

SNA per Stapled Unit: is the Management NA on the first day of the Performance Fee Period divided by the number of Stapled Units on issue on the first day of the Performance Fee Period.

ENA per Stapled Unit: is the Management NA on the last day of the Performance Fee Period divided by the number of Stapled Units on Issue on the last day of the Performance Fee Period.

Weighted Average Stapled Units on Issue means the day-weighted average number of Stapled Units on Issue during the Performance Fee Period determined by taking the sum of the number of Stapled Units on each day of the Performance Fee Period and dividing by the number of days in the Performance Fee Period.

Management NA: means the net assets of the Fund as reported in the latest audited consolidated balance sheet of the Fund:

- (i) excluding the total of plant, property and equipment, investment properties and goodwill relating to real property assets held by the Fund; and
- (ii) adding back the sum of the most recent independent valuations of each of the real property assets held by the Fund (which valuation methods must be consistent with ordinary commercial practice for valuing the type of asset and produce a value that is reasonably current at the time of valuation) plus any capital invested into the real property assets by the Fund since the most recent independent property valuation obtained.

The following provisions apply to the calculation, accrual and payment of the Performance Fee:

- (i) If the Performance Fee for a Performance Fee Period is a negative amount, no Performance Fee for that Performance Fee Period is payable to the Responsible Entity. Subject to the final bullet point below, the Performance Fee for a Performance Fee Period is the Performance Fee calculated using the above formula plus any negative Performance Fee calculated for the previous Performance Fee Period. Subject to the final bullet point below, a negative Performance Fee amount for the previous Performance Fee Period is to be added to the Performance Fee amount for the current Performance Fee Period in determining the Performance Fee for the period

## 8 Fees and other costs (continued)

(ii) If the Performance Fee for a Performance Fee Period is a positive amount and remains a positive amount after deducting any negative amount under the first bullet point above, a Performance Fee equal to the positive amount is payable to the Responsible Entity. The Performance Fee is to be paid within 10 Business Days

(iii) Where the Performance Fee for six consecutive Performance Fee Periods has been a negative amount, the Performance Fee for the previous Performance Fee Period is reset to zero for the purposes of calculating the Performance Fee for the next Performance Fee Period.

The Responsible Entity may, in respect of any Performance Fee Period, elect to receive the Performance Fee in cash or Units in the Fund.

### Example of calculation of performance fee

This example is provided for information purposes only to illustrate the calculation of the performance fee. Actual results may vary significantly from those in the example. This example has been based on the pro forma balance sheet and Underlying Earnings outlined in the Notice of Meeting released by Redcape on the 18th of August.

The benchmark performance for the period 10.0% p.a./2	5.0%
Performance fee	20.0%
SNA per Stapled Unit	\$1.31
ENA per Stapled Unit	\$1.35 (represents 3.0% growth)
Distributions per Stapled Unit	\$0.047
Weighted Average Stapled Unit on Issue	452,195,195

The Fund Performance for the period is 6.6%, calculated as:

$$\text{Performance} = (\text{ENA per Stapled Unit} - \text{SNA per Stapled Unit} + \text{Distributions per Stapled Unit}) / \text{SNA per Stapled Unit}$$

Example:

$$\text{Performance} = (\$1.35 - \$1.31 + \$0.047) / \$1.31 = 6.6\%$$

The Fund's Performance Fee is calculated as:

$$P = 20\% \times ((\text{Outperformance} / \text{SNA per Stapled Unit}) - \text{Hurdle Return}) \times \text{ENA per Stapled Unit} \times \text{Weighted Average Stapled Units on Issue}$$

Example:

$$P = 20\% \times [6.6\% - 5.0\%] \times \$1.35 \times 452,195,195 = \$1,906,910 \text{ or } 0.42 \text{ cents per Stapled Unit}$$

### Transaction Costs

In managing the assets of the Fund, the Fund may incur transaction costs such as acquisition fees, disposal fees, agent's commission, stamp duty and legal fees when assets are bought and sold. Transaction costs exclude borrowing costs, property operating costs (such as the hotel operating fee) and certain implicit or market impact costs associated with derivatives. Transaction Costs are paid out of the assets of the Fund (or the relevant sub-trust) when incurred.

Transaction Costs which are not recovered by a buy/sell spread reduce returns and are reflected in the Unit Price of the Fund. For the time being, the Responsible Entity does not intend to charge any buy/sell spread to cover the transaction costs in connection with applications and redemptions. As such, the gross transaction costs of the Fund are the same as the transaction costs disclosed in the fees and costs summary of this PDS.

While the Fund does not intend to charge a buy-sell spread, withdrawal pricing will be offered starting at a 7.5% discount to Directors' NAV per Unit in the quarter ending 30 June 2022, decreasing to a 5.0% discount to Directors' NAV in the quarter ending 30 September 2022 and stabilising at a 2.5% discount to Directors' NAV from the quarter ending 31 December 2022 onwards.

Transaction costs are dependent upon a number of factors and therefore may change from year to year. Transaction costs for future periods may be higher or lower than the transaction costs currently disclosed.

#### Acquisition fees

The Responsible Entity will be entitled to receive an Acquisition Fee of 1.0% of the total purchase price of any real property acquired directly or indirectly by the Trusts (which will include the Fund entering an arrangement which provides the Fund with substantially the same economic return as an interest in real property) (this fee will be paid to the Manager under the Investment Management Agreement). Acquisition fees are payable from the assets of the Fund on completion of an acquisition of real property.

#### Disposal fees

The Responsible Entity is entitled to receive a Disposal Fee equal to 1.0% of the total sale price of any real property disposed of by the Fund (which will include the Fund entering into an arrangement which will provide the Fund with substantially the same economic return as an interest in real property) (this fee will be paid to the Manager under the Investment Management Agreement). Disposal fees are Payable from the assets of the Fund on completion of a disposal or real property.

## 8 Fees and other costs (continued)

### Buy/Sell spread

A buy/sell spread is an amount deducted from the value of an investor's application money or redemption proceeds that represents the estimated costs incurred in transactions by the Fund as a result of the application or redemption. Applicants and redeeming Unitholders in a Fund will not be charged a 'buy spread' or a 'sell spread' however under the Constitution the Manager may apply a buy/sell spread to the Unit Price if it considers it is in the best interest of investors.

On and after 31 December 2022 the Withdrawal price is intended to be at a 2.5% discount to Directors' NAV per Unit (with a greater discount applying prior to 31 December 2022 at the rates described above in section 6.2) while the Application price is intended to be at Directors' NAV per Unit.

The Responsible Entity intends the 2.5% discount to cover some or all costs which the Responsible Entity estimates the Fund would incur to redeem Units including administration costs and costs of selling the underlying assets.

### In-specie transfers

On investing in the Fund, any costs associated with an 'in specie' transfer will be paid by the investor.

Where a withdrawal is satisfied by an 'in specie' transfer, the investor will bear all costs, including any applicable stamp duty payable as a result of the transfer.

The Responsible Entity reserves the right to accept 'in specie' transfers for applications in its absolute discretion or in satisfaction of withdrawals if agreed to by the Responsible Entity and the investor.

### Adviser Service Fee

The Manager does not pay any commission to financial advisers in respect of the issue of Units in the Fund. Investors are able to direct the Responsible Entity to pay an amount on their behalf to their adviser. To do so, please nominate the payment amount on your Adviser Service Fee Form, and this amount will be deducted from your application money and will accordingly reduce the amount of your capital invested in the Fund and the corresponding number of Units issued to you.

From time to time, the Manager or its affiliates may pay commissions to certain intermediaries (who are not financial advisers) in respect of investments in the Fund by wholesale clients.

### Financial advisers

Additional fees may, subject to the Corporations Act, be paid by you to a financial adviser if you have consulted a financial adviser. You should refer to the Statement of Advice provided by your financial adviser in which details of the fees are set.

### Differential fees

The Responsible Entity and the Manager may charge, rebate or waive all or part of the fees they receive to 'wholesale clients' as defined in the Corporations Act on an individually negotiated basis. In addition, different or additional fees may be applied in respect of investments in the Fund by wholesale clients. The Responsible Entity can be contacted at the address specified in the 'Corporate Directory' section 14 of this PDS for further details.

### Changing the fees

The Responsible Entity may change the amount of any fees in this PDS (including increasing fees up to the maximum set out in the Constitution) without your consent on 30 days' advance notice to you.

In accordance with the Constitution and subject to law, the Responsible Entity may vary the amount of abnormal expense recoveries at any time without your consent or advance notice.

The Responsible Entity may introduce and increase fees at its discretion, including where increased charges are due to changes to legislation or regulation, increased costs, significant changes to economic conditions and/or the imposition of increased processing charges by third parties.

### Other fees

All fees in the Funds Constitution have been disclosed throughout this retail PDS with the exception of the Establishment Fee. The Constitution entitles the Responsible Entity to receive an Establishment Fee equal to 1.0% of the total application money received under a capital raising undertaken for the Trusts at any time. However, the Responsible Entity has waived its entitlement to an Establishment Fee.

## 8 Fees and other costs (continued)

### Fees to related parties under other arrangements

Certain fees and expenses may be paid from the income or assets of the Fund to MAHM pursuant to the Hotel Operating Agreement. These amounts are consistent with market rates and are not included in the above tables as management costs. The major categories of these fees are summarised in the table below. These are separate to the management fees and costs and transaction costs of the Fund.

