Passive Income (USA Commercial Property) Fund

ARSN 155 770 095

Product Disclosure Statement

An unlisted property fund, capped at 100 million issued units (excluding reinvestment of distributions and units issued to the Responsible Entity in lieu of management fees), that seeks to generate passive income and growth returns via its wholly-owned USA-based REIT structure that owns a diversified portfolio of commercial properties located in the United States of America

Issued by Plantation Capital Limited
ABN 65 133 678 029 AFSL No. 339481
Date issued: 4 July 2018

IMPORTANT NOTICE

Product Disclosure Statement

This Product Disclosure Statement (PDS) relates to an offer to invest in the Passive Income (USA Commercial Property) Fund (ARSN 155 770 095) (the Fund). The Fund is a registered managed investment scheme under the *Corporations Act 2001 (Cth)* (Corporations Act).

This PDS is dated 4 July 2018 and an in-use notice has been lodged with the Australian Securities and Investments Commission (ASIC). ASIC takes no responsibility for the contents of this PDS and expresses no view regarding the merits of the investment set out in this PDS.

This PDS contains general information only. It has not been prepared having regard to your investment objectives, financial situation or specific needs. It is important that you carefully read this PDS in its entirety before deciding to invest in the Fund and, in particular, in considering the PDS, that you consider the risk factors that could affect the financial performance of the Fund and your investment in the Fund. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from a suitably qualified financial adviser before deciding whether to invest.

No person is authorised to make any representation specifically in connection with the Fund that is not contained in this PDS.

Responsible Entity and issuer of this PDS

Plantation Capital Limited (ABN 65 133 678 029, AFSL 339481) (Plantation Capital) in its capacity as responsible entity of the Fund ("Responsible Entity", "we" or "our") is the issuer of this PDS and the Units offered pursuant to this PDS. Contact details for the Responsible Entity are located in the Corporate Directory.

REIT structure

References to the REIT structure refer to both the US based Limited Liability Company (LLC) that has elected to be treated as a REIT for US taxation purposes, and the US based LLCs the REIT controls that own the properties acquired. See page 15 for a diagram illustrating the REIT structure.

No guarantee

None of the Responsible Entity, its related entities nor any other party makes any representation or gives any guarantee or assurance as to the performance or success of the Fund, the rate of income or capital return from the Fund, or the repayment of the investment in the Fund. An investment in the Fund does not represent a deposit or any other type of liability of the above parties. An investment in the Fund is subject to investment risk. These risks are discussed in *Section 7 – Investment risks*.

Restrictions on redemptions

The Responsible Entity expects to provide Unit Holders with the ability to redeem Units for a one month period in each financial year (subject to the Fund having available liquid assets and the requirements of the Corporations Act), but is under no obligation to do so. See *Section* 5.6 – *Redemptions*.

Eligibility

This PDS does not constitute an offer of Units in any place in which, or to any person to whom, it would not be lawful to do so. The distribution of this PDS in jurisdictions outside Australia may be restricted by law and any person into whose possession this PDS comes (including nominees, trustees or custodians) should seek advice on and observe those restrictions.

This document is not an offer or an invitation to acquire securities in any country. In particular, this document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any "USA person", as defined in Regulation S under the *US Securities Act of 1933* (Securities Act). This document may not be released or distributed in the United States or to any USA person. Any securities described in this PDS have not been, and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States, or to, or for the account of benefit of, any USA person, except in a transaction exempt from, or not subject to, the registration requirements under the Securities Act.

PDS availability

This PDS may be viewed online on the Fund's website at www.PassiveIncomeFund.com. If you access the electronic version of this PDS, you should ensure that you download and read this PDS in full. A paper copy of this PDS is available free of charge to any person in Australia by phoning +61 3 8892 3800.

Updated information

Information in this PDS may change from time to time. Information that has changed in relation to the Fund that is not materially adverse but which the Responsible Entity wishes to provide to investors, will be made available on the Fund's website at www.PassiveIncomeFund.com. A copy of any updated information will be made available by contacting the Responsible Entity. The Responsible Entity may issue a supplementary PDS to supplement any relevant information in this PDS, in accordance with its obligations under the Corporations Act. Any supplementary PDS and updated information should be read together with this PDS. A copy of any supplementary PDS and other information regarding the Fund will be made available on the Fund's website and a printed copy will be available from the Responsible Entity free of charge upon request.

Currency of information

Unless otherwise specified, all financial and operational information contained in this PDS is stated as at the date of this PDS.

Business day references

All references to business days in this PDS are a reference to business days in Melbourne, Victoria.

Pictures of properties

Except as noted otherwise, none of the images of properties in this PDS are actual pictures, computer-generated images or graphically enhanced images of buildings that form an asset of the Fund or REIT structure.

Forward looking statements

This PDS contains forward-looking statements which are identified by words (and phrases containing words) such as "may", "could", "believes", "estimates", "expects", "intends", "targets", "anticipates", "seeks", "hopes", "aims" and other similar words and phrases that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of this PDS, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Responsible Entity. The Responsible Entity cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this PDS will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements should be read in conjunction with the risk factors outlined in *Section 7* of the PDS.

Contents

1. Fund snapshot

Topic		Section
Fund name	Passive Income (USA Commercial Property) Fund (ARSN 155 770 095).	–
Investment objective	To generate income in the short-term, with the potential for capital growth over the medium to long-term, as and if the USA economy improves.	4.1
Investment strategy	The Fund predominantly invests in commercial property via a wholly-owned USA-based real estate investment trust structure (REIT structure) controlled by the Responsible Entity.	4.2
Minimum initial investment	A$10,000 More can be invested, however the sum specified must be a whole thousand dollar amount.	5.1, 5.2
Minimum additional investment	A$5,000 More can be invested, however the sum specified must be a whole thousand dollar amount.	5.3
Minimum investment balance	A$10,000.	5.6
Suggested investment period	An investment in the Fund should be viewed as medium to long-term with a suggested investment period of at least five years.	5.1, 5.8
Applications	Applications will be processed (and Units in the Fund issued) each calendar month, provided the completed application and monies are received by the last business day of the prior month, with units issued as soon as reasonably practicable after unit price is announced.	5.2, 5.3
Redemptions	The Responsible Entity expects to provide Unit Holders with the ability to redeem Units by submitting redemption requests during a one-month period each year (subject to the Fund having available liquid assets and the requirements of the Corporations Act), but is under no obligation to do so.	5.6
Term	The Fund has been established as an unlisted scheme with a cap of 100,000,000 issued units (excluding reinvestment of distributions and units issued to the Responsible Entity in lieu of management fees) in aggregate. Subject to any earlier termination, the Responsible Entity intends to wind up the REIT structure on or before 31 December 2028, and wind up the Fund and return all member capital on or before 31 December 2029.	5.1, 5.8
Issue price for Units	The issue price for Units will be based upon the Fund's Unit price calculated as at the last business day of each calendar month and updated on the Fund's website at www.PassiveIncomeFund.com.	5.2
Eligible investors	Eligible investors include Australian residents, whether as individuals, or in the name of a company, superannuation fund, trust, partnership or association.	11
Communications	Unit Holders will receive a range of information throughout the year, including updates where the Responsible Entity will outline the Fund's portfolio performance and provide commentary regarding properties it has, or is considering, acquiring.	5.7
Investment risks	The Fund carries with it certain investment risks that should be carefully considered and understood before making an application to invest. These risks include a range of execution risks, property investment risks, fund investment risks and general investment risks.	7
Hedging of USA currency exposure	The Responsible Entity is permitted under the Fund's constitution to hedge against exchange rate movements, but currently has no plans to do so as it is seeking to obtain the benefit of favourable movements in the A$ vis a vis the US$. However, currency markets are volatile and there is a risk that the movement of exchange rates may be unfavourable.	3.2, 7.2
Cooling-off	The Fund is currently illiquid for the purposes of the Corporations Act and therefore cooling-off rights do not apply. In the event the Fund becomes liquid then applications for Units in the Fund will be subject to a cooling-off period of 14 days from the earlier of the 5th day after the day on which units are issued, or the date when the fully completed application form was received.	5.2

2. Letter from the Chairman

Dear Investor,

On behalf of the Board of Directors of Plantation Capital Limited (the Responsible Entity), it's my pleasure to invite you to consider investing in the Passive Income (USA Commercial Property) Fund (the Fund).

With Australian real estate becoming increasingly more expensive, many would-be investors are unwilling or unable to acquire direct property because they don't have enough deposit saved, can't borrow sufficient capital, or simply don't have the time, skill or risk appetite to purchase and manage their own real estate investments.

Alternatively, with news that the economy in the United States of America is continuing to improve, and with it real estate prices, many investors are wondering how they can profit from exposure to real estate located in the United States of America without having the management and logistical hassles of direct foreign asset ownership.

The Passive Income (USA Commercial Property) Fund was created for investors, such as those described above, who want:

› exposure to quality US commercial real estate that generates positive cash flow returns, with the potential for capital growth over the medium to long-term; and

› an experienced and highly skilled management team driving investment performance on their behalf.

Why US commercial property?

While a more complete reasoning is provided within *Section 3*, the short answer is that the potential investment opportunities are compelling, and, with the USA economy strengthening, the time to act is now.

The Fund was established in 2012 and was the beneficiary of being able to acquire various US commercial properties at significant price discounts to historical values, and when the A$ had superior US$ buying power as the A$:US$ exchange rate was above its long term average (calculated since the adoption of a floating exchange rate in 1983).

Now established, the property portfolio provides income returns (through positive cash flow rent receipts), as well as potential capital growth upside over the medium to long-term provided the USA economy continues to perform as expected.

The Passive Income (USA Commercial Property) Fund was created for those who want to access good quality commercial property that can generate income in the short-term, with the potential for capital growth over the medium to long-term.

An additional benefit of the Fund is the opportunity to sharpen your investing skills. Unit Holders will be regularly updated with information about how the property portfolio is performing. Put another way, this is an investment where you can **earn while you learn**!

While you may decide to contribute more, the minimum top up investment for an existing Unit Holder is A$5,000. If you are a new applicant, the minimum investment amount is A$10,000. As mentioned, more can be invested, however the sum specified must be a whole thousand dollar amount. You are able to invest in your own name, as well as via a partnership, company or trust (including a self managed superannuation fund – if you have one) or association. Details of how to apply are outlined in *Section 11 – How to invest*.

Please note that, as with all investments, there are risks involved, and we encourage you to read the detailed explanation of them contained in *Section 7 – Investment risks*. In particular, given that the Fund acquires commercial property with a medium to long term investment horizon (see *Section 5.8 – Fund term*), your ability to redeem your investment as and when you want to (ie. the Fund's 'liquidity') should be carefully considered.

You should read this PDS in full before deciding whether to invest in the Fund. If you have any questions then please contact the Responsible Entity on (03) 8892 3800 during business hours, or consult your financial adviser.

After carefully considering this PDS, I hope you agree that investing in the Fund is an exciting opportunity to achieve passive income returns with medium to long-term capital growth upside.

We look forward to receiving your application.

Yours faithfully,

Steve McKnight

Steve McKnight
Chairman
Plantation Capital Limited

Financial highlights for the year ended / as at 31 December 2017

Unit price	A$1.4092
Operating Profit	A$12,926,577
Net assets	A$99,519,510
US$ property at fair market value (acquired via the REIT structure)	US$99,680,000
Units issued	76,182,791

The above data is sourced from the audited financial statements for the year ended 31 December 2017

For latest disclosures see www.PassiveIncomeFund.com

3. Summary of key investment benefits and risks

The Fund became active on 31 October 2012 upon achieving its minimum subscription amount of A$20 million. Since that time it has been pursuing its investment objective and investment strategy by sourcing, analysing and, where appropriate, acquiring commercial property via its controlled REIT structure.

3.1. Key benefits

The Fund is an unlisted property scheme that invests in a diversified portfolio of commercial properties located in the USA through a USA-based real estate investment trust structure (REIT structure). The key features and benefits of an investment in the Fund are:

Passive nature

By investing in the Fund, Unit Holders can access income and potential growth returns without the hassle of finding, funding and/or managing income-producing properties, or needing to know how to best maximise a particular property's value. Rather, these property-related tasks are undertaken by experts who have the necessary investment knowledge and experience.

High quality assets in targeted growth corridors

The Fund has the ability to access commercial properties across the length and breadth of the USA. However, to date the Fund (via its wholly-owned USA-based REIT structure) has focussed on acquiring properties in Texas, Georgia and Florida – as these states are seen as prime centres for future economic growth, leading to increased business expansion and employment opportunities.

The type of properties the Fund has acquired, and is seeking to acquire, include small to medium-sized office suites and warehouses (including buildings that provide a flexible configuration of office or showroom space combined with, for example, manufacturing, laboratory, warehouse, distribution, etc.), business premises, retail outlets, shop-fronts, fast-food outlets, pharmacies and restaurants. The acquisition price per property is typically between US$1 million and US$10 million (the Responsible Entity being of the view that an acquisition within this price range is generally too large for individual investors and too small for institutional investors).