TYPE OF FEE OR COST	EXPECTED TOTAL (\$ MILLION) (ROUNDED TO THE NEAREST \$0.1 MILLION)
<b>Hotel operating fee</b>	<p>Under the Hotel Operating Agreement, MAHM is entitled to a Hotel Operating Fee payable from the income or assets of the Trusts on a monthly basis in arrears equal to:</p> $\text{Index Threshold} \times 15.75\% + (\text{Hotel Operating Profit} - \text{Index Threshold}) \times 8.00\% - \text{Central Overheads} - \text{Queensland Management fee}$ <p>For the purposes of calculating this fee, the indexed threshold is equal to \$77.8 million for FY22 indexed annually at 4% per annum on 1 July. Hotel Operating Profit means the aggregate operating profit of the Portfolio calculated by deducting the operating expense of the Portfolio from the revenue of the Portfolio.</p> <p>Central Overheads means the costs in relation to the Portfolio which are not directly attributable to individual hotels which the Fund and MAHM agree on an annual basis are to be incurred by the Fund.</p> <p>The Queensland Management Fee (which is a fixed annual amount per Queensland hotel) will be separately paid to MAHM by the Fund for managing the Queensland properties – the Queensland Management Fee is currently \$1.86 million with this to be reviewed and amended as required as hotels are acquired or divested.</p>
<b>Development management fee</b>	<p>Under the Hotel Operating Agreement, MAHM is entitled to a development management fee equal to 5.0% of total costs of developing and constructing the development project (including the construction costs, design, plans, approvals, sales and marketing but does not include the costs of the tenant on fit out) payable from the income or assets of the Trusts on a monthly basis in arrears.</p>

### Taxation

Taxation information is in section 10.

## 9 Applications and withdrawals

### 9.1 Applications into the Fund

The minimum initial investment amount is \$10,000. We can vary or waive the Minimum Investment Amount at any time. The Minimum Investment Amount does not apply if investing through an Investor Directed Portfolio Services (IDPS). Please refer to Section 12.13 for more information. You should check with the operator of the IDPS to verify what minimum limits apply for investing in the Fund through that IDPS.

If accepted, applications will be processed with an effective date being the date the Unit Registry receives both a completed Online Application or Application Form for the Fund by mail and your application money in cleared funds. If accepted, valid applications for units received by the Unit Registry before 2pm on any Business Day will be processed at the Application Price applicable on the first Business Day of the following month, and Units will be issued on that day (**Application Dealing Day**).

Applications received by the Unit Registry after 2pm on a Business Day, or on a day that is not a Business Day, will typically be treated as having been received prior to 2pm on the following Business Day. Once you have made your initial investment in the Fund, you can make additional investments by completing an Online Application or by sending a completed Additional Investment Form, by email or mail to the Unit Registry.

The minimum additional investment amount is \$1,000. You can make a regular investment in the Fund by electing to participate in the Regular Investment Plan when completing your initial Online Application or by sending a completed Regular Investment Plan Form and Direct Debit Request Form to nominate the amount you will regularly invest and your direct debit details. The minimum amount for regular investment is \$1,000 per month. Your Regular Investment Plan Form and Direct Debit Request Form must be received by the Unit Registry 5 business days before the start of your Regular Investment Plan. Changes can be made to your regular investments, provided you give us 5 business days to action your request. Your Regular Investment Plan will automatically cease if two consecutive payments are dishonoured. The PDS, Application Portal, Application Form, Additional Investment Form, Regular Investment Plan Form and Direct Debit Request Form are available at Fund's [\[Website\]](#).

### 9.2 Identification and verification requirements

The **AML/CTF** Act requires the collection and verification of specific information from investors and where relevant, from beneficial owners. As well as completing the Application Form, you may also be required to provide identification. The actual documentation required will depend on what type of investor you are (for example, individual, sole trader, superannuation fund, trust or Australian company). The required identification documents are outlined in the Application Form.

Under relevant laws, we may be required to ask you for additional identity verification documents and/or information about you or anyone acting on your behalf, either when we are processing your investment request or at some stage after we have issued Units in the Fund. We may pass any information we collect and hold about you or your investment to relevant government authorities.

If we do not receive all the required valid customer identity verification documents with your Application Form, or we are unable to verify your identity at any time, we may not be able to commence your investment or may not process any future withdrawal requests until we receive the required document(s). We will contact you as soon as possible if we require more information. More information regarding our obligations under the AML/CTF Act are provided in Section 12.17.

### 9.3 Restrictions on applications

The Application Form or Online Application includes details of the identification documentation that we are required by law to collect from you before we can issue Units in the Fund to you. Due to legislative requirements, Application Forms for an initial investment must be mailed as originals to the Unit Registry, unless completed via the Online Application portal.

### 9.4 Incomplete or rejected Application Forms

Under the Constitution we can accept or reject investments into the Fund at any time and are not required to give any reason or grounds for such a refusal. To address money laundering and terrorism financing risks, verification of each Unitholder's identity, and where relevant, the beneficial owner's identity is a prerequisite for all new Unitholders. If we do not receive all valid documents with your relevant Application Form or Online Application and we are unable to verify your identity at any time, we may not be able to commence your investment or may not process any future withdrawal requests until we receive the required documents.

If your Application Form or Online Application is not complete to our satisfaction or accepted by us and we are not able to proceed with your request, we may:

- attempt to contact you; and/or
- hold your application monies in an interest-bearing trust account until we receive the required information. All interest earned will be retained by the Fund.

Monies will be held for a maximum period of one month commencing on the day we receive the monies. After this period your funds will be returned to the source of payment as soon as is reasonably practicable.

### Application Price

The issue price of Units will be calculated as at the relevant Application Dealing Day or month end as follows:

## 9 Applications and withdrawals (continued)

(Directors' Net Asset Value)

(Number of Units on issue)

### 9.5 Direct investors

#### (1) Read PDS

Before completing the Application Form or Online Application please ensure you have read this PDS in its entirety.

#### (2) Initial investment

Complete all relevant sections of the Online Application or Application Form available at Fund's [\[Website\]](#).

If you are completing the Online Application Form, you may also need to complete the Identification Form and mail the original documents if you cannot be e-verified.

If you are completing the paper copy Application Form, mail the original to:

**Address: GPO Box 3993, Sydney NSW 2001**

#### Additional investment

If you are applying for additional Units in the Fund, please complete all relevant sections of the Online Application or by completing an Additional Investment Form, available at Fund's [\[Website\]](#) and return to [\[Pty Limited\]](#) at the following address:

**Address: GPO Box 3993, Sydney NSW 2001**

**Email: [maclientservices@\[Pty Limited\].com.au](mailto:maclientservices@[Pty Limited].com.au)**

#### We accept the following payment options:

- (1) **By electronic funds transfer.** The details to transfer funds by electronic funds transfer are as follows:  
Account Name: [\[Pty Limited ITF Redcape Hotel Group\]](#)  
BSB: [\[xxx-xxx\]](#)  
Account Number: [\[xxx xxx xxx\]](#)  
Description: <Investor Name>

#### (2) By BPAY®.

To make a BPAY® payment you will need an Australian bank account. You can make your payment using telephone or internet banking. You will need to quote the Fund's biller code and your unique Customer Reference Number (CRN) when making a BPAY® payment.

To obtain a CRN, please contact the Unit Registry.

Investments made by BPAY® will be processed once we receive your funds. Please note that, although your BPAY® transaction is processed from your financial institution

account immediately, your funds may take some time to be transferred to us from your financial institution. Typically, if your BPAY® request is made before your financial institution's cut-off time (usually 5:00 pm Sydney time), we will receive your funds the following Business Day.

BPAY® is registered to BPAY Pty Ltd ABN 69 079 137 518.

#### BPAY® Biller Code

[\[Redcape Hotel Group\]](#)

[\[insert\]](#)

- (3) **By cheque.** Please make your cheque payable to "[\[Pty Limited ITF \[Redcape Hotel Group\] Applications\]](#)" and crossed "Not negotiable".
- (4) **By direct debit.** To use this option you will need to complete the Online Application or Direct Debit Request Form provide the details of the bank account from which to deduct your investment amount and acknowledge that you have read and understood the terms of the Direct Debit Request Service Agreement set out in the Direct Debit Request Form.

### 9.6 Indirect investors

If you are an indirect investor investing via an Investor Directed Portfolio Services (IDPS) you must complete documentation which your IDPS operator requires.

### 9.7 Your cooling-off rights

If you are a retail investor (as defined in the Corporations Act), who invests directly in the Fund, you are entitled to a 14 day cooling-off period during which you may change your mind about your investment. During that time, you may exercise your cooling-off rights by requesting your money be returned. This cooling-off period commences on the earlier of either the date you receive confirmation of your investment or the end of five Business Days after the day on which your Units are issued. The funds returned may be adjusted by the changes to the prevailing Application Price. This may result in you receiving back a lower amount than you originally invested. You may also have capital gain/loss tax implications if you happen to receive a higher or lower amount back than you originally invested.

If you wish to cancel your investment during the cooling-off period, you need to inform us in writing of your intention to exercise this right before the end of the cooling-off period (and before exercising any rights or powers you have in respect of your investment in the Fund).

Cooling-off rights will not apply to "wholesale clients" as defined by the Corporations Act.

Also, cooling-off rights do not apply in respect of any investment acquired through an IDPS. However, indirect investors should contact their operator and read the operator's

## 9 Applications and withdrawals (continued)

offer document for more information on any cooling-off rights that may apply in relation to the relevant IDPS.

### 9.8 Withdrawals from the Fund

At the end of each rolling five-year term, there will be a liquidity event where, subject to its obligations at law, the Responsible Entity will provide liquidity for Investors wishing to redeem all or some of their investment.

The Responsible Entity will aim to meet all withdrawal requests under a liquidity event within 180 days (although under the Fund's Constitution, the Responsible Entity will have up to 365 days to use its reasonable endeavours to meet the requests, if needed). The funds returned will be determined by reference to the Withdrawal Price.

Liquidity events may also be cancelled, deferred, scaled back or suspended in exceptional circumstances including for so long as it is impracticable to offer liquidity, or if it would not be in the best interests of Unitholders for liquidity to be offered. As such, investors should consider an investment in the Fund to be a long-term investment.

The Responsible Entity will also provide liquidity initially on a quarterly basis through a Liquidity Facility (Liquidity Facility) on each 'closing date' commencing at the quarter ending 30 June 2022. The Liquidity Facility is limited to 2.5% of the Fund's Directors' NAV as at each relevant quarter end. The 'closing date' for notification of withdrawals to the Responsible Entity is generally 2.00pm Sydney time 45 days prior to the last day of the relevant quarter, or the next Business Day if the last day of the relevant quarter is a non-Business Day.

The ability for the Responsible Entity to offer the quarterly Liquidity Facility depends upon many factors including the Fund remaining liquid, and the Fund having sufficient cash reserves or available capacity under its debt facilities. The sufficiency of cash reserves and available capacity under debt facilities will be assessed by the Responsible Entity on the basis of prevailing economic conditions and trading conditions at the time. Any application of cash reserves or debt facilities to satisfy withdrawal requests will align with the Fund's gearing policy and interest cover ratio.

There is no guarantee that liquidity will be available at any particular price or at all. If liquidity is available, an investor's application for liquidity may be scaled back pro-rata to the amount of liquidity requested. If a scale back applies, the scaled-back component of an investor's application for liquidity may be carried over to the next withdrawal date (if available) under a carry forward facility.

The Responsible Entity may from time to time reduce the amount of discount applied subject to its discretion. The Responsible Entity expects that the amount of available liquidity in each quarter will be capped at 2.5% of the Fund's Directors' NAV as at the relevant quarter end date with scope

to adjust the amount of available liquidity as the Responsible Entity determines.

Subject to maintaining the Minimum Investment Amount, investors can choose to withdraw some or all of their investment by nominating their withdrawal request by a dollar amount or by number of Units.

If the withdrawal request is nominated in Units, we will calculate the amount of the withdrawal request using the Withdrawal Price at the relevant quarter end.

The minimum withdrawal amount is \$1,000. If your withdrawal request results in your remaining investment in the Fund falling below \$10,000, we may require you to withdraw your entire balance. We can vary or waive the minimum withdrawal or holding amount at any time.

To submit a withdrawal request you will need to complete a Withdrawal form, with the amount you wish to withdraw, signed by the account holders or the authorised signatories. You will have the option to elect to participate in the carry forward facility to automatically carry forward any unfulfilled part of your withdrawal request to the next available Liquidity Facility and treated as a new request for the unfulfilled amount. Investors may opt in, to the carry forward facility by electing to participate on the Withdrawal Form. We will continue to apply for withdrawals on an ongoing basis until:

- the withdrawal request is fulfilled;
- you notify us in writing to terminate the withdrawal request;
- you make a new withdrawal request, thereby cancelling any outstanding unfulfilled request; or
- the Liquidity Facility is cancelled by us.

Subject to the Corporations Act, the Responsible Entity may accept or reject withdrawal requests in its absolute discretion. It is expected that, under normal market conditions whilst the Fund is liquid, withdrawal requests, when accepted by the Responsible Entity generally will be processed and payment made within 10 days of the relevant quarter end. Withdrawal requests not accepted and processed due to insufficient cash reserves, will automatically be carried forward to the next quarter if you have elected to participate in the carry forward facility. Where the Responsible Entity has accepted a withdrawal request, the Units which are the subject of a withdrawal request will generally be redeemed within 10 business days of the last business day of the relevant quarter however in accordance with the Constitution the Responsible Entity has a maximum of 365 days of acceptance of the withdrawal request unless withdrawals are suspended.

Investors will receive a withdrawal confirmation showing the amount withdrawn and the balance of their investment.

The Liquidity Facility closing date parameters may change from time to time. In accordance with the terms of the

## 9 Applications and withdrawals (continued)

Constitution the Responsible Entity may, from time to time, change these cut-off parameters. Refer to the Fund's [\[Website\]](#) for the latest published cut off parameters.

### *Changes to the Liquidity Facility*

The Liquidity Facility may be suspended in certain circumstances or generally if we believe it is in the best interests of investors to do so.

In addition, we must at all times ensure that investors in the Fund are not unfairly treated by any withdrawal facility offered. We may therefore vary the terms and conditions of any withdrawal facility to ensure the fair and equal treatment of all investors. Any variation will be communicated to investors via the Fund's [\[Website\]](#).

### **Withdrawals from the Fund may be restricted in certain circumstances. Please refer to Section 9.9.**

Withdrawal proceeds will be paid directly into your nominated Australian bank account which must match the name on our records. If you do not provide us with Australian bank account details, your withdrawal proceeds will be paid by cheque. Payment of withdrawal proceeds cannot be made to a third party.

The Withdrawal price of Units will be calculated as at each relevant quarter end. The withdrawal price is based on the Withdrawal Price for the relevant period which is available on the Fund's [\[Website\]](#).

The Withdrawal Form is available on the Fund's [\[Website\]](#).

### **9.9 Restrictions on withdrawals for the Fund**

#### *Availability of redemptions*

The Responsible Entity may determine that, in respect of a specific quarterly Liquidity Facility, a maximum dollar amount of the Fund's assets will be available for the satisfaction of withdrawal requests. Where the number of withdrawal requests in respect of a specific quarterly Liquidity Facility exceeds that amount, such withdrawal requests will be satisfied on a pro rata basis with reference to the Withdrawal Price.

#### *Suspended redemptions*

The Responsible Entity may, in accordance with the Constitution and the Corporations Act, at any time suspend the withdrawal of Units for a period of up to 180 days in certain circumstances, including but not limited to where:

- there have been, or the Responsible Entity anticipates that there will be, withdrawal requests that involve realising a significant amount of the Fund's assets and the Responsible Entity considers that if those withdrawal requests are all met immediately, investors who continue to hold Units may bear a disproportionate burden of capital gains tax or other expenses, or the meeting of

those withdrawal requests would otherwise be to the existing investors disadvantage including by way of a material diminution in the value of the Fund's assets or departure from the investment strategy of the Fund;

- the Responsible Entity receives, within one day, withdrawal requests which, in the Responsible Entity's reasonable estimation, exceeds 5% of the value of the Fund's assets;
- a withdrawal request is received during any period before or after a distribution which period the Responsible Entity determines to be necessary or desirable to facilitate the calculation and distribution of distributable Income;
- the Responsible Entity believes that Fund's assets be realised at prices that would be obtained if Fund's assets were realised in an orderly fashion over a reasonable period in a stable market;
- the Responsible Entity considers that it is not possible or it is impracticable, for it to process withdrawal requests or make the payment (as applicable) withdrawal requests due to one or more circumstances outside its control that could not have been reasonably foreseen at the relevant time; or
- it is otherwise legally permitted

### **9.10 Transferring Units**

Transferring Units may have tax implications and you should consult your tax adviser before you arrange any transfer of Units. For further information about how you may transfer your Units, please contact us. There is unlikely to be a secondary market in Units.

### **9.11 Unit pricing**

The Unit Price is calculated on a monthly basis and can be found on the Fund's [\[Website\]](#).

The Unit Price is the prevailing Directors Net Asset Value divided by the Number of Units on issue. The Unit Price will change as the market value of assets in the Fund rises or falls. All Unit Prices are calculated to four (4) decimal places. Any rounding benefits will be retained by the Fund.

The Responsible Entity has adopted a Unit Pricing Policy that sets out policies and procedures when exercising discretions under the Constitution. The Responsible Entity may use and rely on industry standard financial models in pricing any of the Fund's Units or other assets. These methods are consistent with ordinary commercial practice for valuing Units in the Fund and/or will be independently verifiable.

Investors may obtain a copy of this policy by contacting the Responsible Entity.

# 10 Taxation

Investing in a registered managed investment scheme is likely to have tax consequences. You are strongly advised to seek professional tax advice.

## 10.1 Taxation considerations

Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each Unitholder or relied upon as tax advice. During the period of ownership of the Stapled Units by Unitholders, the taxation laws of Australia, or their interpretation may change. The precise implications of ownership or disposal will depend upon each Unitholder's specific circumstances. Unitholders should seek their own professional advice on the taxation implications of holding or disposing of the Stapled Units, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax implications for Unitholders who are Australian resident individuals and complying superannuation entities. These comments do not apply to non-resident Unitholders, Unitholders holding their Stapled Units on revenue account or as trading stock or a financial arrangement to which the Taxation of Financial Arrangements regime applies. These Unitholders should seek their own professional advice

## 10.2 Acquisition of Stapled Units

Upon successful application, Australian tax resident Unitholders will acquire Stapled Units consisting of:

- a unit in Redcape Hotel Trust I (Trust I); and
- a unit in Redcape Hotel Trust II (Trust II)

For Australian income tax purposes, Trust I and Trust II are separate and distinct entities. Each unit in Redcape Hotel Trust I ("Trust I Unit") and each unit in Redcape Hotel Trust II ("Trust II Unit") will be considered a separate capital gains tax ("CGT") asset.

Broadly, the cost base of the units acquired by the Australian tax resident Unitholder will comprise the amount paid by the Australian tax resident Unitholder for the relevant units plus any non-deductible incidental costs they incur in respect of the acquisition.

## 10.3 Tax status of the Fund

### 10.3.1 Trust I

Trust I is an Australian tax resident for tax purposes. Trust I currently qualifies as a Managed Investment Trust ("MIT") and a withholding MIT and has made a choice to be an Attribution Managed Investment Trust ("AMIT") for Australian tax purposes.

### 10.3.2 Trust II

Trust II is deemed to be the head company of a tax consolidated group. Unitholders will be distributed dividends on a "post-tax" basis.

## 10.4 Income Tax implications of distributions paid on Trust I Units

### 10.4.1 Income tax implications of attributions to Unitholders

The Responsible Entity of Trust I should not generally be subject to tax in respect of Australian income and capital gains derived provided the Unitholders are attributed all of the net income of Trust I for each income year under the AMIT rules.

Where the Fund incurs a loss for tax purposes, the loss cannot be distributed to Unitholders but will be carried forward to be utilised by the Fund against future income and/or capital gains.