The Fund intends to acquire a mix of commercial properties that provide income as well as upside growth potential through overcoming inherent inefficiencies (such as condition, vacancy, under utilisation of capacity and/or poor management, etc.).

Income returns

The Fund expects to derive most of its income from dividends paid by the REIT (which will itself derive income from its controlled subsidiaries that own the property). To provide regular and sustainable six-monthly distributions to Unit Holders, the Responsible Entity seeks to:

- invest in quality properties that are well-positioned from an investment perspective for the medium to long-term;
- where appropriate, actively manage properties (including through possible leasing campaigns and asset refurbishments) to increase their values and income growth prospects; and
- grow and diversify the Fund's rental income stream by attracting and retaining quality tenants on favourable lease terms (such as structured rental increases).

Capital growth potential

The USA commercial property market suffered subdued conditions from 2008 to mid-2011, in line with the deterioration of the broader USA economy.

However, reported ongoing economic recovery in the USA should result in increased business activity, which in turn should stimulate the USA commercial property sector. If this occurs, there is expected to be upwards pressure on rentals leading to increased competition among investors to acquire high-quality, high-yielding investments. This increased competition is expected to flow through to higher commercial property values.

Potential exchange rate upside

In recent times, the A$ vis a vis the US$ has traded at levels that are approximately equal to, or higher than, its long-term historical average (calculated since the adoption of a floating exchange rate in 1983).

As a result, the Responsible Entity believes there remains an opportunity to acquire select commercial properties at attractive prices (in some instances, even below replacement cost) at the same time the A$ commands comparatively strong US$ buying power.

Further, as the Fund's underlying property assets (via the REIT structure) are deriving US$ income, the Fund will provide Unit Holders with potential upside should the A$ weaken against the US$.

Expert local and international management team

The Fund's management is based in Australia and is provided by the Responsible Entity.

The Responsible Entity has assembled a team of highly qualified professionals with experience in funds management and property investing to oversee the Fund's management and the execution of its investment strategy (see *Section* 6 – *About the Responsible Entity* for profiles of the Directors of the Responsible Entity). The Responsible Entity has created a wholly-owned USA-based property management company that employs a team of appropriately experienced real estate and administration professionals to oversee the REIT structure's properties.

Simplified tax treatment

Unlike direct individual investors in the USA property market, Unit Holders are not compelled to file USA tax returns. Unit Holders receive annual tax statements from the Fund, to assist them to meet their Australian income tax compliance obligations.

3.2. Key risks

Applicants should read this PDS in full before deciding whether to invest in the Fund and, if in any doubt, should consult their financial adviser. It is the Responsible Entity's opinion that the following are key risks of an investment in the Fund:

- **property investment risks** – including the risk that property values decline and the risk that there is a decrease in Fund income and Fund Unit price;
- **fund investment risks** – including the limitations on the liquidity of an investment;
- **general investment risks** – including that the economy and market conditions may affect asset returns and values;
- **manager risk** – the risk that key personnel associated with the management of the Fund, the REIT structure and/or the wholly-owned property manager discontinue in their roles and cannot be adequately replaced;
- **execution risk** – the Responsible Entity's ability to properly execute its investment strategy depends on various factors, including the availability of suitable property(s) for acquisition on suitable terms;
- **exit risk** – the risk that the REIT will not be able to sell the properties it owns in the REIT structure at a time, and/or for prices that it expects; and
- **exchange rate risk** – the Fund, through its investments in the REIT, is exposed to assets and liabilities, the value of which are denominated in US$. The value of the A$ has been subject to significant fluctuations with respect to the US$ in the past and may be subject to significant fluctuations in the future, and there is a risk that these exchange rate movements may be unfavourable. Further, while the Responsible Entity is permitted to hedge against exchange rate movements, it currently has no plans to do so.

Please see *Section* 7 – *Investment risks* for a full discussion of the key risks relating to investing in the Fund.

3.3. Regulatory Guide 46 – 'Unlisted Property Schemes: Improving Disclosure For Retail Investors'

In addition to the key investment risks outlined in *Section 7 – Investment risks*, applicants should take time to read this *Section 3.3*. It contains information about how the Responsible Entity complies with *Regulatory Guide 46 – "Unlisted property schemes: Improving disclosure for retail investors"* (RG46) dated March 2012 and issued by the Australian Securities and Investments Commission (ASIC) which sets out six benchmarks and eight disclosure principles that ASIC has formulated to help retail investors decide whether an investment in an unlisted property scheme is suitable for them.

ASIC advises that responsible entities of unlisted property schemes offered to retail investors or in which retail investors have invested should:

- disclose against the benchmarks on an "if not, why not" basis; and
- apply the disclosure principles.

Please note that information contained in this section is derived from unaudited management accounts as at, or for the year ended, 31 December 2017.

The Responsible Entity updates how it is addressing each benchmark via disclosures published on the Fund's website at www.PassiveIncomeFund.com at least twice per year and when there are material changes to this information. The composition and diversity of the assets held by the Fund through the REIT structure will change over time as assets are acquired or disposed and tenancies let or re-let.

The type of properties the Fund is seeking to acquire include small to medium-sized office suites and warehouses (including buildings that provide a flexible configuration of office or showroom space combined with, for example, manufacturing, laboratory, warehouse, distribution, etc.), business premises, retail outlets, shop-fronts, fast-food outlets, pharmacies and restaurants.

The following table summarises the six benchmarks and eight disclosure principles.

Benchmark	Description	Has the Fund met this Benchmark as at the date of this PDS?
Gearing	› *Benchmark 1* addresses a scheme's policy on gearing at an individual credit facility level. › *Disclosure Principle 1* addresses disclosure of the gearing ratio of the scheme, the calculation of the ratio and its explanation.	Yes
Interest cover	› *Benchmark 2* addresses a scheme's policy on the level of interest cover at an individual credit facility level. › *Disclosure Principle 2* addresses disclosure of the interest cover ratio of the scheme, the calculation of the ratio and its explanation.	Yes
Interest capitalisation	› *Benchmark 3* addresses whether the interest expense of a scheme is capitalised.	Yes
Scheme borrowing	› *Disclosure Principle 3* addresses disclosure of the scheme's credit facilities, including the circumstances in which credit facility covenants will be breached.	Yes
Portfolio diversification	› *Disclosure Principle 4* addresses disclosure of the scheme's assets, including specific information about development assets.	Yes
Valuations	› *Benchmark 4* addresses the way in which valuations are carried out by a responsible entity in relation to the scheme's assets.	Yes
Related party transactions	› *Benchmark 5* addresses a responsible entity's policy on related party transactions. › *Disclosure Principle 5* addresses disclosure about related party transactions.	Yes
Distribution practices	› *Benchmark 6* addresses a scheme's practices for paying distributions from cash from operations available for distribution. › *Disclosure Principle 6* addresses where distributions are sourced from and whether forecast distributions are sustainable.	Yes
Withdrawal arrangements	› *Disclosure Principle 7* addresses disclosure of the withdrawal arrangements within the scheme and risk factors that may affect the Unit price on withdrawal.	Yes
Net tangible assets	› *Disclosure Principle 8* addresses disclosure of the net tangible asset (NTA) backing per unit of the scheme.	Yes

GEARING

- ***Benchmark 1*** **is that the Responsible Entity maintains and complies with a written policy on gearing at an individual credit facility level.**
- ***Disclosure Principle 1*** **addresses disclosure of the gearing ratio of the scheme, the calculation of the ratio and its explanation.**

Gearing magnifies the effect of gains and losses on an investment. The gearing ratio indicates the extent to which a scheme's assets are funded by external liabilities. A higher gearing ratio means greater magnification of gains and losses and generally greater volatility compared to a lower gearing ratio. The gearing ratio is calculated as follows:

> ***Gearing ratio*** =
> *Total interest bearing liabilities* **/** *Total assets*

The gearing ratio is based on liabilities disclosed in the Fund's audited financial statements.

The Fund does not directly own property, and therefore, does not borrow for the purposes of financing the acquisition of a property. Neither does it borrow for the purposes of gearing its investment in the REIT.

When undertaking property acquisitions, the Responsible Entity permits the REIT structure to borrow up to a maximum of 60% of a property's value (including the value of any improvements, capital costs and/or market appreciation) to finance (or refinance) the acquisition, provided that the portfolio's gearing ratio will not exceed 40% of its fair market value.

The maximum portfolio gearing ratio of 40% does not include any money advanced by the Fund to the REIT characterised as debt.

Due to the Fund's significant exposure to off-balance sheet financing (ie. financing within the REIT structure), the Responsible Entity also calculates a look-through gearing ratio for the Fund using the formula:

> ***Look through gearing ratio*** =
> *Total interest bearing liabilities* **+** *proportionate share of interest bearing liabilities of the Fund's underlying investments* **/** *Total Fund assets (excluding investments)* **+** *proportionate share of assets of the Fund's underlying investments*

As at 31 December 2017:

- the Fund's gearing ratio is 0.00%;
- the REIT structure's gearing ratio is 18.42%;
- the Fund's look-through gearing ratio is 18.02%.

Note: the data used to derive the gearing ratio was sourced from audited financial statements.

The Responsible Entity's ongoing compliance with Benchmark 1, as well as its gearing and look-through gearing ratios, is disclosed on the Fund's website at www.PassiveIncomeFund.com. The Responsible Entity maintains a written gearing policy that it is in compliance with as at the date of this PDS. The gearing policy is available on the Fund's website at www.PassiveIncomeFund.com.

INTEREST COVER

- ***Benchmark 2*** **is that the Responsible Entity maintains and complies with a written policy that governs the level of interest cover at an individual facility level.**
- ***Disclosure Principle 2*** **addresses disclosure of the interest cover ratio of the scheme, the calculation of the ratio and its explanation.**

The interest cover ratio indicates an unlisted property scheme's ability to meet interest payments from earnings, where:

> ***Interest cover ratio*** **=** *(EBITDA** **–** *unrealised gains* **+** *unrealised losses)* **/** *Interest expense*

* EBITDA (earnings before interest, tax, depreciation and amortisation).

The interest cover ratio is a measure of the risk associated with the Fund's borrowings and the sustainability of borrowings. A fund with a low interest cover ratio only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet its interest payments. Interest cover is also useful for investors when comparing a fund's relative risks and returns.

As the Fund will not borrow directly, the interest cover ratio is measured at the REIT structure level, by assessing the REIT structure's ability to meet its interest payments out of earnings.

It is the Responsible Entity's policy that the REIT structure will maintain the interest cover ratio at more than 2.

As this is a recently established Fund, until such time as the REIT structure is fully invested, the interest cover ratio may at times be less than 2 due to the REIT structure's mix of debt-to-equity.

As at 31 December 2017 the Fund did not have any borrowing, and hence its interest cover ratio was 0 times. The REIT structure's interest cover ratio was 5.12 times.

Note: the data used to derive the interest cover ratio was sourced from unaudited management accounts.

The Responsible Entity's ongoing compliance with Benchmark 2, as well as its interest cover ratio, are disclosed on the Fund's website at www.PassiveIncomeFund.com. The Responsible Entity maintains a written interest cover policy that it is in compliance with as at the date of this PDS. The interest cover policy is available on the Fund's website at www.PassiveIncomeFund.com.

SCHEME BORROWING AND INTEREST CAPITALISATION

- ***Disclosure Principle 3*** addresses disclosure of the scheme's credit facilities, including the circumstances in which credit facility covenants will be breached.

All amounts owed to lenders and other creditors will rank before each Investor's interest in the Fund. The Fund's ability to repay principal and interest and meet all loan covenants under its debt facilities is material to its performance and ongoing viability.

As at the date of this PDS the Fund does not have any direct borrowings. However, several entities within the REIT structure have borrowed funds to acquire properties as disclosed in the table on page 9.

The REIT structure's borrowings enhance the potential for increases in distributions and capital gains for Unit Holders, but also increase the potential for reductions in distributions or capital losses in the event that a property falls in value or rental income falls.

If the borrowings are refinanced, the interest rate margin payable may be higher than that applying to the current borrowings. Increases in variable market interest rates (after any period of fixed interest rate hedging expires, if applicable) will increase interest costs that may result in a reduction in distributions. There is also the risk that the REIT structure may not be able to refinance borrowings and will need to sell properties to repay those borrowings. This could result in a reduction of the REIT structure's rental income, expenses associated with selling properties and, if the sales occur during a period where property values are depressed, a reduction in the value of the Units in the Fund.

The Responsible Entity has ensured that any REIT structure borrowings are and will be in accordance with strict borrowing guidelines, including:

- borrowings be on a limited recourse or non-recourse basis (ie. recourse is limited to that property held by the REIT controlled entity only);
- the cost of borrowings be at an appropriate interest rate having considered the assets and risks at the time of loan drawdown;
- borrowings are only undertaken where the REIT structure's cash flows can service the debt requirements;
- repayments are able to be made in line with the loan repayment schedule in the loan agreement;
- where possible, borrowings be secured on a fixed interest rate basis; and
- changes to the loan facility are approved by the Responsible Entity.