An AMIT member annual statement ("AMMA Statement") will be issued by the trustee of Trust I within three months of the end of the income year (i.e., by 30 September each year). The components can be made up of:

- taxable components (e.g., the net rental income)
- net realised capital gains
- non-taxable distributions, such as a return of capital or tax-deferred amounts

The tax components of income and capital retain their character in the Unitholder's hands.

### Cost base adjustments

Unitholders will be required to adjust the cost base of their Trust I Units on an annual basis.

Taxable income attributed to you that exceeds the cash distributed to you will generally increase the cost base of your Trust I Units. The non-taxable distributions received will generally reduce the CGT cost base of your Trust I Units

The AMMA Statement issued by the trustee of Trust I annually will also include a reasonable estimate of any net cost base increase or decrease the Unitholder is required to make.

## 10.5 Income Tax implications of distributions paid on Trust II Units

### 10.5.1 Distributions paid on Trust II Units

The Responsible Entity of Trust II should be subject to tax in respect of the Australian income and capital gains of its Australian income tax consolidated group at the corporate tax rate of 30%. Corporate tax paid by Trust II will generate franking credits, which should be available to distribute to Australian resident Unitholders by way of franked dividends.

## 10 Taxation (continued)

Australian tax resident Unitholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend. Such Unitholders should be entitled to a tax offset equal to the franking credit attached to the dividend (if any).

### 10.5.2 Availability of franking credits

The benefit of franking credits can be denied where a Unitholder is not a 'qualified person', in which case the Unitholder will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', two tests must be satisfied, namely the holding period rule and the related payment rule.

There is also a specific integrity rule that prevents taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of 'dividend washing' arrangements.

Unitholders should seek professional advice on the impact of the above rules in light of their own personal circumstances

### 10.6 Disposal of Stapled Units

A Unitholder will make a capital gain on the disposal of a particular Trust I Unit or Trust II Unit where the capital proceeds received on disposal exceeds the CGT cost base of the unit. A CGT discount may be available on the capital gain for Unitholders who are individuals, trustees (in certain circumstances) and complying superannuation entities provided the particular Stapled Units disposed of are held for at least 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain before the CGT discount can be applied. The CGT discount for individuals and trusts (in certain circumstances) is 50% and for complying superannuation entities is 33.3%.

A Unitholder will make a capital loss on the disposal to the extent that the capital proceeds received on disposal are less than the CGT reduced cost base of the unit. A net capital loss in a year may be carried forward to offset against capital gains derived in subsequent years.

### 10.7 Tax file numbers

A Unitholder is not required to quote their tax file number ("TFN") in relation to an investment in the Fund. However, if a TFN is not quoted and exemption details are not provided, tax may be required to be deducted by either Trust I or Trust II from distributions at the maximum marginal tax rate (currently 47%) plus the Medicare Levy.

A Unitholder that holds the Stapled Units as part of an enterprise may quote its Australian Business Number instead of its TFN.

### 10.8 Australian goods and services tax (GST)

The acquisition, redemption or disposal of the Stapled Units by an Australian resident (that is registered for GST) will be an input taxed financial supply, and therefore is not subject to GST. No GST should be payable in respect of dividends and distributions paid to Unitholders. An Australian resident Unitholder that is registered for GST may not be entitled to claim full input tax credits in respect of GST on expenses they incur that relate to the acquisition, redemption or disposal of the Stapled Units (e.g. lawyers' and accountants' fees). Unitholders should seek their own advice on the impact of GST in their own particular circumstances.

### 10.9 Stamp Duty

#### *Stamp duty*

Trust I is a landholder for the purposes of the New South Wales duties legislation and a trust with an indirect interest in dutiable property for the purposes of the Queensland duties legislation.

#### *Queensland*

Depending on the make-up of Unitholders from time to time, Trust I may not satisfy the requirements of a public unit trust scheme as defined in the Queensland duties legislation. At such times and until the Manager is able to take such steps as are necessary to cause Trust I to satisfy the requirements of a public unit trust, any change in the proportionate interests of Unitholders in Trust I can be charged with Queensland duty (i.e. there is no minimum threshold, in contrast to the position for landholder duty discussed below). This is relevant to the quarterly liquidity facility.

This duty is generally charged based on a person's increased proportionate interest in Trust I, multiplied by the gross market value of the Queensland assets, multiplied by the appropriate rate of duty. The rates of duty increase in line with the product of the first two variables, up to a maximum rate of 5.75% where the Queensland assets are not residential land.

As an illustrative calculation, for a liquidity event where the Unitholders whose proportionate Unitholding increased by 2.5% and the Queensland assets have a value of \$130.3 million, the duty would be up to approximately \$168,000. In practice the duty liability of each unitholder may be significantly lower, as lower marginal rates of duty would apply.

## 10 Taxation (continued)

This cost will be treated as an operating cost until such time as the Manager is able to take steps as to cause Trust I to be a public unit trust. The impact on Directors' NAV is estimated to be in the order of \$0.0004 per Unit under the illustrative analysis outlined above. To the extent required, the Responsible Entity will make filings on behalf of investors.

### *NSW*

NSW landholder duty can be charged where a person acquires an interest of 50% or more of a landholder that is a private unit trust or having a 50% or greater interest acquires a further interest. A person's interest may be aggregated with interests held or acquired by certain other persons.

Unitholders should seek their own professional advice based on their circumstances.

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# 11 Summary of important documents

## 11.1 Management agreements

The Fund will be externally managed. The Responsible Entity, a wholly owned subsidiary of MA Financial Group, is ultimately responsible for the management of the Fund.

The Responsible Entity has appointed:

- the Manager, pursuant to the Investment Management Agreement, to provide investment management and administration services including, but not limited to capital management activities, acquisitions, disposals and the preparation of financial reports and accounts; and
- the hotel operator, pursuant to the Hotel Operating Agreement, to provide operating services including, but not limited to operating each asset in the Fund's portfolio, the hiring and discharge of hotel venue employees and the development management services in respect of each asset.

A general summary of some of the important features of the Investment Management Agreement and the Hotel Operating Agreement is set out below. This is not intended to be an exhaustive summary.

## 11.2 Investment Management Agreement

The Responsible Entity has entered into the Investment Management Agreement under which the Responsible Entity has appointed the Manager to perform or procure the performance of certain investment management and administration services.

The key terms of the Investment Management Agreement are set out below. This is not intended to be an exhaustive summary.

### Management services

Under the Investment Management Agreement, the Manager is engaged to perform a number of services including (but not limited to):

- implement the investment strategy, including actively manage and supervise the Fund's investments;
- construct and manage the Portfolio of the Fund in accordance with the investment guidelines set out in the Investment Management Agreement;
- regularly update the Responsible Entity regarding the Fund's portfolio and provide all information necessary for the maintenance of the Fund's financial accounts to be completed; and
- provide administrative support to assist and ensure the maintenance of the Fund's records and compliance with the Corporations Act.

### Fees and expenses

The Manager is entitled to receive the fees and expenses set out in Section 8.

### Termination

The Investment Management Agreement will continue continuing until terminated.

### Termination by the Responsible Entity:

The Responsible Entity will be entitled to terminate the Investment Management Agreement (with such termination to take immediate effect):

- (i) if an insolvency event occurs in relation to the Manager;
- (ii) if the Manager ceases to carry on business in relation to its activities as an investment manager;
- (iii) if the Manager's AFSL is cancelled at any time and the Manager fails to obtain an AFSL authorisation enabling it to perform its obligations under the Investment Management Agreement; or
- (iv) the Manager breaches any provision of the Investment Management Agreement in a material respect or fails to observe any representation, warranty or undertaking given by the Manager which is not remedied by the Manager within 30 days of receiving notice in writing from the Responsible Entity (or such longer time agreed by the Responsible Entity specifying such breach or failure).

In addition to the circumstances listed above, the Responsible Entity will be entitled to terminate the Investment Management Agreement during the Initial Period in the circumstances listed below:

- (a) Resolution to terminate the Investment Management Agreement:

At the expiration of the Initial Period while both trusts are listed, the Investment Management Agreement will also be automatically terminated three months after the Unitholders pass an ordinary resolution directing the Responsible Entity to terminate the Investment Management Agreement.

- (b) Resolution for voluntary wind up of a Trust:

The Investment Management Agreement will automatically terminate in respect of a Trust on the passing of a resolution by the Unitholders in accordance with the Constitutions of the Trusts and Corporations Act to voluntarily wind-up the Trust.

## 11 Summary of important documents (continued)

### (c) Retirement of the Responsible Entity:

The Responsible Entity may at any time retire as Responsible Entity with the consent of the investment manager (which must not be unreasonably withheld) and in accordance with the law, provided the Responsible Entity has:

- (i) issued the investment manager with 60 Business Days' notice of its intention to retire;
- (ii) nominated a replacement Responsible Entity that in the reasonable opinion of the investment manager is a suitable replacement and who has consented to being appointed as the replacement trustee of the Trusts; and
- (iii) such retirement occurs in accordance with the procedures set out in the law.

The Responsible Entity will be required to retire as trustee of the Trusts on 60 days' notice from the investment manager (or such longer period as is agreed between the parties), provided that:

- (i) the investment manager has nominated a replacement trustee for the Trusts;
- (ii) the Responsible Entity considers that retirement is appropriate having regard to its duties under the Constitutions of the Trusts;
- (iii) and any law; and
- (iv) such retirement occurs in accordance with the procedures set out in the law.

### Termination by the Manager

The Manager may at any time terminate the Investment Management Agreement by giving the Responsible Entity not less than 3 months' written notice and may terminate the Investment Management Agreement immediately on written notice if:

- (i) an insolvency event occurs in relation to the Responsible Entity;
- (ii) if the Responsible Entity's AFSL is cancelled at any time; or
- (iii) the Responsible Entity breaches any provision of the Investment Management Agreement in a material respect or fails to observe any representation, warranty or undertaking given by the Responsible Entity which is not remedied by the Responsible Entity within 30 days of receiving notice in writing from the Manager (or such longer time agreed by the Manager specifying such breach or failure).

### Termination payment

In the event that the Investment Management Agreement is terminated by the Responsible Entity pursuant to a vote of Unitholders to terminate the Investment Management Agreement or to wind up one or more of the Trusts, the Manager will be entitled to a termination payment calculated as follows:

- (i) Termination payment =

$$\frac{3 \times 0.01 \times \text{Gross Portfolio Value}}{2}$$

For the purposes of calculating the termination payment, Remaining Term means the greater of three and:

- (ii) the number of years (to two decimal places) remaining under the Initial Period (if the Initial Period has not yet ended); or
- (iii) the number of years (to two decimal places) remaining under any 5-year extension, calculated from the date of termination.

### Non-exclusivity

The appointment of the Manager is non-exclusive and the Trustee acknowledges that the Manager may from time to time perform similar investment and management services to those performed under the Investment Management Agreement for itself and other persons.

### Indemnity

The Investment Management Agreement contains mutual indemnities, such that:

- the Responsible Entity indemnifies the Manager against all claims and costs suffered or incurred by the Manager as a result of undertaking its obligations under the Investment Management Agreement, except to the extent that such claim or cost is caused by negligence, misconduct or fraud of the Manager (or its employees, officers, agents or delegates); and
- the Manager indemnifies the Responsible Entity against all claims and costs suffered or incurred by the Responsible Entity as a result of a breach by the Manager of any obligations imposed on it under the Investment Management Agreement or through the negligence, misconduct or fraud of the Manager (or its employees, officers, agents or delegates).

### 11.3 Hotel Operating Agreement

MAHM has been appointed to operate and manage the Portfolio pursuant to the Hotel Operating Agreement entered into with Redcape Group Limited (ACN 124 753 733) and MAHPT TT Pty Ltd (ACN 619 297 657). The key terms of the Hotel Operating Agreement are set out below. This is not intended to be an exhaustive summary.

## 11 Summary of important documents (continued)

### Management Services

Under the Hotel Operating Agreement, MAHM is engaged to perform the services which include (but are not limited to):

- the efficient operation, management, marketing and conduct of the business of each asset in the Fund's portfolio;
- the management of any legal proceedings in the name of the Fund;
- negotiation and execution of agreements on behalf of the Fund to effect any of these services;
- the obtaining and holding of any licences and permits issued by public authorities and necessary for operation of the hotel either by its own name or in the Fund's name;
- development management services in respect of each asset. The development management services are all services required to develop or redevelop any asset in the Fund's portfolio.

### Fees and expenses

MAHM is entitled to receive the fees and expenses set out in the Fees and Costs Section 8.

### Termination

The Hotel Operating Agreement will continue for a fixed term of 10 years from 10 July 2017. The term automatically extends for further periods of 5 years unless terminated by written notice by MAHM or upon an event of default by either party.

#### Termination upon event of default:

The occurrence of an event of default provides the non-defaulting party with the right to terminate the Hotel Operating Agreement on 30 days' notice. Where the non-defaulting party gives the defaulting party notice of its intention to terminate the agreement, the defaulting party has 30 days to remedy the breach or to pay compensation.

The following will constitute an event of default in respect of MAHM:

- an insolvency event in relation to MAHM; or
- a material breach by MAHM of any of its material covenants, undertakings or obligations in the Hotel Operating Agreement.

The following will constitute an event of default in respect of the Redcape Group:

- an insolvency event in relation to any member of the Redcape Group;
- a material breach by the Fund of any of its material covenants, undertakings or obligations under the agreement;

- a failure by the Redcape Group to properly maintain each asset as a hotel;
- the Responsible Entity (or its nominee) ceasing to be the responsible entity of the Fund;
- a change in control in relation to the Redcape Group; or
- a winding up or asset liquidation resolution is passed by the investors in the Fund.

#### Termination payment

In the event that the Hotel Operating Agreement is terminated by MAHM as a result of an event of default, the Responsible Entity must pay to MAHM on termination a termination payment equal to the greater of:

- three times the Management fee which was payable in respect of the most recent financial year ending before termination; and
- the Management fee which was payable in respect of the most recent financial year ending before termination multiplied by the remaining term (expressed in years to two decimal places) calculated from the date of termination until expiration of the term.

#### Non-exclusivity

The appointment of MAHM is non-exclusive and there is no restriction on MAHM performing similar services to those performed under the Hotel Operating Agreement for itself or other persons from time to time.

### 11.4 The Constitution

The Fund is governed by the Constitution.

The Constitution (in addition to the Corporations Act and general law) provides an operational framework for the ongoing management of the Fund. It also provides for the Responsible Entity's powers, duties and obligations in respect of the Fund, the limits to our liability and our right to be indemnified for proper administration of the Fund.

The Constitution includes provisions dealing with:

- distributions to Unitholders;
- obligations, duties and powers of the Responsible Entity;
- duration and termination of the Fund and distribution of net proceeds on winding-up;
- reimbursement and indemnification of the Responsible Entity and others for expenses in connection with the Fund;
- procedures for convening and holding Unitholder meetings;
- fees payable to the Responsible Entity;
- issue, transfer and redemption of Units;

## 11 Summary of important documents (continued)

- retirement of the Responsible Entity;
- valuation of Fund assets; and
- amendments to the Constitution.

The key provisions of the Constitution are summarised below. The following summary does not refer to every provision of the Constitution and should be read in conjunction with the rest of this PDS. In the event of a conflict between this summary and the Constitution, the Constitution prevails. Copies of the Constitution can be obtained by contacting Client Services.

### **Interests in the Fund**

Subject to the power of the Responsible Entity to issue different classes of Units with different rights, obligations and restrictions, each Unit gives Unitholders an equal and undivided interest in the assets as a whole, subject to liabilities of the Fund, but does not give Unitholders an interest in any particular asset of the Fund. For the avoidance of doubt and without limiting the powers of the Responsible Entity, the Responsible Entity may in its absolute discretion allocate the issue price, the Withdrawal price, Net Asset Values and distributions from the Fund between different classes of Unit.

### **Transfer of Units**

A Unitholder may only transfer Units in the manner the Responsible Entity determines.

### **Unitholder meetings**

The Responsible Entity may at any time convene a meeting of Unitholders. Unitholders may appoint proxies to attend and vote at a meeting of Unitholders on their behalf.

### **Distributions to Unitholders**

Unitholders are entitled to a pro rata proportion of any distributions made by the Fund, calculated on the basis of the number of Units they hold, relative to the total number of Units on issue at the time that entitlements to distributions are calculated.

### **Powers of the Responsible Entity**

Subject to the Constitution, the Responsible Entity has all the powers in respect of the Fund that it is legally possible for a natural person, corporation or trustee to have.

### **Termination and winding up of the Fund**

The Constitution contains provisions dealing with termination and winding up of the Fund. If the Fund is terminated, the net proceeds of the Fund will be distributed pro rata to Unitholders according to their Unit holdings, provided that the Responsible Entity may retain such part of the proceeds it thinks fit to meet all the liabilities and expenses.

The Constitution also contains provisions designed to limit your liability to the amount invested in the Fund. However, you should be aware that the effectiveness of such a limitation is yet to be conclusively determined by the courts.

A copy of the Constitution, which has been lodged with ASIC, is available free of charge to Unitholders by contacting the Responsible Entity.

### **Retirement of the Responsible Entity**

The Constitution contains provisions dealing with the retirement and removal of the Responsible Entity. The Responsible Entity may retire by giving notice to Unitholders in the Fund with such retirement being effective on the appointment of the replacement responsible entity. The Responsible Entity must retire when directed by 50% of the total votes that may be cast by Unitholders entitled to vote on the resolution (including Unitholders who are not present in person or by proxy), provided that a new replacement responsible entity is chosen by the Unitholders and the new replacement responsible entity consents in writing to be the new responsible entity.

## 12 Additional information

### 12.1 Service providers

In addition to the Manager, the Responsible Entity has appointed a number of key services providers that are involved in the ongoing operation of the Fund.

The key service provider arrangements are summarised below:

#### Custodian

The Responsible Entity has appointed an independent custodian to hold the assets of the Fund. The Responsible Entity has appointed [redacted] Pty Limited. 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. [redacted] 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. [redacted] Pty Limited's role as Custodian is limited to holding the assets of the Fund pursuant to and in accordance with the Custodian Agreement. Subject to the relevant agreements between the Responsible Entity and the Manager, the Responsible Entity, in its discretion, may change the Custodian from time to time and appoint additional service providers.

#### Unit Registry

The Responsible Entity has appointed [redacted] Pty Limited to act as the Unit Registry.

#### Auditor

The Responsible Entity has appointed KPMG as the independent auditor of the Fund and compliance plan as required by the Corporations Act. We will inform Unitholders of any changes to the key service providers to the Fund 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 the Fund's [\[Website\]](#).

### 12.2 Directors Net Asset Value

Directors' NAV is the NAV with such adjustments as the Responsible Entity determines appropriate to ensure the Directors' NAV reflects the market value of each hotel asset (consistent with ordinary commercial practice for valuing that type of hotel asset) that is reasonably current at the time of determination of Directors' NAV. Where appropriate, this may include adjustments by:

- excluding the total of plant, property and equipment, investment properties and goodwill relating to hotel assets; and
- adding back the sum of the most recent valuations of each of the hotel assets (which valuations may be conducted by the Responsible Entity and which valuation

methods must be consistent with ordinary commercial practice for valuing the type of asset and produce a value that is reasonably current at the time of valuation) plus any capital invested into an hotel asset since the most recent valuation of that hotel asset.

### 12.3 Directors Gearing

Directors Gearing is adjusted Statutory Gearing calculation methodology which values the Fund's hotel assets based on Directors Valuations in accordance with the Responsible Entity's valuation policy, rather than Australian Accounting Standards methodology.