The Responsible Entity periodically discloses in relation to borrowings within the REIT structure:

- a loan maturity profile highlighting the total amount of loans due in the year of disclosure, within 1 year, 2 years, 3 years, 4 years and 5 or more years;
- the amount by which the value of assets used as security for a loan facility must fall before the scheme will breach any covenants in any credit facility;
- for each credit facility, the aggregate undrawn amount, assets to which the facility relates, the loan to valuation and interest cover covenants under the terms of the facility, the interest rate of the facility and whether the facility is hedged;
- details of any terms within a credit facility that may be invoked when Unit Holders exercise their rights under the Fund's Constitution;
- the prospects for refinancing any credit facilities maturing within 12 months; and
- the status of any breaches of credit facility covenants and how such breaches affect Unit Holders.

Summary of REIT Structure Borrowings As At 31 December 2017

Property / Properties	Loan Amount (US$)	Maturity Date	Annual Interest Rate	Loan to Valuation Ratio
Loans Owing To Previous Owners				
1671 Riverview Drive, Lewisville, TX	1,440,000	Dec 2018	4.000%	33.33%
401 Powerhouse, McKinney, TX	704,133	Feb 2019	6.000%	15.06%
2634 N. Orange Blossom Trail, FL	783,600	Mar 2019	5.000%	33.34%
830 NE 24th Lane, Cape Coral, FL	300,000	Apr 2019	4.250%	17.65%
13584 49th St Nth, Clearwater, FL	1,160,000	Apr 2023	5.000%	30.01%
Loans Owing To Financial Institutions				
Wells Fargo 2081 Jonesboro Rd, McDonough, GA 6205 & 6215 Shiloh Crossing, Alpharetta, GA 1205 Texas Parkway , Euless, TX 2853 Work Dve, Fort Myers, FL 1904 Oak Grove Blvd, Lutz, FL 12050 49th St Nth, Clearwater, FL 1408 & 1424 Hamlin Ave & 2013 Murcott Dve, St Cloud, FL	11,510,000	Jun 2025	5.145%	37.36%
Reinsurance Group of America 400 Technology Parkway, GA	3,600,000	Jan 2026	4.500%	46.45%
Loans Owing To Other Parties				
REIT Funding Debt owing in order to qualify as a US REIT	92,500	No Maturity	12.500%	

Total Borrowings was US$19,590,233. The property portfolio's overall LVR was 19.56%.

All loans are compliant with their loan terms. All loans are on fixed interest rates. With the exception of 401 Powerhouse, McKinney, TX that has principal and interest repayments, all other loans are interest-only repayments.

Such disclosures are updated on the Fund's website at www.PassiveIncomeFund.com.

› ***Benchmark 3*** **addresses the issue of whether or not the interest expense is capitalised.**

No interest payments made by Fund or REIT structure have or will be capitalised. All interest expense has been and will be paid out of free cash flow.

The Responsible Entity's ongoing compliance with Benchmark 3 is disclosed on the Fund's website at www.PassiveIncomeFund.com. The Responsible Entity maintains a written interest capitalisation policy that it is in compliance with as at the date of this PDS. The interest capitalisation policy is available on the Fund's website at www.PassiveIncomeFund.com.

PORTFOLIO DIVERSIFICATION

- ***Disclosure Principle 4*** **addresses disclosure of the scheme's assets, including specific information about development assets.**

The Responsible Entity seeks to gain exposure to a broad range of commercial properties through the REIT structure, and has established sector categories and indicative long-term asset allocation ranges as set out in *Section 4.2 – Investment strategy* and *Section 4.3 – Investment process*.

The Responsible Entity periodically discloses in relation to properties held in the REIT structure:

- properties by geographic location (by number and value);
- properties by sector (eg. industrial, commercial, retail, multi-family) (by number and value);
- for each significant property, the most recent valuation, the date of the valuation, whether the valuation was performed by an independent valuer and, where applicable, the capitalisation rate adopted in the valuation;
- the portfolio lease expiry profile in yearly periods calculated on the basis of lettable area or income and, where applicable, the weighted average lease expiry;
- the occupancy rate(s) of the property portfolio; and
- for the top five tenants that each individually constitute 5% or more by income across the investment portfolio, the name of the tenant and percentage of lettable area or income.

1. Properties By Geographic Location

State	Number	Value (US$)	% Value
Texas	3	13,995,000	14.04%
Georgia	10	43,130,000	43.27%
Florida	22	42,555,000	42.69%
Total	**35**	**99,680,000**	**100.00%**

2. Properties By Sector

Where properties are multi-use, the property's main use is chosen for determining which sector it has been classified under.

State	Number	Value (US$)	% Value
Industrial	28	$78,940,000	79.19%
Retail	7	$20,740,000	20.81%
Total	**35**	**99,680,000**	**100.00%**

3. Significant Properties

A property is deemed to be significant if its current market value is equal to or higher than 5% of the total property portfolio's current market value.

Property	Independent Valuation	Capitalisation Rate Adopted In Valuation
400 Tech Pkway, Peachtree Corners, GA	$7,750,000	8.25%
6205 & 6215 Shiloh Crossing, Alpharetta, GA	$6,600,000	7.00%
350 Tech Pkway, Peachtree Corners, GA	$5,380,000	8.50%
6620 Tara Blvd, Jonesboro, GA	$5,300,000	8.50%
1205 Texas Parkway, Euless, TX	$5,000,000	7.50%

All properties were independently valued at 31 December 2017.

4. Leasing Information

Lease Expiry

	Lease expiry date by number of leases, as at 31 December 2017				
State	**2018**	**2019**	**2020**	**2021**	**2022+**
Texas	8	25	21	5	1
Georgia	2	11	15	10	15
Florida	48	100	66	7	16
Total	**58**	**136**	**102**	**22**	32

The weighted average lease expiry (weighted based on square footage of properties rented as at the date of this PDS) was 2.48 years.

The overall occupancy of the property portfolio was 93.60%.

None of the tenants constituted more than 5% of the portfolio rental income.

As necessary, these disclosures will be updated on the Fund's website at www.PassiveIncomeFund.com.

VALUATIONS

- ***Benchmark 4*** **is that the Responsible Entity maintains and complies with a written valuation policy which meets ASIC standards.**

In calculating the Fund's value the Responsible Entity may determine valuation methods and change these valuation methods from time-to-time, subject to the terms of the Fund's Constitution.

Cash and money market instruments will be valued at cost, plus accrued interest.

Properties acquired within the REIT structure undergo independent valuations as required by Australian and USA law using generally accepted accounting principles. This requires an independent valuation at least every three years.

Any other assets held by the Fund are valued at market value calculated in accordance with generally accepted accounting principles.

The Fund's Unit price (in the case of both application and redemptions) is calculated by reference to the Fund's Constitution and the Responsible Entity's Unit pricing policy for the Fund (which describes how the Responsible Entity will exercise its unit pricing discretions). The Responsible Entity is permitted to exercise discretion to decide a matter that affects the value of a factor included in the formula for determining Unit prices under the Fund's Constitution (provided the Responsible Entity meets certain requirements, including that the Unit price is independently verifiable).

The Responsible Entity's ongoing compliance with Benchmark 4 is disclosed on the Fund's website at www.PassiveIncomeFund.com. The Responsible Entity maintains a written valuation and unit pricing policy that it is in compliance with as at the date of this PDS. The valuation and unit pricing policy is available on the Fund's website at www.PassiveIncomeFund.com.

RELATED PARTY TRANSACTIONS

- ***Benchmark 5*** **is that 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.**
- ***Disclosure Principle 5*** **addresses disclosure about related party transactions.**

The Responsible Entity enters into related party transactions (eg. the Responsible Entity may create wholly or partly owned subsidiaries that are remunerated out of the Fund or REIT structure for services provided, or loan money to the REIT structure). The risks associated with related party transactions are that they could be assessed and monitored less rigorously than arm's length third party transactions.

Related party transactions are only approved by the Responsible Entity without obtaining Unit Holder consent if evidence supports the transaction as being on arm's length terms having regard to generally accepted commercial practice and the market for the type of transaction.

The Responsible Entity has a policy for managing conflicts of interest and related party transactions which ensures that all transactions engaged in by the Fund are assessed for any conflicts of interest and to ensure they are reasonable arm's length transactions based on appropriate commercial terms. Where Unit Holder consent is required in respect of a related party transaction, the Responsible Entity will call a meeting where Unit Holders can vote on whether to approve the transaction.

The Responsible Entity's ongoing compliance with Benchmark 5 will be disclosed on the Fund's website at www.PassiveIncomeFund.com. The Responsible Entity will also disclose, in respect of each related party transaction:

› the value of the financial benefit;
› the nature of the relationship;
› whether the transaction is on arm's length terms (including whether there is reasonable remuneration) or whether some other exception applies or ASIC has granted relief;
› whether Unit Holder approval for the transaction has been sought and, if so, when;
› the risks associated with the related party transaction; and
› whether the Responsible Entity is in compliance with its Related Party Transactions Policy, and how this is monitored.

The Responsible Entity has entered into these arm's length related party transactions:

› a management agreement to manage the Fund's investments for a fee of up to 1.80% per annum of the Fund's gross assets, payable monthly in arrears. For the year ended 30 June 2017 the amount received by the Responsible Entity for management fees was A$2,277,915;
› an agreement to be compensated for any expenses the Responsible Entity incurs on behalf of the Fund. For the year ended 30 June 2017 the amount received by the Responsible Entity for expense reimbursement was A$40,372; and
› an operating agreement specifying that the Responsible Entity is the manager of the REIT structure. No sum is payable to the Responsible Entity under this agreement.

Note: Figures shown above are derived from audited financial statements for the year ended 30 June 2017.

The Responsible Entity's ongoing compliance with Benchmark 5 will be updated on the Fund's website at www.PassiveIncomeFund.com. The Responsible Entity maintains a written Related Party Transactions Policy that it is in compliance with as at the date of this PDS. The Related Party Transactions Policy is available on the Fund's website at www.PassiveIncomeFund.com.

DISTRIBUTION PRACTICES

› ***Benchmark 6*** **is that the Fund will only pay distributions from its cash from operations (excluding borrowings) available for distribution.**
› ***Disclosure Principle 6*** **addresses where distributions are sourced from and whether forecast distributions are sustainable.**

The Responsible Entity determines the Fund's distributable income for each six-monthly distribution period. Unit Holders on the register as at the last day of the relevant distribution period will be entitled to the distribution for that period. Unit Holders may also reinvest all of their distributions to acquire additional Units in the Fund using the Unit price that applies on the first business day after the date of the relevant distribution (via the Fund's Distribution Reinvestment Plan (DRP)) (see *Section 5.5*).

Distributions are calculated pro-rata to the number of fully paid Units (and including any proportion of partly paid Units) held by Unit Holders for the relevant distribution period.

Distributions are expected to be paid within 60 days of the end of each relevant distribution period. Cash distributions will be made electronically to the Unit Holder's nominated bank account. When making their application, if a Unit Holder does not provide clear instructions on their preference for receiving distributions or does not provide valid bank account details to receive their distribution, their full distribution entitlement will be automatically reinvested in additional Units in the Fund.

The Fund will seek to refinance selected assets and increase the gearing of certain assets in accordance with the Fund's gearing policy. Additional proceeds from the borrowings are expected to be used to acquire additional properties.

However, the Responsible Entity may use the proceeds to fund a return of capital to Unit Holders or to fund any proposed redemption of Units.

It is expected the majority of the Fund's distributable income will be sourced from dividends received from the REIT structure. In turn, the REIT structure will receive income from entities it controls within the REIT structure, that in turn will derive their net rental income from the property they own.

The Responsible Entity expects that the Fund will declare distributions in June and December each year.

When the REIT structure sells a property asset, some capital may not be returned by the REIT to the Fund. This will be determined by the REIT at the relevant time. For at least the first three years of the Fund's life, it is the Responsible Entity's intention that any capital within the REIT structure will be reinvested in further property assets.

The Responsible Entity's ongoing compliance with Disclosure Principle 6 and Benchmark 6 will be disclosed on the Fund's website at www.PassiveIncomeFund.com. The Responsible Entity will disclose:

› the source of the distribution current at the date of disclosure;

› the source of any forecast distribution;

› whether the current or forecast distributions are sustainable over the next 12 months;

› if the current or forecast distribution is not solely sourced from cash from operations (excluding borrowings) available for distribution, the sources of funding and the reasons for making the distribution from these other sources;

› if the current or forecast distribution is sourced other than from cash from operations (excluding borrowings) available for distribution, whether this is sustainable over the next 12 months; and

› the impact of, and any risks associated with, the payment of distributions from the scheme from sources other than cash from operations (excluding borrowings) available for distribution.

The Responsible Entity maintains a written distribution policy that it is in compliance with as at the date of this PDS. The distribution policy is available on the Fund's website at www.PassiveIncomeFund.com.

WITHDRAWAL ARRANGEMENTS

› ***Disclosure Principle 7*** **addresses disclosure of the withdrawal arrangements within the scheme and risk factors that may affect the Unit price on withdrawal.**

The Responsible Entity expects to provide Unit Holders with the ability to redeem Units in the Fund each year, subject to the Fund being 'liquid' (as that term is defined in the Corporations Act) or, if the Fund is not liquid, if there are sufficient liquid assets to allocate to a withdrawal offer made in accordance with the Corporations Act provisions that apply for withdrawal offers from illiquid funds. Outside of these redemption offers, the Responsible Entity does not intend to honour any redemption requests received from Unit Holders.

Section 5.6 – Redemptions sets out information relating to the liquidity of the Fund and how redemptions may be requested and made, and *Section 10.4 – Transferring of Units* sets out how Unit Holders can transfer their Units to another person with the approval of the Responsible Entity.

Any redemption or withdrawal of Units is also subject to and may be affected by the following risks:

› **liquidity risk** – the risk that the Fund does not have sufficient liquid assets to make or to satisfy redemption requests;

› **realisation risk** – the risk that the Fund is unable to easily or quickly convert property assets into liquid assets (ie. cash) in order to satisfy redemption requests; and

› **valuation risk** – the risk that the Fund is unable to properly value its assets (particularly its property assets).

There is also the risk that general market conditions and other factors that may impact on the liquidity of the Fund may necessitate the suspension or delay in redemptions. Each of these risks may limit the ability of Unit Holders to redeem their investment or withdraw from the Fund.

NET TANGIBLE ASSETS

› ***Disclosure Principle 8*** **addresses disclosure of the net tangible asset (NTA) backing per Unit of the scheme.**

A NTA calculation helps investors understand the value of the assets upon which the value of their Unit is determined. The NTA represents the tangible assets of the Fund less any liabilities. Generally speaking, the higher the NTA, the more asset backing there is for Units in the Fund. On the other hand, the lower the level of NTA, the less asset backing there is for Units in the Fund and the higher the risk associated with the investment.

The Fund calculates its NTA using the following formula:

NTA = *(Net assets* **-** *intangible assets* **+/-** *any other adjustments)* **/** *Number of units in the scheme on issue*

The Responsible Entity's net assets will primarily consist of cash assets, in addition to loans made to, and equity in the REIT, the value of which will be determined by the assets it holds less any liabilities it carries (including, for example, borrowings).

When making its NTA calculation, the Responsible Entity will comply with all relevant accounting standards and take into account *Regulatory Guide 94 – Unit pricing: Guide to good practice* (see the Fund's website at www.PassiveIncomeFund.com for further information on the Fund's Unit pricing policy).

As at 31 December 2017, the Fund's NTA calculation is as follows:

› Adjusted Net Assets (A$107,358,118) / Units on Issue (76,182,791) = NTA (A$1.4092).

This data is sourced from unaudited management accounts.

4. About the Fund

The Fund became active on 31 October 2012 after achieving its minimum subscription amount of A$20 million. Since that time it has been pursuing its investment objective and investment strategy by sourcing, analysing and, where appropriate, acquiring commercial property via its controlled REIT structure.

A USA-based limited liabilty company (LLC) had been set up (Ozinus Realty LLC) and has elected to be taxed as a REIT for US income tax purposes. (see *Section 9 – Taxation*).

4.1. Investment objective

The Fund's investment objective is to generate income in the short-term, with the potential for capital growth over the medium to long-term, as and if the USA economy continues to improve.

4.2. Investment strategy

The Fund aims to achieve its investment objective through exposure to the USA commercial property market. The Fund gains such exposure via entities controlled by a wholly-owned USA-based real estate investment trust structure (REIT structure) that is controlled by the Responsible Entity.

The diagram on the following page illustrates the structure of the Fund's investment in USA commercial property via the REIT and other entities the REIT controls.

The Responsible Entity has established a LLC that has elected to be treated as a REIT so that the Custodian on behalf of the Fund is the sole member that holds ordinary shares in the REIT. In order to qualify as a USA REIT for tax purposes, a REIT is required to have a spread of at least 100 qualifying investors. The Responsible Entity has put arrangements in place and sourced the investors required to achieve the spread. These investors have been issued with preference shares in the REIT to which are attached rights to preferred distributions and priority on the winding up of the REIT, however, the holders of the preference shares do not have any right to vote on matters of the REIT. As these investors will be treated as debt-holders and not equity-holders, the Responsible Entity considers that the rights of the preference shareholders in relation to distributions will have no impact on the Responsible Entity's ability to be able to execute its investment strategy in relation to generating dividends from the REIT.

The management and operations of an LLC are conducted by a manager appointed and designated by the members of the LLC entitled to vote and approve the manager. When there is a single controlling member of an LLC, a customary practice is for the single controlling member to designate itself as the manager of the LLC pursuant to the operating agreement of the LLC. The manager will have the right to exercise all the powers and discharge all the responsibilities in relation to the management of the LLC. The Responsible Entity has entered into an operating agreement with the REIT (Operating Agreement) that appoints itself as the manager and articulates the rights and responsibilities of the Responsible Entity as the manager in relation to the management and supervision of various aspects of the REIT, including its investment activities in the Operating Agreement.

Under the terms of the Operating Agreement, the Responsible Entity has the power to make decisions in relation to the following matters relating to the management and control of the REIT:

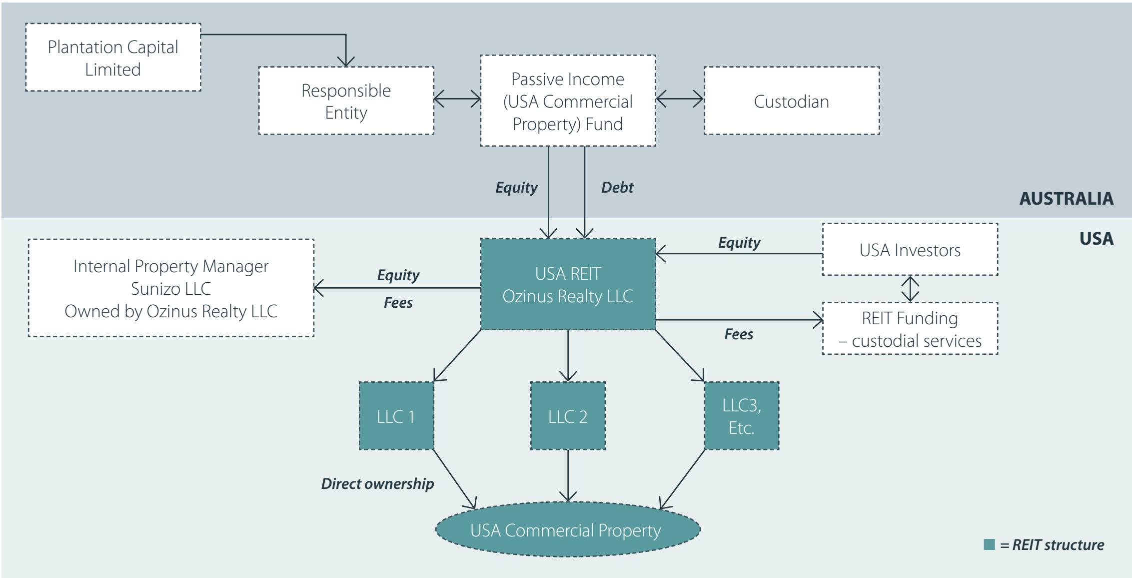
- appointment of key management positions;
- selection and appointment of external service providers, such as the property asset manager and independent experts such as valuers;
- selection of the commercial properties in which the REIT structure invests in accordance with the REIT structure's investment strategy;
- monitoring of the REIT structure's portfolio of commercial properties;
- the sale or disposition of properties in the REIT structure's portfolio and coordination of any such sale or disposition;
- monitoring of restrictions on the transfer of shares in the REIT;
- management of the REIT structure's capital and related accounts; and
- distributions of dividends to shareholders.

In accordance with ordinary practice for agreements of this nature, the Responsible Entity is reimbursed by the REIT under the Operating Agreement for any expenses incurred in exercising its functions under the Operating Agreement. The Responsible Entity is indemnified by the REIT against any losses or liabilities that it incurs as a result of providing the services to the REIT structure under the Operating Agreement, except for any loss or liability caused by the gross negligence, default, fraud or dishonesty of the Responsible Entity or its officers or employees.

The Responsible Entity expects that the terms of the Operating Agreement will remain in place for the duration of the period during which the Responsible Entity is the manager of the REIT. The Responsible Entity retains the right to withdraw as the manager of the REIT and the holder of the voting interests in the REIT retains the right to remove the Responsible Entity as the manager, but does not expect that such rights would be exercised.

In the course of exercising its powers and functions as the manager of the REIT, the Responsible Entity has engaged third party advisers and service providers.

Anticipated REIT structure with other relevant Australian and US entities



Properties owned, or under contract to be purchased, by the REIT structure as at the date of this PDS are profiled in Sections 4.4. As more properties are acquired they will be profiled on the Fund's website at www.PassiveIncomeFund.com.

The Responsible Entity seeks to generate income and value for the Fund in the form of:

- interest returns from loans made to the REIT;
- dividends received from the REIT sourced from rental income from tenanted properties owned by the REIT structure;
- an increase in the Fund's Unit price via appreciation in the value of properties owned in the REIT structure via general improvement in US economic conditions; and
- dividends from the REIT and/or an increase in the Fund's Unit price as a result of initiatives instigated by the Responsible Entity and/or the REIT structure to improve the desirability and capital value of any property acquired (such as refurbishments).

In implementing the Fund's investment strategy, the Responsible Entity seeks to gain exposure to a broad range of commercial properties through the REIT structure, and has established sector categories and indicative long-term asset allocation ranges as follows:

Property classification	Target return		Description
A Class Up to 20%	Cap rate[1]	5 to 7%	Superior quality property, typically delivering a lower yield but with established / reliable tenants.
	CoCR[2]	6 to 8%	
B Class Up to 50%	Cap rate[1]	7 to 9%	Higher quality property, typically with medium range yields and established tenants.
	CoCR[2]	8 to 10%	
C Class Up to 50%	Cap rate[1]	8 to 11%	Medium quality properties that generate higher yields.
	CoCR[2]	9 to 12%+	
Distressed Up to 30%[3]	Cap rate[1]	N/A	No yield, but opportunity to buy at attractive prices and value add to earn superior income and growth returns.
	CoCR[2]	9 to 12%+	
Cash Up to 10%	N/A		Money kept on hand to meet operational and distribution requirements.

[1] Cap rate refers to the capitalisation rate, which is ((net operating income ÷ purchase price) x 100).

[2] CoCR refers to the cash-on-cash return, which is ((net cash flow ÷ cash down) x 100). This reflects the impact of borrowings on net income and cash down.

[3] Once the distressed nature of the property has been resolved, it will be reallocated to the appropriate A, B, or C class portfolio weighting.

The property classification identified in the table above is broadly based on the guidelines published for office buildings by the Building & Owners Managers Association International (BOMA International), adjusted as follows:

Class A: The most prestigious buildings competing for premier users with rents above average for the area. Such buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.

Class B: Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are good to very good for the area and systems are adequate, but the building does not compete with Class A at the same price.

Class C: Buildings competing for a wide range of users with rents in the fair to average range for the area. Building finishes are average to good for the area and systems are adequate, but the building does not compete with Class B at the same price.

The above long-term asset allocation ranges are indicative only and are regularly reviewed by the Responsible Entity in light of current market conditions. It should be noted that the REIT structure will, from time-to-time, hold property assets outside of these long-term asset allocation ranges, as demanded by operational circumstances.

The Fund invests certain of its assets in cash and money market instruments. While the Responsible Entity seeks to restrict the Fund's holdings in cash and money market instruments to up to 10% of its assets there will be times when the Fund's allocation falls outside this range. As such, the Fund may from time to time retain higher than normal cash and money market instrument investments that, depending on the amount of interest earned, could detract from the Fund's potential overall performance. It should also be noted that while the Responsible Entity has the ability to hedge its exposure to currency and exchange rate movements, there are currently no plans to put any currency hedging instruments in place, and the Responsible Entity would only consider such currency hedging instruments in the event that exchange rate movements became, in the Responsible Entity's opinion, favourable to undertake a hedge commitment based on cost to benefit, and risk to reward, assessments.

In addition to acquiring equity interests in the REIT, the Responsible Entity may advance money to the REIT in the form of loans. The Responsible Entity will ensure the terms of any such loan are on arm's length commercial terms in accordance with the Responsible Entity's Related Party Transactions Policy.

4.3. Investment process

Following is an outline of the Fund's investment process. When reading this investment process, please remain mindful that references to the investment process are to the manner in which the Fund gains its exposure to direct property via its management and control of the REIT structure.

Permissible investments

The Fund's key strategic advantage is that it is a cash buyer of commercial properties in a market where it is still difficult to access investment capital.