Directors Gearing will be calculated as follows:

$$\frac{\text{Total loans and borrowings - Cash}}{\text{Total asset value - Statutory Valuations + Directors Valuations - Cash}}$$

### 12.4 Gearing policy

Gearing is the level of debt finance that is used to purchase assets or manage the capital expenditure within a fund. Gearing increases the exposure of Unitholders to movements in the value of the underlying assets in which a fund invests. It can magnify capital gains, however, it can also magnify capital losses. A highly geared fund will have a lower asset buffer to rely on in times of financial stress.

The maximum look-through level of Directors Gearing in the Fund is 50.0%. If the Fund's assets fall in value this level maybe breached, in which case the Responsible Entity will implement a strategy to return the look-through Directors Gearing level of the Fund to 50.0% or below.

At times the level of gearing may move out of the target range. This will primarily occur at times prior to the acquisition or after the sale of direct hotel assets.

The Loan to Value Ratio (LVR) formula as set down by RG 46, and used by the Responsible Entity when calculating the gearing ratio of the Fund, is:

$$\text{LVR} = \frac{\text{Total interest-bearing liabilities}}{\text{Total assets}}$$

The LVR is updated in the Fund's RG 46 statements, however, it is important to note that any financier of the Fund may use a different methodology to measure its LVR covenant. The Responsible Entity will report against this covenant in quarterly investor updates in addition to Directors Gearing.

The Responsible Entity calculates gearings metrics of the Fund on a look-through basis meaning that when the Fund invests in any fund that is already geared, it takes that fund's gearing into account (on a proportional basis to the Fund's investment in that fund) along with any borrowings the Fund has directly.

## 12 Additional information (continued)

The Responsible Entity maintains and complies with a written capital management policy which includes gearing and interest cover and outlines record keeping, monitoring and reporting requirements.

For further information or to obtain a copy of the capital management policy please contact the Responsible Entity.

Under the capital management policy, the Responsible Entity intends to generally operate the Fund within a Directors Gearing ratio range between 40.0% and 50.0%.

In the development of the parameters, consideration has been given to the Scheme Borrowing section of the ASIC guide RG46. These parameters may change from time to time for the latest published gearing metrics please refer to the Fund's [\[Website\]](#).

### 12.5 Interest cover ratio policy

A geared fund will incur an interest expense that will increase with the size of the loan or interest rate margins applied by the financier. A higher geared fund will be more sensitive to interest rate movements.

An Interest Coverage Ratio (ICR) is a measure of a fund's ability to meet its interest expenses from the earnings of the fund. The ICR is a key indicator of a fund's financial health.

The closer a fund is to an ICR of one (1), the closer the fund's cash flow is to meeting interest expenses only. If the ICR falls below one (1), the fund earnings are insufficient to meet interest expenses.

To mitigate some of this risk, the Manager may hedge against rises in interest rates to protect the Fund from higher interest costs.

The ICR formula as set down by RG 46 and used by the Responsible Entity to calculate the Fund's ICR is:

$$\text{ICR} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$$

The Fund's interest coverage policy is to generally operate the Fund with a minimum interest cover ratio of 2.5x calculated in accordance with the above formula.

The minimum interest cover ratio for the Fund under the capital management policy is 2.5x. The Fund's borrowing facility covenant limits the Fund to a covenant ICR of 2.5x currently. Note that the covenant ICR definition differs slightly to the definition above.

These parameters may change from time to time for the latest published ICR metrics please refer to the Fund's [\[Website\]](#).

### 12.6 Scheme borrowing

Borrowings ranks ahead of an investor's interest in the Fund. Borrowings are also generally secured by the asset (or assets) held by the Fund.

The Fund's facilities also have conditions that enable the financier to call on the loan if Unitholders exercise their rights to remove and replace the responsible entity of the Fund.

When the Fund's borrowings mature, it will need to refinance. There is a risk that refinancing will be on less favourable terms or not available at all.

The Fund may capitalise interest on borrowings relating to some development projects from time to time in which case interest would be capitalised against the relevant development asset's book value.

Upon completion of a development, there is a risk that the book value may exceed the asset's independent valuation. If this occurs, the value of your investment may be impacted.

We aim to mitigate the risk of loss by estimating the amount of interest to be capitalised for any particular project and incorporating the amount into feasibility assessments.

### 12.7 Conflict of interest policy

There are a number of related party transactions described in this PDS in relation to the Fund, including the fees payable by the Responsible Entity to other entities within MA Financial Group under the Investment Management Agreement and the Hotel Operating Agreement.

The Responsible Entity may also seek professional services for the Fund from qualified service providers, including from related parties of the Responsible Entity. The fees for these services will be charged at normal commercial rates to the Fund. All parties and the fees chargeable for these services are subject to the approval of the Responsible Entity's board.

The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval process for such transactions and arrangements to manage conflicts of interest. All transactions in which the Responsible Entity may have, or may be perceived to have, a conflict of interest, including all transactions with members of the MA Financial Group, will be conducted in accordance with the Responsible Entity's conflicts of interest and related party transactions policy.

Under this policy, potential conflict situations will be monitored, assessed and evaluated by the Responsible Entity and, if considered necessary, the matter will be referred to the Responsible Entity's Board and/ or Audit, Risk and compliance committee and steps taken to ensure that the conflict is managed in an appropriate manner.

## 12 Additional information (continued)

For more detail on the Fund's conflicts-of-interest policy and procedures for related-party transactions, please refer to section 12.14.

### 12.8 Valuation policy

The Responsible Entity's valuation policy is for the hotel assets of the Fund to be independently valued on a rolling semi-annual basis with all hotel assets independently valued at least once every 24 months.

If the Responsible Entity believes that any of the Fund's hotel assets have had a significant valuation movement relative to its last independent valuation, under its valuation policy the Responsible Entity will determine an updated valuation based on its best assessment of the value of the assets in the portfolio having regard to the most recent independent valuations available of similar assets in the Fund, similarities and differences between relevant assets, local market conditions and trading, and such other market evidence as is available to the Responsible Entity at the time.

Note that the intangible value of the hotel operations is captured in these independent asset valuations for leasehold and freehold going concern hotels. As such, whilst the NTA of the Fund can be calculated in accordance with RG 46 by dividing the Directors net assets less intangible assets of the Fund (with any adjustments) by the number of Units in the Fund on issue, this is not an accurate or appropriate reflection of the value of the Fund's assets as this would exclude the intangible value of the hotel operations.

The Manager's valuation policy requires the Responsible Entity to select independent valuers from a panel of suitable candidates. The panel of valuers will be reviewed every 24 months and updated and amended by the Responsible Entity as required. The Responsible Entity will seek to ensure an adequate rotation of valuers such that no valuation entity or individual may perform an Independent Valuation of a hotel more than three times consecutively unless otherwise considered appropriate. A valuer appointed from the valuation panel must also have no conflicting interests. The capitalisation approach which is the most widely used basis of valuation in the hotel industry, will be used (where appropriate) to derive independent and Directors Valuations for both Freehold Going Concern (FHGC) and Leasehold Going Concern (LHGC).

Where the capitalisation approach is deemed inappropriate to derive internal valuations for FHGC and LHGC, the Responsible Entity will propose an alternate method which is consistent with current industry valuation practices for the asset type and locality of each hotel, as well as in accordance with Australian Accounting Standards. This proposed alternate method will be adopted subject to Board approval.

To obtain a full copy of the valuation policy, please contact the Responsible Entity.

### Limited disclosure of individual assets valuations

The Manager will limit the ongoing disclosure of the underlying individual asset values provided by either an independent valuers or directors as they are deemed to be commercially sensitive and making such information public (even on a historic or lag basis) may compromise any future divestment optionality of respective or neighbouring venues which would have the potential to be detrimental to Unitholders interests. Due to the nature of the assets within the Fund, publishing underlying individual assets values would likely limit the ability of Manager to competitively transact in those assets over time.

### 12.9 How we keep you informed

**As a Unitholder you will receive the following information:**

#### Confirmations

You will receive confirmations of all your applications and withdrawals.

#### Quarterly Fund Update report

A Quarterly Fund update will be made available on the Fund's [\[Website\]](#). The report will contain performance of the Fund over multiple periods, commentary on the most recent period's performance and certain Fund characteristics.

#### Annual Management report

An annual report will be made available on the Fund's [\[Website\]](#).

#### Distribution statements

A distribution statement will be provided to you following a distribution. This will contain information in respect of the amount you have received as a distribution, if any, for the Fund.

#### Periodic statements

A periodic statement will be provided to you annually for the year ending 30 June. This will contain your transaction history, investment value at 30 June, investment performance and fees you have paid for the Fund. If a full withdrawal is made, an exit periodic statement will be provided to you for the nearest quarter ending 31 March, 30 June, 30 September or 31 December.

#### Tax statements

A tax statement will be provided to you annually for the year ending 30 June. This will contain information on the tax classification of assessable amounts in respect of the Fund.

#### Audited financial statements

Audited financial statements of the Fund are generally issued for the year ending 30 June on [\[insert date\]](#) each year. They will be prepared in accordance with accounting

## 12 Additional information (continued)

standards applicable to general financial statements in Australia to the extent that the Fund is required to comply with those standards by the Corporations Act or under the Constitution. The audited financial statements are made available to Unitholders on the Fund's [\[Website\]](#). A hard copy may be requested free of charge by contacting the Responsible Entity. Audited financial statements will not be mailed to Unitholders unless specifically requested.

### 12.10 Keeping us informed

Our records about you are important. When requesting a change to your records please provide the Unit Registry with the following:

- (i) your [\[investor number\]](#);
- (ii) the full name/s in which your investment is/are held;
- (iii) the change(s) you are requesting; and
- (iv) a daytime telephone number.

Please also ensure the request is signed by the appropriate signatories.

Some changes may require additional documentation, such as a change of name request. If you wish to change your nominated bank account to which withdrawal payments are made, you will be required to complete the Change of Details Form.

### 12.11 Continuous disclosure

The Responsible Entity will comply with our continuous disclosure obligations under the law by publishing new material information about the Fund on the Fund's [\[Website\]](#) in accordance with ASIC's good practice guidance on disclosure.