The Fund, via the REIT structure, invests in a mix of USA commercial property. The types of properties that are considered for acquisition include, but are not limited to:

- small to medium-sized office suites and business premises;
- warehouses (including buildings that provide a flexible configuration of office or showroom space combined with, for example, manufacturing, laboratory, warehouse and distribution, etc.);
- restaurant chains, fast-food outlets and shop fronts; and
- retail premises, such as strip malls.

While the REIT structure will consider acquiring distressed properties to take advantage of 'value-add' opportunities (such as refurbishment), it will also consider build-to-suit opportunities in circumstances where tenancy risk is considered reasonable.

The acquisition price per property is expected to be in the US$1 million to US$10 million range (the Responsible Entity being of the view that acquisitions within this price range are generally too large for individual investors and too small for institutional investors). However, properties may be acquired outside this price range depending on market conditions and the opportunities presented.

The Fund intends to take advantage of real estate opportunities currently available in the USA commercial property market (via the REIT structure) by:

- purchasing real estate assets on favourable terms and/or at favourable prices;
- completing any construction and/or refurbishment work required to ready the property for rent; and
- securing positive cash flow returns from the rental of these properties.

Property will be held over the medium to long-term to take advantage of anticipated capital appreciation as and if the US economy improves as expected.

The Fund has the ability to invest across the length and breadth of the USA, but for the immediate future intends to focus on the geographic centres of Texas, Georgia and Florida.

Investment process overview

The four core components outlined below are essential to ensuring the Fund achieves its investment objectives:

1. Access to deal flow

In addition to its own internal knowledge and experience, the Responsible Entity liaises with a network of experienced USA-based realtors and buyer agents to research, source, analyse, acquire, manage and ultimately sell relevant investment properties.

Having a team on the ground allows for closer monitoring of the market and greater access to suitable properties. Further, it allows management to act quickly on opportunities and monitor the refurbishment of properties (where undertaken).

The realtors and buyer agents are required to conduct their work pursuant to written specifications, including a requirement to undertake preliminary due diligence.

The Responsible Entity (and its agents) closely monitor the progress of potential acquisitions and properties already acquired.

2. Property selection process

Potential property acquisition opportunities are assessed by the Responsible Entity's Board of Directors. In some cases, it is necessary for the REIT structure to enter into a contract for the purchase of a property before formal approval by the Responsible Entity in order to prevent the property being purchased by others. When this occurs, the acquisition does not become unconditional until it has been approved by the Board.

When assessing a property for acquisition a range of criteria are considered, including some or all of the following:

- current rental yield of the property;
- historical price movement;
- potential for capital growth;
- potential to value add to increase income and growth yield;
- rental demand;
- comparable sales analysis of similar properties;
- replacement value;
- age and any current or future repairs or refurbishments required;
- city/suburb demographics;
- proximity to known income and growth drivers;
- the value-gain of any repairs or refurbishment to ready or maintain the property for lease; and
- a suitable exit strategy, to realise any capital appreciation at a future date.

Prior to a property being settled, qualified professionals complete a thorough property inspection covering, amongst other things:

- any repairs or refurbishment that may be required to ready or maintain the property for lease;
- an estimate of the likely rent for the property; and
- an estimate of the likely time to lease.

Furthermore, an independent valuation is commissioned and reviewed, and appropriate insurance obtained.

3. Property construction, repairs and/or refurbishment

Some commercial properties considered for acquisition are in a distressed condition or are vacant and require construction, repairs and/or refurbishment to bring the property up to a condition ready to lease. Estimates for any capital expenditure are obtained prior to purchase. Any work required is completed by qualified tradespeople and carried out according to a specified timetable.

4. Active property management and exit strategy

The REIT structure insources its management function to Sunizo LLC – a wholly-owned subsidiary of the REIT. Experts and consultants with the necessary skills and resources to carry out the functions of a property manager have been employed and/or appointed to provide greater efficiency and control in managing the REIT structure's properties.

The Responsible Entity periodically reviews each property within the Fund's portfolio, and assesses it against the Fund's investment objective and strategy. These reviews help determine the timing of disposals, taking into account factors such as the local economy, rentals, capital repairs and maintenance, and the general property market environment. The Responsible Entity also seeks to remain aware of developments in its key markets via periodic updates from the REIT structure's asset manager, supplemented with general and specific research reports as seen fit.

The Responsible Entity intends for the REIT structure to hold the properties it acquires on a medium to long-term basis. Where it considers that a property has reached a stage that offers limited scope for future growth, it may consider disposing of the property and using the proceeds for alternative investments in properties that meet the Fund's investment criteria, funding any withdrawal offers, and/or returning capital to members.

4.4. Property Portfolio

REIT Structure's Property Portfolio As At 31 December 2017

	Current Market Value	
	USD	AUD
Texas Properties		
1671 Riverview Dve, Lewisville	4,320,000	5,522,884
401 Powerhouse, McKinney	4,675,000	5,976,732
1205 Texas Parkway, Euless	5,000,000	6,392,227
Total Texas Property	**13,995,000**	**17,891,843**
Georgia Properties		
6620 Tara Blvd, Jonesboro	5,300,000	6,775,761
6205/15 Shiloh Crossing, Alpharetta	6,600,000	8,437,740
1461 HWY 20 W, McDonough	4,900,000	6,264,383
2081 Jonesboro Rd, McDonough	4,300,000	5,497,315
270 Scientific Drive, Norcross	4,850,000	6,200,460
358 McDonough Pkway, McDonough	1,010,000	1,291,230
2192 Eastview Parkway, Conyers	2,360,000	3,017,131
400 Tech Pkway, Peachtree Corners	7,750,000	9,907,952
350 Tech Pkway, Peachtree Corners	5,380,000	6,878,036
6564 Tara Blvd, Jonesboro	680,000	869,343
Total Georgia Property	**43,130,000**	**55,139,351**
Florida Properties		
3350 Hanson St, Fort Myers	1,320,000	1,687,548
13584 49th St Nth, Clearwater	3,865,000	4,941,192
4700 110th Ave Nth, Pinellas Park	1,560,000	1,994,375
2853 Work Dve, Fort Myers	3,300,000	4,218,870
2148 Fowler St, Fort Myers	1,280,000	1,636,410
1408/24 Hamlin Av, 2013 Murcott Dv	2,900,000	3,707,492
1904 Oak Grove Blvd, Lutz	3,960,000	5,062,644
5250 Giron Circle, Kissimmee	2,300,000	2,940,424
720 S. Dixie Fwy, New Smyrna Beach	2,870,000	3,669,138
2634 N. Orange Blossom Trail	2,350,000	3,004,347
5961 Northland Rd, Fort Myers	1,290,000	1,649,195
16151 Pine Ridge Rd, Fort Myers	970,000	1,240,092
830 NE 24th Lane, Cape Coral	1,700,000	2,173,357
12050 49th St Nth, Clearwater	4,750,000	6,072,616
2621 NE 9th Ave, Cape Coral	1,050,000	1,342,368
1221 SE 9th Ter, Cape Coral	1,000,000	1,278,445
1013 SE 12th Avenue, Cape Coral	815,000	1,041,933
18538 US Hwy 19, Clearwater	635,000	811,813
932 NE 24th Lane, Cape Coral	970,000	1,240,092
5636 Youngquist Rd, Fort Myers	700,000	894,911
5760 Youngquist Rd, Fort Myers	970,000	1,240,092
3419 Westview Drive, Naples	2,000,000	2,556,891
Total Florida Property	**42,555,000**	**54,404,245**
Total Property	**99,680,000**	**127,435,439**

* USD current market values (also known as 'fair value') were estimated by an independent US based appraiser. AUD equivalent values based on AU$:US$ exchange rate at 31 December 2017.

5. About the Offer

As of the date of this PDS, a total of A$81,074,418 of application money has been received (excluding distribution reinvestments).

5.1. Closed-ended Offer

The Responsibile Entity intends to accept applications until total subscriptions reach 100,000,000 issued units (excluding reinvestment of distributions and units issued to the Responsible Entity in lieu of management fees).

The Responsible Entity expects to offer capital in tranches, and as such, the Offer may periodically open and close until the maximum subscription is reached.

New applicants must complete the Application Form contained at the back of this PDS (see *Section 11 – How to invest* for details on how to properly complete the Application Form). The minimum initial investment is A$10,000 (however, the Responsible Entity reserves the right to accept a lower amount or reject in whole or in part any application).

Subject to the Fund being open, existing Unit Holders can make an additional investment by completing the Additional Investment Form available from the Fund's website at www.PassiveIncomeFund.com. For existing Unit Holders , the minimum additional investment is A$5,000 (however, the Responsible Entity reserves the right to accept a lower amount or reject in whole or in part any investment).

Higher sums than those mentioned above can be invested, however they must be whole thousand dollar amounts.

5.2. Treatment of new and additional applications

Your application will be processed (and Units in the Fund issued) each calendar month, provided the completed application and monies are received by the last business day of the prior month, with units issued in the following month as soon as reasonably practicable after unit price is announced.

The issue price for Units will be based on the Fund's monthly Unit price, calculated as at the last business day of each calendar month, and posted on the Fund's website at www.PassiveIncomeFund.com as soon as is practicable. Accordingly, the issue price for Units may be higher or lower than the published price when an application is received.

For example, an applicant may complete and send in an Application Form on 15 August, based on the Fund's Unit price on that date. However, Units in relation to that application will not be issued until 1 September, at which time the Fund's Unit price may have increased or decreased (or stayed the same).

Application monies, interest and allotment of additional Units

Application monies will be held in an interest bearing account with an Authorised Deposit-taking Institution (ADI) until Units are issued (or application monies returned, subject to the Responsible Entity's discretion to reject applications in whole or in part, and the requirements of the Corporations Act), with the Responsible Entity retaining any interest earned.

However, the Responsible Entity wishes to encourage applicants to submit their applications as early as possible. Accordingly:

- where the Responsible Entity receives a properly completed Application Form from an applicant; and
- the properly completed Application Form is received within the first 20 calendar days of the month;

the Responsible Entity will calculate and pay interest on the application monies from the date of receipt of the properly completed Application Form until the effective date of the issue of Units, at the Reserve Bank of Australia's Cash Target Rate as at the first of that month plus 2% per annum, pro-rata for each day.

The interest amount will be applied to the issue of additional Units to the applicant at the prevailing Unit price and rounded down to the nearest whole Unit. These additional Units will be allotted to the applicant in addition to the Units originally applied for. No interest will be paid on application money returned to investors who exercise their cooling-off rights.

The Responsible Entity reserves the right to vary the interest rate or terms pertaining to interest offered on application money. Any variations will be disclosed on the Fund's website at www.PassiveIncomeFund.com.

Cooling-off

The Fund is currently illiquid for the purposes of the Corporations Act and therefore cooling-off rights do not apply. In the event the Fund becomes liquid then applications for Units in the Fund will be subject to a cooling-off period of 14 days from the earlier of the 5th day after the day on which units are issued, or the date when the fully completed application form was received.

5.3. Additional applications

Existing Unit Holders can make an additional investment by completing the Additional Investment Form available from the Fund's website at www.PassiveIncomeFund.com.

The minimum amount for additional investments is A$5,000 (however, the Responsible Entity reserves the right to accept a lower amount or reject in whole or in part any application). More can be invested, however the sum specified must be a whole thousand dollar amount.

5.4. Distributions

Distributions represent the income and/or capital attributable to Unit Holders from an investment in the Fund. Distributions will be determined by the Responsible Entity and will primarily comprise dividends received from the REIT, but may also include income from interest, realised or unrealised capital gains, and a return of capital.

The Fund will seek to refinance selected assets and increase the gearing of certain assets in accordance with the Fund's gearing policy. Additional proceeds from the borrowings are expected to be used to acquire new properties, however the Responsible Entity may use the proceeds to fund a return of capital to Unit Holders or to fund any proposed redemption of Units.

The Fund intends to have six-monthly distribution periods as at the end of each June and December, and the Responsible Entity expects that the Fund's next distribution will be made on or around 31 December 2018.

The distribution amount per Unit is determined by dividing the total amount available for distribution (as determined by the Responsible Entity) for the distribution period by the number of Units on issue on the last day of the distribution period. Distributions may fluctuate from one distribution period to the next.

Distributions are expected to be paid within 60 days of the end of each relevant distribution period. Cash distributions will be made electronically to the Unit Holder's nominated bank account. Where Unit Holders do not provide clear instructions on their preference for receiving distributions or do not provide valid bank account details, their full distribution entitlement will be automatically reinvested in additional Units in the Fund pursuant to the terms and conditions of the Distribution Reinvestment Plan.

Distributions are calculated pro-rata to the number of fully paid Units held by Unit Holders for the relevant distribution period.

5.5. Distribution Reinvestment Plan

A Distribution Reinvestment Plan (DRP) is available that allows Unit Holders to reinvest all of their distributions to acquire additional Units in the Fund, using the Unit price that applies on the date of the relevant distribution. To participate in the DRP, applicants need to complete the relevant section of their Application Form. No contribution fee is levied on units issued pursuant to the DRP.

Unit Holders can vary their participation in the DRP at any time by providing the Responsible Entity with a minimum of 14 days notice in writing.

A Unit Holder's participation in the DRP applies to their entire unitholding.

Full terms of the DRP are available from the Fund's website at www.PassiveIncomeFund.com or by contacting the Responsible Entity. The Responsible Entity reserves the right to terminate or suspend the DRP at any time, in which case all distributions will be paid into the Unit Holder's nominated back account.

5.6. Redemptions

The Responsible Entity expects to provide Unit Holders with the ability to redeem Units in the Fund each year, subject to the Fund being 'liquid' (as that term is defined in the Corporations Act) or, if the Fund is not liquid, if there are sufficient liquid assets to allocate to a withdrawal offer made in accordance with the Corporations Act provisions that apply for withdrawal offers from illiquid funds. Outside of these redemption offers, the Responsible Entity does not intend to honour any redemption requests received from Unit Holders.

Redemption offers will generally be made by the Responsible Entity in September or October each year and will be advised to Unit Holders by email, or by such other means as determined by the Responsible Entity, including by publishing the offer on the Fund's website at www.PassiveIncomeFund.com. Unit Holders should ensure that they keep all of their contact details up to date and regularly check the Fund's website for details on any future redemption offers.

Before making a redemption offer, the Responsible Entity will determine an amount of cash within the Fund that is available to satisfy the redemptions of Units. An offer will then be made to Unit Holders during a one month period in which the Unit Holders can submit requests to redeem Units in the Fund (using the Redemption Request Form made available on the Fund's website during the period that the redemption offer remains open). At the expiry of the offer period, the Responsible Entity will satisfy the redemption requests with the amount of cash set aside. If the Responsible Entity has received redemption requests for an amount in excess of the amount of cash it has determined is available to satisfy redemptions, it will apply the amount available to satisfy redemption requests on a pro-rata basis.

The unit redemption price shall be calculated in accordance with the Fund's constitution. The redemption price includes an estimate of the anticipated sale and disposal costs, and as such will be lower than the unit issue price.

During the period while redemption requests are being processed, the Fund may temporarily exceed the 100,000,000 cap on aggregate issued units (excluding reinvestment of distributions and units issued to the Responsible Entity in lieu of management fees) while applications are being processed and before the redemption proceeds have been remitted. However, it is the Responsible Entity's intention for the Fund to be operated at a capacity of 100,000,000 cap on aggregate issued units (excluding reinvestment of distributions and units issued to the Responsible Entity in lieu of management fees).

Under the Fund's Constitution, the Responsible Entity has up to 365 days to satisfy any redemption request; however, once the Responsible Entity has announced the amount of capital available under the redemption offer, the Responsible Entity will aim to satisfy redemption requests within 21 days following the closing date of the redemption offer. In the event that demand for redemptions pursuant to any redemption offer exceeds the Fund's available liquid assets, the Responsible Entity has discretion to delay or suspend redemptions, or to scale back all redemption requests on a proportionate basis. The Responsible Entity may determine such other terms and conditions to apply to redemption offers that will be communicated to Unit Holders at the time of the redemption offer.

Under the Fund's Constitution, the Responsible Entity can delay or refuse to provide redemption offers at its complete discretion.

Minimum balance

If as a result of a redemption request the value of a Unit Holder's investment falls below A$10,000, the Responsible Entity may treat the request as a request to withdraw in full, redeem the entire amount of their investment and close their account.

5.7. Unit Holder communication

Unit Holders receive the following information (either by mail, email or via the Fund's website at www.PassiveIncomeFund.com):

- Transaction statements: Issued when Units in the Fund are first issued as well as when additional investments are made (including through the Fund's DRP).
- Income distribution statements: Issued when the distributions are made, at least six-monthly as at the end of June and December each year.
- The Responsible Entity will publish periodic electronic updates, including emails and webinars, on the Fund's activities and make it available to all Unit Holders via the Fund's website at www.PassiveIncomeFund.com.
- Annual report: Includes audited accounts for the Fund as at 31 December each year.
- Annual tax statement: Issued after 31 December each year to assist in preparing tax returns.
- Periodic statements: Any periodic statements required under the Corporations Act.

5.8. Fund term

The Responsible Entity may terminate the Fund when permitted to do so, and must terminate the Fund when required to do so, in accordance with the terms of the Fund's Constitution and subject to the Corporations Act.

The Fund has been established as an unlisted scheme with a cap on aggregate issued units of 100,000,000 (excluding reinvestment of distributions and units issued to the Responsible Entity in lieu of management fees.). The Responsible Entity intends to dispose of all the REIT structure's properties on or before 31 December 2028, with the Fund being wound up on or before 31 December 2029.

5.9. Balance date

The Responsible Entity operates the Fund according to the US income tax and accounting year, which operates from 1 January to 31 December each year. The Responsible Entity will continue to issue Unit Holders with an annual tax statement which will assist Unit Holders in meeting their Australian taxation obligations.

The Fund aims to achieve its investment objective through exposure to the USA commercial property market. The Fund gains such exposure via a USA-based real estate investment trust structure (REIT structure) controlled by the Responsible Entity.

6. About the Responsible Entity

Plantation Capital Limited is the Fund's Responsible Entity and the issuer of Units pursuant to this PDS. The Responsible Entity is responsible for the overall management of the Fund and is subject to various duties under the Corporations Act, including duties to act honestly, exercise care and diligence and act in the best interests of Unit Holders.

The Board of the Responsible Entity comprises three directors. The Directors of the Responsible Entity are:

Stephen (Steve) McKnight – Chairman
Bachelor of Business (Accounting), Diploma Financial Services, Chartered Accountant

Steve, a qualified chartered accountant and experienced investor, is recognised as one of Australia's foremost authorities on property investment as a means of creating personal wealth.

Since buying his first investment property in May 1999, Steve has completed hundreds of property transactions. Presently, his real estate portfolio includes residential and commercial properties in Australia and the USA, together with a substantial investment in the Fund.

Steve is the co-founder and current Chief Executive Officer of PropertyInvesting.com, a website that is committed to educating investors on how to successfully use real estate to create wealth. His first book, *From 0 to 130 Properties in 3.5 Years*, is Australia's best selling real estate title and has sold over 200,000 copies.

Steve has been featured as an expert investor in the print media, on television and on radio. He has delivered expert keynote addresses on real estate investing in Australia, New Zealand, Asia, Canada and the USA.

Paul Harper
Master of Entrepreneurship and Innovation, Bachelor of Business (Accounting), Chartered Accountant

Paul has been providing financial advisory services to corporations, institutions and high net worth individuals for over 25 years.

Until November 2011, he worked as the Managing Director of Jeena Limited, a Melbourne-based firm of Chartered Accountants that provided family office services and specialised investment opportunities to select, high-net worth clients and families.

In addition to holding a Masters in Entrepreneurship and Innovation and a Bachelor of Business (Accounting), Paul is a chartered accountant.

Keith Woodhead
Bachelor of Surveying, Graduate Diploma (Town Planning), Master of Business Administration

Keith is a highly experienced property professional with specific expertise in areas including acquisitions, disposals, subdivision, leasing, construction, and project and development management. His property-based experience also includes direct property assets, and listed and unlisted property trusts across a range of property sectors including residential, retail, industrial and commercial.

Much of this work has been within the property funds management sector, where he has been largely responsible for debt and equity raisings, offer document preparation, product management, corporate governance, compliance and transaction management.

7. Investment risks

Prior to investing, prospective applicants should consider the risks involved in investing in the Fund and whether the Fund is appropriate for their objectives and financial circumstances. If in any doubt, prospective applicants should seek advice from a suitably qualified financial adviser.

This PDS contains forward-looking statements which are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Fund to be materially different from those expressed or implied by such forward-looking statements. Past performance is not a reliable indicator of future performance.

Some of the risks may be mitigated by the use of safeguards and appropriate systems and actions but some are outside the control of the Responsible Entity and cannot be mitigated.

The Responsible Entity and its directors do not guarantee any rate of return in terms of income or capital or investment performance of the Fund. The Fund's Unit price will reflect the performance of its underlying investments and current market conditions. There can be no certainty that the Fund will generate returns or distributions.

Please note, this is not an exhaustive list of the risks associated with the Fund. This section of the PDS should be read in conjunction with *Section 3.3 – Regulatory Guide 46 – 'Unlisted property schemes: Improving disclosure for retail investors'.*

7.1. Property investment risks

These risks relate to investing in property generally as well as particular risks in relation to the Fund's future property investments (via the REIT structure).

Property investment risk

An investment in the Fund is subject to certain risks associated with the ownership of property and the property industry generally. These risks include:

- declines in property values due to market conditions;
- declines in property income due to rental market conditions (which will vary according to the supply and demand for similar space in the respective markets for the property);
- inability to secure tenants as required to provide rental income and other tenancy risks; and
- increases in property and transaction taxes.

The Responsible Entity mitigates this risk by conducting extensive due diligence on any properties proposed to be acquired by the REIT structure, and keeping abreast of market intelligence regarding trends and values in relation to properties already acquired by the REIT structure.

Taxation risk

Changes to the taxation laws in Australia and the USA (particularly in relation to income tax, the double income tax treaty that applies between Australia and the USA, property tax, transfer tax or other property related tax legislation) and/or changes to the taxation status of the Fund or the REIT may affect the Fund's or the REIT's tax treatment. The effect of any such changes may differ between Unit Holders.

There can be no assurance that the REIT will formally remain qualified as a REIT as such a determination is complex.

Further, there can be no assurance that the Fund is not, and will not, be taxed as a company under the Australian income tax legislation, as such a determination is complex.

As the Fund's and/or the REIT's taxation treatment may be different than what is expected, such treatment may have adverse tax consequences with respect to the treatment of withholding tax, distributions from the Fund, the Fund's value, or the value of the Fund's assets.

Acquisition risk

The REIT structure's ability to acquire suitable properties depends on market conditions, the availability of suitable property on appropriate terms, completion and capital availability at the relevant time. There is no guarantee that the Fund and/or REIT structure can execute their investment processes successfully.

Further, the Fund and REIT hold cash and/or money market instruments awaiting investment, and it may take longer than expected to identify sufficiently attractive investments for the Fund to fully invest its cash holdings. The cash and/or money market instruments held by the Fund and REIT are impacted by prevailing interest rates (and the yield) on these investments.

The Responsible Entity will mitigate this risk by access to deal flow in the relevant markets, sourced through a combination of its USA-based management and experts appointed by either the Responsible Entity or the REIT structure.

Exit Risk

The REIT structure's ability to dispose of its properties at or above their independently appraised values, and within the expected timeframe, will depend on market conditions at the time of disposal.

As such there is a risk that the REIT structure's properties will not be able to sold in a timeframe and/or at values expressed in the Fund's financial statements.

The Responsible Entity mitigates this risk by ensuring the property portfolio is regularly independently appraised, and by closely monitoring the market conditions in those locations where the REIT structure owns properties.

Tenancy risk

The REIT structure's income (and therefore the ability of the Fund to provide distributions to Unit Holders) is largely dependent upon tenants paying rent in accordance with their lease terms. In relation to the REIT structure's properties, there is a risk that:

- the properties remain and/or become vacant;
- tenants may damage property requiring increased capital expenditure (that is unforeseen);
- the REIT structure is not able to lease and/or re-lease a property; and/or
- a property is re-leased at a reduced rate.

Each scenario could result in a reduction of the REIT structure's rental income, and additional expenses associated with re-leasing or selling the property.

The Responsible Entity mitigates this risk by conducting extensive due diligence on any properties proposed to be acquired by the REIT structure, including in relation to terms of occupancy of major tenants, and ensures that the asset manager appointed by the REIT structure complies with guidelines for maintenance of existing tenancies and any acceptance of new tenants.

Valuation risk

All property owned within the REIT structure is periodically valued. However, there is a risk that a property valuation is not correct and this may adversely impact the Fund's performance. If an incorrect valuation is obtained and relied upon, a property could be acquired for more than market value, or alternately could be sold for less than market value.

A property's ongoing value is influenced by changes in property market conditions (eg. supply, demand, interest rates and rentals). An independent valuation of each property is commissioned prior to purchase however, this valuation or appraisal might still be an incorrect assessment of the true valuation upon realisation for a variety of reasons including wrong information used, poor research and changes in property values. There is no guarantee that the property will enjoy a capital gain on its sale and the value of the property may fall as a result of the assumptions on which the valuation is based proving to be incorrect.

The Responsible Entity mitigates this risk by ensuring that the REIT structure engages suitably qualified independent experts to provide valuations prior to, and periodically after, the acquisition of each property.

Insurance risk

The REIT structure's performance may be adversely affected where losses are incurred due to uninsurable risks, uninsured risks or under-insured risks. Further, any failure by an insurer or re-insurer may adversely affect the REIT structure's ability to make claims under an insurance policy.