In addition, you would have the right to receive the following documents at no charge:

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

At all times during which the Fund is a disclosing entity, the Fund will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund can be obtained from, or inspected at, an ASIC office.

### 12.12 Complaints

The Responsible Entity has a formal complaints handling procedure in place. If you have any concerns or complaints you can contact our Client Services team at [MAclientservices@MAFinancial.com](mailto:MAclientservices@MAFinancial.com).

All Unitholders (regardless of whether you hold Units directly or indirectly via an IDPS), are able to access the Responsible Entity's complaints procedures outlined in this paragraph.

After receipt of the complaint, the Responsible Entity will acknowledge the complaint within 1 Business Day of receiving it and use reasonable endeavours to deal with and resolve the complaint within a 30 days but in any case in accordance with its duties under the Corporations Act.

If you believe that your matter has not been dealt with satisfactorily, you have the right to take your complaint to the Australian Financial Complaints Authority (**AFCA**) by calling 1800 931 678 or by writing to AFCA at GPO Box 3, Melbourne VIC 3001 or by emailing [info@afca.org.au](mailto:info@afca.org.au). AFCA provides a fair and independent financial services complaint resolution service that is free to consumers. AFCA is only available to retail clients.

### 12.13 Indirect investors

Investors and prospective investors may access the Fund indirectly. This PDS has been authorised for use by operators through an IDPS. Such indirect investors do not acquire the rights of a Unitholder of the Fund. Rather, it is the operator or custodian of the IDPS that acquires those rights. Therefore, indirect investors do not receive income distributions or reports directly from the Responsible Entity, do not have the right to attend meetings of Unitholders and do not have cooling off rights. Indirect investors should not complete the Application Form. The rights of indirect investors are set out in the disclosure document for the IDPS. If you are investing through an IDPS, enquiries should generally be made directly to the IDPS operator. However, the Responsible Entity's complaints handling procedure is also available to indirect investors.

A copy of the Constitution, which has been lodged with ASIC, is available free of charge by contacting Client Services and will be sent within five Business Days of receiving a request.

### 12.14 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.

## 12 Additional information (continued)

### Related party transactions in portfolio construction

In addition to sourcing investments directly from third parties, the Manager will make use of the resources of MA Financial Group by investment in or acquiring assets originated by, or warehoused by, other MA Financial Group entities. These arrangements comprise investing in or acquiring assets from MA Financial Group or other funds managed by MA Financial Group.

### Borrowings from a MA Financial Group entity

The Fund may borrow funds from a MA Financial Group entity. Any borrowings entered into with a MA Financial Group entity will be on arms length terms.

### Conflicts of interest and related party transactions

The Responsible Entity 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, the Responsible Entity and MA Financial Group 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.

### 12.15 Labour standards and environmental, social or ethical considerations

Neither the Responsible Entity nor the Manager directly take into account labour standards environmental, social or ethical considerations for the purpose of selecting, retaining or realising its investments, as these decisions are primarily based on economic considerations. However, sometimes these matters do indirectly affect the economic factors upon which investment decisions are based.

### 12.16 Consents and disclaimers

Each of the parties who is named below:

- (a) has not made any statement that is included in this PDS, or any statement on which a statement is made in this PDS is based, other than as specified in this section;
- (b) has not authorised or caused the issue of any part of this PDS;
- (c) makes no representations or warranty, express or implied, as to the fairness, accuracy or completeness of information contained in this PDS; and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements made in, or omissions from, this PDS, other than as specified in this section, and excludes and disclaims all liability for any damage, loss (including direct, indirect or consequential loss), cost or expense that may be incurred by an investor as a result of this PDS being inaccurate or incomplete in any way or for any reason.

### Legal Adviser to the Manager

Herbert Smith Freehills has given its written consent to be named in this PDS as solicitors to the Manager (other than in relation to taxation and stamp duty matters) in the form and context in which it is named.

Herbert Smith Freehills has not made any statement that is included in this PDS or any statement on which a statement made in this PDS is based. Herbert Smith Freehills expressly disclaims and takes no responsibility for any statements in or omissions from this PDS. This applies to the maximum extent permitted by law.

### Legal Adviser to the Responsible Entity

Arnold Bloch Leibler has given its written consent to be named in this PDS as solicitors to the Responsible Entity (other than in relation to taxation and stamp duty matters) in the form and context in which it is named.

Arnold Bloch Leibler has not made any statement that is included in this PDS or any statement on which a statement made in this PDS is based, except as stated above. Arnold Bloch Leibler expressly disclaims and takes no responsibility for any statements in or omissions from this PDS. This applies to the maximum extent permitted by law and does not apply to any matter to the extent to which consent is given above.

### Auditor

KPMG has given and, as at the time of lodgement of this PDS, has not withdrawn its consent to be named in this PDS as the auditor to the Fund, in the form and context in which it is named. KPMG has had no involvement in the preparation of any part of this PDS other than being named as the Auditor. KPMG has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this PDS.

### Administrator

The Responsible Entity will administer the Fund in-house and has appointed [redacted] Pty Limited as the Custodian.

[redacted] Pty Limited has not withdrawn its consent to be named in this PDS as custodian of the Fund in the form and context in which it is named. [redacted] Pty Limited does not make, or purport to make, any statement that is included in this PDS and there is no statement in this PDS which is based on any statement by [redacted] Pty Limited.

To the maximum extent permitted by law, [redacted] Pty Limited expressly disclaims and takes no responsibility for any part of this PDS other than the references to its name. [redacted] Pty Limited does not guarantee the repayment of capital or any particular rate of capital or income return.

## 12 Additional information (continued)

### Unit Registry

📄 Pty Limited has given and, as at the time of lodgement of this PDS, has not withdrawn its consent to be named in this PDS as the Unit Registry of the Fund, in the form and context in which it is named. 📄 Pty Limited has had no involvement in the preparation of any part of this PDS other than being named as the Fund's Unit Registry. 📄 Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this PDS.

### Manager

MAHM has given and, as at the time of lodgement of this PDS, has not withdrawn its consent to be named in this PDS as the Manager and to the inclusion in this PDS of the statements by it, or the statements based on statements made by it, concerning its business, investment strategy and philosophy, its opinions, expectations and beliefs and its financial and investment results, in the form and context in which those statements appear in this PDS.

### MA Financial Group

MA Financial Group has given and, as at the time of lodgement of this PDS, has not withdrawn its consent to be named in this PDS and to the inclusion in this PDS of the statements by it, or the statements based on statements made by it, concerning its business, in the form and context in which those statements appear in this PDS.

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

The AML/CTF Act and other applicable anti-money laundering and counter terrorism laws, regulations, rules and policies which apply to the Responsible Entity (**AML Requirements**), regulate financial services and transactions in a way that is designed to detect and prevent money laundering and terrorism financing.

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:

- 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
- 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:

- (a) 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;
- (b) 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
- (c) the Responsible Entity or Unit Registry may from time to time require additional information from investors to assist it in this process.
- (d) 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.

### 12.18 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.

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;

## 12 Additional information (continued)

- (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 recipients 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. 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 Responsible Entity or contacting the Unit Registry at: [maclientservices@registry.com.au](mailto:maclientservices@registry.com.au).

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

The Responsible Entity may use your personal information for direct marketing purposes. Please contact Client Services 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.

### 12.19 Target Market Determination

The target market determination for Units in the Fund is available at the Fund's [\[Website\]](#).

### 12.20 Governing Law

This PDS and the contracts formed on acceptance of Applications are governed by the laws in force in the State of New South Wales and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales.

## 13 Glossary

The following terms used in this PDS have the following meanings unless the context otherwise requires.

**AAS** means the Australian Accounting Standards.

**Acquisition Fee** means the fee paid to the Responsible Entity for the purchase of any real property acquired directly or indirectly by the Fund.

**Additional Investment Form** means the form for making additional investments as described in Section 9.1, which is available on the Fund's [\[Website\]](#).

**Administrator** means MA Hotel Management Pty Ltd ACN 619 297 228.

**Adviser Service Fee Form** means the form for investors to determine the adviser service to be deducted from their investment amount and paid by MA Hotel Management to your adviser.

**AFCA** means the Australian Financial Complaints Authority.

**AML/CTF Act** means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth).

**AML Requirements** means AML/CTF Act and other applicable anti-money laundering and counter terrorism laws, regulations, rules and policies which apply to the Responsible Entity.

**Applicant** means a person who makes an Application for Units under this PDS.

**Application** means an application for Units under this PDS.

**Application Dealing Day** means the day on which Applications are processed.

**Application Form** means the form for applying to make an initial investment as described in Section 9.1, which is available on the Fund's [\[Website\]](#).

**Application Monies** means the monies payable in connection with an Application.

**Application Price** means Directors' NAV per Unit.

**ARSN** means Australian registered scheme number.

**ASIC** means the Australian Securities and Investments Commission.

**AUD** means Australian dollars (AU\$).

**Audit** means an independent review of the financial accounts.

**Auditor** means KPMG.

**Australian Accounting Standards** means the standards of that name maintained by the Australian Accounting Standards Board.

**Australian Accounting Standards Board** means an Australian Government agency.

**Board or Board of Directors** means the board of directors of the Responsible Entity.

**Registry** means [\[redacted\]](#) Pty Limited

**Business Day** means a day, other than a Saturday, Sunday or public holiday on which Australian banks (as defined in the Corporations Act) are open for business in Sydney, Australia.

**CGT** means capital gains tax.

**Change of Details Form** means the form for investors to change their details held on file.

**Client Services** means MAAM RE Client Services.

**Compliance Plan** means the compliance plan for the Fund lodged with ASIC, as described in Section 12.2.

**Constitution** means the Constitutions of the Trusts (Redcape Hotel Trust I and Redcape Hotel Trust II) collectively the Fund dated 9 March 2021 as amended from time to time, a copy of which is available free of charge by contacting the Responsible Entity.