Disasters such as natural phenomena, acts of God and terrorist attacks may damage or destroy the Fund's property. It is not possible to insure the REIT structure's property against some of these events. Occurrence of these events could also lead to insurance becoming unavailable for such events in the future, or premiums increasing above expected levels.

The Responsible Entity mitigates these risks as much as commercially possible, by ensuring the REIT structure maintains appropriate insurances from reputable insurers with good capital resources and claim payment histories.

Capital expenditure risk

Capital expenditure, either on maintenance or refurbishment costs, could exceed expectations. This could result in increased funding costs and lower distributions.

Borrowing risk

This is the risk that the REIT structure is forced to sell a property if it is unable to meet its debt obligations pertaining to that property. The Responsible Entity manages this risk by restricting borrowings in the REIT structure to a maximum of 60% of each property's value, provided that the portfolio's gearing ratio will not exceed 40% of its fair market value, while also carefully managing operational cash flows.

Compulsory acquisition

This is the risk that a property (or part of a property) owned by the REIT structure may be compulsorily acquired by a government authority. The Responsible Entity manages this risk by performing due diligence, to the greatest extent possible, prior to acquisition and seeking legal counsel to maximise any compensation available should it occur.

7.2. Fund investment risks

These risks relate to either an investment in the Fund (and indirectly, the REIT structure) and factors that affect all investments generally. The majority of the risks to the Fund are related to its investment in the REIT. Potential applicants should consider and beware of the risks of the REIT as these could have an impact upon the Fund.

Key personnel risk

There is a risk that the departure of key staff or consultants that have particular expertise in funds and property management, whether they are the staff or directors of the Responsible Entity, the REIT structure, the wholly-owned property manager, other related parties and/or outsourced service providers, may have an adverse effect on the Fund's earnings and value. The Responsible Entity considers that this risk is mitigated by having a good spread of experienced professionals on its Board, to ensure there is no significant 'key person' risk.

Liquidity risk

Direct property is an illiquid asset. Although the Fund invests through the REIT, the REIT structure is exposed primarily to direct property and so there is no guarantee that the Responsible Entity will be able to fund the intended redemption offers set out in *Section 5.6 – Redemptions*. There is a risk the Fund will not have sufficient liquid assets to offer Unit Holders the opportunity to redeem their Units as and when they wish to. There is also a risk that, if a redemption offer is made, the Fund will be unable to meet redemption requests in a timely manner or that redemption requests are scaled back. In the event the Fund is wound up and required to dispose of assets to fund redemptions, there is a risk that the Fund may not be able to realise sufficient assets in a timely manner or at an optimal sale price. This may affect the Responsible Entity's ability to return capital to Unit Holders and may reduce the Fund's NTA per Unit (refer to *Section 3.3*).

In addition to possible delays in the redemption of Units, potential applicants should be aware that although they have the right to transfer their Units, this right is subject to the Responsible Entity being satisfied that the transfer meets all required application criteria and will not affect the qualifying status of the REIT. Further, there is no secondary market for them to sell their Units.

The Responsible Entity mitigates liquidity risk by ensuring that the REIT structure generally acquires properties with good cash flow generating capacity, such that the REIT hopes to have funds available to meet reasonable redemptions requests as and when required.

Refinancing risk

The Fund does not intend to undertake borrowings directly, however, it will be exposed indirectly to any borrowings that the REIT structure undertakes. The REIT structure's borrowing enhances the potential for increases in distributions and capital gains for Unit Holders, but also increases the potential for reductions in distributions or capital losses in the event that a property's rental income falls or its value depreciates.

If the borrowings are refinanced, the new interest rate may be higher than that applying to the current borrowings. Increases in variable market interest rates (after any period of fixed interest rate hedging expires) may increase interest costs which may result in a reduction in dividends paid by the REIT to the Fund, and therefore Fund distributions paid to Unit Holders. There is also a risk that the REIT structure may not be able to refinance borrowings when they mature and will need to sell properties to repay those borrowings. This could result in a reduction of the REIT structure's rental income, expenses associated with selling properties and, if the sales occur during a period where property values are depressed, a reduction in the value of the units in the Fund.

Diversification risk

Generally the more diversified a portfolio, the lower the impact that an adverse event affecting one property or lease has on the REIT structure's income or capital value. The Responsible Entity mitigates diversification risk by ensuring the REIT structure acquires multiple properties (including a mix of commercial property subclasses), leased to multiple tenants, in multiple locations.

As the Fund starts to wind up and properties in the REIT structure are sold, there may be a time when the Fund (via the REIT structure) has exposure to only a small number of properties. Also, the REIT structure's geographic exposure is primarily concentrated in three States – Texas, Georgia and Florida. The Fund therefore faces a diversification risk.

Investments in the Fund may be negatively impacted should the property markets in the USA generally, or property markets in Texas, Georgia and Florida more particularly, fall, or should the value of individual properties in the REIT structure fall. Further, there is a risk that the REIT structure may not be able to source suitable future properties to further diversify the tenant base and geographic location.

Exchange rates

The Fund, through its investments in the REIT, is exposed to assets and liabilities, the value of which are denominated in US$. The value of the A$ has been subject to significant fluctuations with respect to the US$ in the past and may be subject to significant fluctuations in the future, and there is a risk that these exchange rate movements may be unfavourable.

While the Responsible Entity is permitted to hedge against exchange rate movements, it currently has no plans to do so. The Responsible Entity will consider hedging in the event that exchange rate movements become, in the Responsible Entity's opinion, subject to extreme short-term volatility. However, it may not be able to put hedging arrangements in place quickly, or at all. In this event, the amount of A$ distributions by the Fund and the capital value of the equity investment made by the Fund in the REIT may decrease because of the exchange rate movements.

Counterparty risk

There is a risk that counterparties with the Fund and/or the REIT structure will not perform their obligations which may affect the value of returns from an investment in the Fund. Where practical and appropriate, the Responsible Entity undertakes thorough due diligence to ensure that any counterparties are of good financial standing.

7.3. General investment risks

These risks relate to the overall risk of most investments:

Cyber Risk

Cyber risk is an evolving threat to Unit Holder's personal information stored on our systems and technologies we use to process and report on the Fund's performance. A single successful cyber attack may involve data theft which disrupts the technologies and systems or ransom for the return of critical information. The Responsible Entity as part of its Risk Management Framework continues to develop systems, technologies, processes and controls that are designed to protect systems, networks and data from any possible cyber threats.

Economic and market conditions

Changing economic or property market conditions may impact the Fund's overall investment performance. These may include movements in interest rates, exchange rates, securities markets, inflation, consumer spending, employment and the performance of individual local, state, national and international economies.

Regulatory risk

Changes in any law (including taxation laws), regulation or government policy could have an impact on the Fund's performance.

Litigation risk

There is the risk that unforeseen litigation may occur resulting in unexpected legal fees and expenses.

Limitations on Unit Holders

Unit Holders have no direct control over the selection or holding of the REIT structure's property portfolio or its day-to-day operations.

8. Fees and 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 fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from A$100,000 to A$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 contribution fees and management costs where applicable. Ask the Fund or your financial advisor.

TO FIND OUT MORE

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

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your application money, from income available for distribution, or from the Fund assets as a whole.

Relevant taxation information is set out in *Section 9 – Taxation*. You should read all of the information about fees and costs, because it is important to understand their impact on your investment. All fees and other costs set out in the table below are expressed **exclusive** of Goods and Services Tax (GST).

Passive Income (USA Commercial Property) Fund		
Type of fee or cost	**Amount**	**How and when paid**
Fees when your money moves in or out of the managed investment product[2]		
Establishment fee The fee to open your investment	Nil.	Not applicable.
Contribution fee[1, 2, 3] The fee on each amount contributed to your investment	Up to 3.60%.	Calculated and paid to the Responsible Entity from your application money prior to the issue of Units.
Withdrawal fee The fee on each amount you take out of your investment	Nil.	Not applicable.
Exit fee The fee to close your investment	Nil.	Not applicable.
Management costs: The fees and costs for managing your investment[2]		
Management Fee: the fee payable to the Responsible Entity for the management of the Fund[2]	Up to 1.80% pa.	Calculated on the Fund's gross asset value and paid monthly in arrears from the Fund's assets.
Performance Fee: an estimate of the fee payable to the Responsible Entity to share in the Fund's upside performance[2]	Up to 20% of the amount by which the Fund's total return exceeds 12% pa.[4]	Calculated at the end of each financial year and paid from the Fund's assets.
Expense Recoveries: Expenses incurred and/or paid by the Responsible Entity on behalf of the Fund[2]	0.247%	Expenses will be reimbursed at the amount incurred and charged by the Responsible Entity monthly in arrears as a deduction from the Fund's assets.
Indirect Costs: Amounts that have reduced the return on your investment but are not charged to you directly as a fee[2]	0.094%	Deducted at the level of the US REIT and the Fund level from underlying assets prior to the distribution of returns to the Fund.
Service fees[2]		
Switching fee The fee for changing investment options	Nil.	Not applicable.

[1] This fee may include an amount payable to an adviser. (See "Payments to Advisers" under the heading "Additional Explanation of Fees and Costs" at Section 8.1)

[2] See "Additional Explanation of Fees and Costs' at Section 8.1.

[3] No contribution fee is payable on units issued under the Distribution Reinvestment Plan.

[4] Total return includes income, tax credits and any capital payments, plus the increase in the net asset value.

Note: The total fees and costs that you will pay include the fees and costs of the Fund and the fees (if any) agreed between you and your Financial Adviser.

8.1. Additional explanation of fees and costs

Contribution fee

The Responsible Entity will charge a contribution fee of up to 3.60%, plus GST (although under Fund's Constitution, it is entitled to receive a maximum fee of 5%). It is calculated by the Responsible Entity and paid by applicants from their application money prior to the issue of Units in the Fund (but excluding Units issued via the DRP). This means that for every A$50,000 invested in the Fund, the Responsible Entity is entitled to receive up to A$1,800, plus GST, as a contribution fee.

Management costs

Management fee: The Responsible Entity charges a management fee of up to 1.80%, plus GST pa (although under the Fund's Constitution, it is entitled to receive a maximum fee of 5% of the Fund's net asset value). The management fee is calculated on the Fund's gross asset value and paid monthly in arrears from the Fund's assets.

Performance fee: To encourage performance, the Responsible Entity is entitled to a performance fee, paid from the Fund's assets. The performance fee will be calculated and paid as follows:

- the first year of the performance fee began on 1 July 2013;
- the performance fee will be calculated as up to 20% of the amount by which the Fund's total return (including income, tax credits and any capital payments, plus the increase in the net asset value) exceeds 12% pa (before Australian or US income or withholding tax);
- the performance fee will be calculated at the end of each calendar year and paid from Fund assets; and
- if the performance fee is negative at the end of any financial year, that negative amount will be carried forward to the next calendar year and counted towards the next financial year's calculation of the performance fee.

Worked example of the performance fee: The following example gives an indication of how the performance fee operates. In this example, the Fund's total return for the year to 31 December is calculated at 14%, being 200 basis points above the benchmark rate of 12%. This example is indicative only and does not purport to represent the likely performance fees (if any) payable.

Example of performance fee calculation	
Gross asset value of Fund at 31 December	A$30,000,000
Total return (before any Australian or US income or withholding tax) calculated for year to 31 December	14%
Fund outperformance above benchmark rate of 12%	2%
Total Fund return	A$4,200,000
Performance fee formula	20% x 2% x A$30,000,000
Notional performance fee	Up to A$120,000

Please note, the performance fee will be charged against the Fund's performance rather than against each individual Unit Holder, and the payment of any performance fee will be reflected in the Fund's Unit price. Therefore, the payment of a performance fee will impact Unit Holders differently depending on the timing of their investment and the relative performance of the Fund over time.

Expense recoveries: The Responsible Entity is entitled to recover and be reimbursed for properly incurred expenses in managing and operating the Fund. This includes (but is not limited to) a range of out-of-pocket expenses such as investment manager insurance, printing, postage, audit and legal services, custodian fees, bank charges, taxes and external compliance costs. These expense recoveries are paid monthly in arrears from the Fund's assets.

Fees payable as either cash or the issue of Units

In its ordinary course of business, the Responsible Entity expects that its fees will be paid in cash. There may be times when the Responsible Entity becomes entitled to certain fees (such as a performance fee) but is unable to readily access cash for payment. In this event, the Responsible Entity reserves the right to instead be issued with Units in the Fund at the prevailing Unit price, the value of which is the equivalent of the amount that otherwise would have been paid in cash.

Payments to financial advisers

The Responsible Entity may pay brokerage or commission to those who are engaged to promote the Fund, including financial advisers (who must be authorised to operate under an Australian Financial Services Licence or are otherwise permitted by law to receive such payments). Applicants can direct the Responsible Entity to pay some or all of the contribution fee of up to 3.60% (exclusive of GST) to their financial adviser following the issue of Units. The balance of the contribution fee (if any) will be retained by the Responsible Entity, and the remainder of the application monies will be invested into the Fund on behalf of the applicant.