**Corporations Act** means Corporations Act 2001 (Cth) as amended from time to time.

**Custodian or [\[redacted\]](#)** means [\[redacted\]](#) Pty Limited ACN [\[xxx xxx xxx\]](#) (AFSL [\[xxxxxxx\]](#))

**Custody Agreement** means the agreement entered into between the Custodian and the Responsible Entity in relation to the custody of assets held under the Portfolio dated [\[insert\]](#)

**Disposal fee** means the fee paid to the Responsible Entity for the sale of any real property acquired directly or indirectly by the Fund.

**Direct Debit Request Form** means the form to authorise us to arrange for funds to be debited from your account as described in Section 9.5, which is available on the Fund's [\[Website\]](#).

**Directors** means the directors of the Responsible Entity.

## 13 Glossary (continued)

**Directors Gearing** means the adjusted Statutory Gearing calculation methodology which values the Fund's hotel assets based on Directors Valuations in accordance with the Responsible Entity's valuation policy, rather than Australian Accounting Standards methodology.

**Directors' NAV** means the NAV with such adjustments as the Responsible Entity determines appropriate to ensure the Directors' NAV reflects the market value of each hotel asset (consistent with ordinary commercial practice for valuing that type of hotel asset) that is reasonably current at the time of determination of Directors' NAV. Where appropriate, this may include adjustments by:

- (a) excluding the total of plant, property and equipment, investment properties and goodwill relating to hotel assets; and
- (b) adding back the sum of the most recent valuations of each of the hotel assets (which valuations may be conducted by the Responsible Entity and which valuation methods must be consistent with ordinary commercial practice for valuing the type of asset and produce a value that is reasonably current at the time of valuation) plus any capital invested into an hotel asset since the most recent valuation of that hotel asset.

**Directors Valuation** means either an Independent Valuation or a valuation other than a valuation provided by a valuer appointed from the independent valuation panel.

**DRP** means the Distribution Reinvestment Plan.

**EGM** means Extraordinary General Meeting.

**Entities** means the Responsible Entity and the Administrator as its agent.

**Establishment Fee** means a fee permitted by the constitution, paid to the Responsible Entity based on the total application money received under a capital raising undertaken for the Fund.

**Freehold Going Concern** means freehold property and the business together.

**Fund** means the Redcape Hotel Group.

**Fund IMA** means the agreement between the Manager and the Responsible Entity dated 18 October 2018.

**Fund's Website** means [https://mafinancial.com/asset-management/retail-funds/\[insert\]/](https://mafinancial.com/asset-management/retail-funds/[insert]/)

**Gross Portfolio Value** means the value of all assets held in the Fund.

**Group Investment Committee** means the investment committee of the MA Financial Group.

**GST** means Australian Goods and Services Tax.

**Hotel Management Agreement** means the agreement between the Responsible Entity and the Manager which sets out the key terms associated with the efficient operation, management, marketing and conduct of the business of the Fund's hotel assets.

**ICR** means Interest Coverage Ratio.

**Independent Valuation** means a valuation provided by a valuer appointed from the independent valuation panel.

**Initial Period** means the 10-year term from 30 November 2018.

**Investment Management Agreement** means the agreement between the Responsible Entity and the Manager which sets out the key terms in relation to the performance of certain investment management and administration services.

**Investors** means a holder of Units in the Fund.

**IDPS** means an Investor Directed Portfolio Services.

**Leasehold Going Concern** means the business only, with a lease of the freehold property in place.

**Liquidity Facility** means the liquidity mechanism which will apply to the Fund.

**Local Government Area** means the area defined by state council boundaries.

**LVR or Loan to Value Ratio** means the proportion of an asset funded by a lender, expressed as a percentage of the total value of the asset.

**MAHM** means MA Hotel Management Pty Ltd (ACN 619 297 228), a Subsidiary of MA Financial Group.

**Manager** means MA Hotel Management Pty Ltd ACN 619 297 228.

**Manager's Fee or Management Fee** means the fee paid to the Manager for its services as manager of the Fund.

**MA Financial Group** means MA Financial Group Limited ACN 142 008 428.

**Medicare Levy** means a levy to fund Australia's public health system paid in addition to the tax paid on taxable income.

**Minimum Investment Amount** means \$10,000 or such other amount as we may determine from time to time.

**MIT** means a Managed Investment Trust.

## 13 Glossary (continued)

**Net Asset Value or NAV** means the value of the Fund's assets minus its liabilities determined in accordance with Australian accounting standards.

**Net Tangible Assets or NTA** means total assets of the Fund less any intangible asset, less liabilities.

**Online Application** means the application portal to apply to make an initial investment as described in Section 9.1.

**Operating EBITDA** means EBITDA excluding unrealised, non-recurring and non-operational items such as venue acquisition costs, gains/losses on asset revaluations, gains on sale and disposal of assets and performance fees.

**PDS** means this Product Disclosure Statement.

**Performance Fee** means the fee calculated by reference to the performance of the Fund.

**Performance Fee Period** means each six-month period ending on 30 June and 31 December each year.

**Portfolio** means the portfolio of securities and other assets and liabilities of the Fund, to be managed in accordance with the Fund IMA by the Manager pursuant to the investment strategy and investment guidelines set out in this PDS.

**Product Disclosure Statement** means this document for the purposes of Part 7.9 of the Corporations Act.

**Queensland Management Fee** means is a fixed annual amount per Queensland hotel paid by the Fund to MAHM for managing the Queensland hotels, as described in Section 8.3

**RBA Cash Rate** means the Reserve Bank of Australia Cash Rate.

**Redcape Group** means Redcape Group Limited (ACN 124 753 733).

**Regular Investment Plan** means a regular direct debit from your account to top up your investment in the Fund on a monthly, quarterly or annual basis, as described in Section 9.1, which is available on the Fund's [\[Website\]](#).

**Regular Investment Plan Form** means the form to set up a Regular Investment Plan.

**Responsible Entity** means the Responsible Entity of the Fund, being Redcape Hotel Group Management Ltd ACN 610 990 004, AFSL 505932.

**Retail Applicant, or Retail Investor or Retail Client** means an Applicant or investor who is not a Wholesale Applicant, or Wholesale Investor or Wholesale Client.

**Stapled Units or Units** means a stapled unit consisting of one Unit from Trust I and one Unit from Trust II which are stapled together.

**Statement of Advice** means the document that sets out the advice given to you by your licensed financial planner or adviser.

**Statutory Gearing** means total borrowings less cash as a percentage of total assets less cash.

**Subsidiary** has the meaning given in the Corporations Act, but so that:

- an entity will also be considered to be a Subsidiary of a trustee, Responsible Entity or other entity if it is controlled by that trustee, Responsible Entity or other entity (expressions used in this paragraph have the meanings given for the purposes of Division 6 of Part 1.2 of the Corporations Act);
- a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; and
- a corporation or trust may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation.

**Transaction Costs** means an estimate by the Responsible Entity of the total transaction costs that would be incurred to acquire afresh, or dispose of the assets of the Fund (including such costs which would be incurred due to the issue or disposal of Units), or zero where the Responsible Entity makes no such estimate.

**Trusts** means Redcape Hotel Trust I and Redcape Hotel Trust II.

**Underlying Earnings** means Operating EBITDA less cash rent, cash interest and maintenance capital expenditure (plus other unrealised or non-recurring items specifically excluded from Operating EBITDA).

**Unitholders** means a holder of one or more Units.

**Unit Price** means the Directors' NAV per Unit.

**Unit Pricing Policy** means a document that sets out policies and procedures when exercising discretions under the Constitution, a copy of which is available free of charge by contacting the Responsible Entity.

**Unit Registry** means  Pty Limited.

**Updated Information** means any updated information in this PDS.

## 13 Glossary (continued)

**US person** means “U.S. person” as defined in Regulation S under the US Securities Act.

**US Securities Act** means the U.S. Securities Act of 1933 (as amended).

**Valuation Time** has the meaning given to that term in the Constitution.

**Wholesale Applicant, Wholesale Investor or Wholesale Client** means an Applicant or investor who is (in either and in each case) not a retail client under section 761G or 761GA of the Corporations Act.

**Withdrawal Form** means a form for requesting withdrawals from the Fund, as described in Section 9.8. The form is available on the Fund's [\[Website\]](#).

**Withdrawal Price** means in respect of a Unit, the Price intended to be at a discount to Directors' NAV per Unit.

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## 14 Corporate Directory

<b>Responsible Entity</b>	<b>Redcape Hotel Group Management Ltd (ACN 610 990 004, AFSL 505932)</b> <b>Address:</b> Level 27, Governor Philip Tower, One Farrer Place, Sydney NSW, 2000
<b>Client Services</b>	<b>Address:</b> Level 27, Governor Philip Tower, One Farrer Place, Sydney NSW, 2000 <b>Phone:</b> 02 8288 5594 (within Australia) +61 2 8288 5594 (outside Australia) <b>Email:</b> MAclientservices@MAfinancial.com
<b>Manager</b>	<b>MA Hotel Management Pty Ltd (ACN 619 297 228)</b> <b>Address:</b> Level 27, Governor Philip Tower, One Farrer Place, Sydney NSW, 2000
<b>Unit Registry</b>	<b>[•] Pty Limited</b> <b>Address:</b> [x] <b>Phone:</b> [x] (within Australia) +61 2 [x] (outside Australia) <b>Email:</b> maclientservices@[Registry]limited.com.au
<b>Auditor</b>	<b>KPMG</b> <b>Address:</b> Level 9/225 George St, Sydney NSW 2000
<b>Custodian</b>	<b>[•] Pty Limited</b> <b>Address:</b> [x]
<b>Legal Advisor to the Manager</b>	<b>Herbert Smith Freehills</b> <b>Address:</b> 161 Castlereagh St, Sydney NSW 2000
<b>Legal Advisor to the Responsible Entity</b>	<b>Arnold Bloch Leibler</b> <b>Address:</b> Chifley Tower, Level 24/2 Chifley Square, Sydney NSW 2000