An adviser who receives a service fee from an applicant in connection with the Fund will be obliged to disclose this amount to the applicant. Applicants may be able to negotiate with their adviser for a rebate on such a service fee.

Although it had not done so as at the date of this PDS, from time-to-time, the Responsible Entity may offer incentives to financial advisers or other intermediaries, which it pays out of its own money. The Responsible Entity will maintain an Alternative Remuneration Register in accordance with the Financial Services Council/Financial Planning Association (FSC/FPA) Industry Code of Practice on Alternative Forms of Remuneration in the Wealth Management Industry. The register outlines alternative forms of remuneration that are paid and received by the Responsible Entity. Investors may inspect a copy of the register by contacting the Responsible Entity.

The Responsible Entity will not pay remuneration to advisers if it is prohibited from doing so under the law, including under the Future of Financial Advice legislative changes which became mandatory on 1 July 2013.

Buy/sell spread

Under the Fund's Constitution, the Responsible Entity is entitled to charge incoming and/or outgoing Unit Holders a buy/sell spread, but has chosen not to do so as at the date of this PDS. Although the Responsible Entity will not charge a buy/sell spread for the cost of transactions entered into by the Fund, the costs incurred by the REIT structure in relation to the acquisition or disposal of properties held by the REIT structure will be reflected in the Fund's unit price.

Changes to fees

Fees and costs can change at any time in accordance with the Fund's Constitution. If fees and charges payable to the Responsible Entity increase, Unit Holders will be given at least 30 days prior notice. Other costs may change at any time without prior notice. Expense recoveries may be different than those estimated in this PDS.

Should the Responsible Entity establish a separate entity to manage the acquisition, ownership and sale of REIT structure properties, expenses such as purchase and sales commission, rental management and other associated costs may be payable by the REIT structure to the asset manager. Should this occur, such expenses will be on an arm's length basis and reported as required as a related party transaction.

The Responsible Entity may waive or defer the payment of fees at its absolute discretion.

Platform fees

Some wrap platforms, master trusts or other investment administration services charge platform fees for having the Fund included on their investment menus. The Responsible Entity may pay amounts from the management fees it receives to platforms that make the Fund available on their investment menus. Platform fees will not be paid to the extent that they are prohibited by law. As these amounts are paid by the Responsible Entity out of its own resources, they are not an additional cost to investors. Details of the fees that any Platform operator receives in respect of providing services to investors are required to be set out in the Financial Services Guide, offer document and/or Statement of Advice which that Platform operator provides to investors.

For investors accessing the Fund through a Platform, additional fees and costs may apply. These fees and costs are required to be stated in the offer document provided to relevant investors by the Platform operator.

Differential fee arrangements

From time-to-time the Responsible Entity may negotiate fees that differ from those stated above with certain 'wholesale clients' (as defined in the Corporations Act) and Platform operators. Such negotiations are undertaken on a case-by-case basis and only for wholesale clients and Platform operators who invest significant amounts of money in the Fund. Any such arrangement will be entered into in accordance with the requirements of the Corporations Act.

Goods and services tax (GST)

Fees and expenses charged to the Fund may include GST. The Fund is registered for Australian GST and claims input tax credits and/or reduced input tax credits (as the case may be) where appropriate.

Related parties

The Responsible Entity seeks professional services for the Fund from qualified service providers, including related parties. The fees for these services will be charged at normal commercial rates to the Fund and are subject to the Fund's Related Party Transactions Policy (see *Section 3.3 – Regulatory Guide 46 – 'Unlisted property schemes: Improving disclosure for retail investors'* for further detailed information about related party transactions).

Indirect Cost Ratio (ICR)

The ICR is a useful measure of the ongoing fees and expenses of investing in the Fund. It is expressed as a percentage of the Fund's net assets at period end. The ICR is an estimate of the cost of investing in the Fund compared to investing directly in assets. It is calculated by dividing the total ongoing fees that are not deducted directly from a Unit Holder's account and expenses, by the Fund size (based on net assets) at period end.

For the year ended 31 December 2017, the ICR was 2.141%.

These figures exclude the effect of GST and are derived from audited financial statements for the year ended 31 December 2017.

Transactional and operational costs

The Fund incurs transactional and operational costs, both at the Fund level and at the level of the US REIT, for managing the assets of the Fund. These transactional and operational costs are excluded from the amount of the Management Costs disclosed in this PDS, including in the Fees and Costs Table and in the Example of Annual Fees and Costs. Transactional and operational costs at the Fund level include the buy-sell spread, and at the level of the US REIT includes borrowing costs and the costs of managing the properties in the portfolio such as agency costs and other property operational costs. Investors may be entitled to a foreign tax credit pertaining to US income and/or withholding tax deducted by the REIT and paid to the IRS on their behalf.

Property Operational Costs and Borrowing Costs are not in addition to the Transactional and Operational Costs but included in the Transactional and Operational Costs. The Responsible Entity estimates the transactional and operational costs for the Fund as at 31 December 2017, when expressed as a percentage of the Fund's assets, to be approximately 7.048% p.a.

Property operational costs

The Fund incurs expenses at the level of the US REIT for the ongoing management of property assets within its portfolio. This type of expenditure includes expense items such as agency costs, property taxes, insurances, cleaning and repairs and maintenance which are recovered from revenues such as rent, prior to the distribution of any earnings from the investment. These property operational costs do not form part of the Fund's indirect costs.

These costs will be expected to be incurred irrespective of whether the properties are managed through a REIT structure or purchased directly by the investor. The estimated property operational costs, when expressed as a percentage of the Fund's assets, are 5.794% p.a.

Borrowing costs

The costs associated with any borrowings at the level of the US REIT which are recovered from the revenues generated by the property portfolio prior to the distribution of any earnings from the US REIT to the Fund. These borrowing costs do not form part of the Fund's indirect costs.
The estimated borrowing costs, when expressed as an estimate of the Fund's assets, are 1.27%.

8.2. Example of annual fees and costs

The table below gives an example of how the fees and costs (**exclusive of GST**) for the Fund can affect your investment over a one-year period. You should use this table to compare the Fund with other managed investment schemes.

EXAMPLE - Passive Income (USA Commercial Property) Fund		Balance of $50,000 with a contribution of $5,000 during year
Contribution fee	Up to 3.60%	For every additional $5,000 you put in, you will be charged a once-off fee of $180, plus GST.
PLUS Management Costs	1.80% (Management Fee) + 0 (Estimated Performance Fee) + 0.247% (Expense Recovery) + 0.094% (Indirect Costs)	**And** for every $50,000 you have invested in the Fund will attract annual total management costs of $1,071, plus GST.
EQUALS Cost of investment		If you had an investment of $50 000 at the beginning of the year and you put in an additional $5,000 during that year, you would be charged fees of up to $1,251*, plus GST. **What it costs you will depend on the investment option you choose and the fees you negotiate.**

Numbers and percentages are plus GST, as applicable.

* Additional costs may apply. A performance fee may also be payable depending on the Fund's activities and actual performance.

9. Taxation

A. TAX SUMMARY

Investing in a Registered Managed Investment Scheme ("**MIS**") is likely to have tax consequences. Each Investor's taxation position will depend on their individual circumstances and accordingly this summary is necessarily general in nature.

The following provides a summary of the general Australian tax implications and the general U.S. income tax implications for an investment in the Fund by an Australian resident individual Investor who holds their Units on capital account. The following summary only applies to an Investor who is not determined to be a "U.S. Investor" and who is not treated as engaged in the conduct of a U.S. trade or business as defined in Section 864 of the U.S. Internal Revenue Code of 1986, as amended ("**Code**").

This summary does not address all of the Australian tax implications or U.S. federal income tax implications to the investors of an investment in the Fund. This summary does not address any U.S. state or local tax implications of such an investment to any Investor in the Fund.

This summary is based on the Australian and U.S. taxation laws as at the date of this Product Disclosure Document ("**PDS**"). However, it is noted that taxation laws can change at any time, which may have adverse taxation consequences for Investors concerned.

No assurance can be given that the Australian Taxation Office ("**ATO**") or the U.S. Internal Revenue Service ("**IRS**") or any state, local, or other taxing authority will agree with the following summary. The Fund is not intending to seek a ruling on the matters outlined in this summary.

Each Investor must take full and sole responsibility for the associated taxation implications arising from an investment in the Fund including any change in the taxation implications arising during the term of their investment. It is recommended that Investors obtain their own professional and independent taxation advice before investing in the Fund.

B. U.S. FEDERAL INCOME TAX TREATMENT

B1. Elections

The Fund is a reverse hybrid entity, and has elected to be treated as a corporation for U.S. federal income tax purposes. The Fund has also entered into a Qualified Intermediary Agreement with the U.S. Internal Revenue Service. Furthermore, Ozinus Realty LLC ("the REIT") has elected to be treated as a Real Estate Investment Trust for U.S. federal income tax purposes. As such, the Fund, rather than the Investors, will be required to file U.S. federal tax returns with respect to income derived from the REIT.

B2. Income tax treatment of the REIT

The REIT holds its U.S. real estate assets through single-member limited liability companies that are disregarded as entities separate from the REIT for U.S. federal income tax purposes. The Fund has invested in capital in the REIT and may also invest in debt issued by the REIT in the future ("**REIT Debt**").

The REIT's qualification and taxation as a Real Estate Investment Trust for U.S. federal income tax purposes will depend on its continued ability to meet the various qualification tests imposed under the Code. No assurance can be given that the REIT will satisfy such tests on a continuing basis.

As a Real Estate Investment Trust, the REIT will be subject to U.S. federal income tax on a net basis, generally at a rate of 21%. However, the REIT will generally be entitled to deduct distributions that it makes to the Fund that are treated as dividends. In addition, in calculating the REIT's net taxable income for this purpose, the REIT may be entitled to deduct interest paid to the Fund on the REIT Debt, subject to certain limitations.

B3. Taxation of REIT distributions

The U.S. income tax treatment of distributions paid by the REIT to the Fund will depend on the source of income giving rise to the distribution. The type of distribution and the payment of U.S. federal income tax on such distributions has implications for the Australian foreign income tax offsets rules (see Section C2).

(a). Ordinary dividends

Non-liquidating distributions of operating income paid by the REIT (i.e. generally income other than gains on the sale of the REIT's assets) will generally be characterised as ordinary dividends and subject to U.S. withholding tax when paid to non-U.S. investors at the statutory rate of 30%. Investors may be eligible to reduce the U.S. withholding tax rate to 15% under the Australia and the United States Tax Treaty ("**Tax Treaty**"). Investors will be required to self-certify their eligibility for a reduced rate under the Tax Treaty when applying for Units in the Fund. Investors should seek their own independent advice as to the potential to reduce their U.S. withholding tax rate.

(b). Liquidating distributions and capital gain dividends

Liquidating distributions or capital gain dividends (generally a distribution by the REIT attributable to a gain from the sale or exchange by the REIT of United States real property interests) will be subject to U.S. federal withholding tax at a rate of 21% upon distribution to non-U.S. Investors. The Fund will be required to file a U.S. federal income tax return in the year in which such dividends are received. As the Fund is treated as a Corporation for U.S. federal income tax purposes, the Fund may also be subject to a branch profits tax at a rate of 30% on such dividends (which the Fund may be able to reduce to 5% under the Tax Treaty).

(c). Interest payments

The REIT may pay interest to the Fund on REIT Debt advanced to it on arm's length terms. Interest paid by the REIT is subject to U.S. withholding tax at a rate of 30%. However, Investors may be eligible to reduce the U.S. withholding tax rate to 10% under the Tax Treaty based on their self-certification status.

(d). Returns of capital

To the extent that a non-liquidating distribution by the REIT exceeds the REIT's current and accumulated earnings and profits, such distributions should be treated as a tax-free return of capital to the extent of the Fund's adjusted tax basis of its investment in the REIT. Any amount received over the adjusted tax basis will be treated as a sale of the investment in the REIT (see Section B4).

B4. Sale or exchange of investment in REIT

If the Fund sells or disposes of its investment in the REIT, the Fund will generally be subject to graduated rates of U.S. federal income tax. The transferee may also be required to withhold and remit 10% withholding tax (which may be applied as a credit against the U.S. federal income tax payable by the Fund).

C. AUSTRALIAN TAX TREATMENT

C1. INCOME TAX

(a). Provisions that apply

The Australian income tax treatment of the Fund and its Investors will depend on whether the Responsible Entity elects, and is eligible, to apply the Attribution Managed Investment Trust ("**AMIT**") provisions. The AMIT provisions are an elective income tax regime for qualifying managed investment trusts ("**MIT**") that provide for flow-through taxation to Investors. Where the AMIT provisions do not apply, the ordinary trust taxation provisions will apply to the Fund.

The AMIT provisions are closely aligned to the ordinary trust taxation provisions and therefore are not expected to materially change the way in which Investors would be taxed (as compared to the ordinary trust taxation provisions). However, the AMIT provisions provide several concessions and are intended to provide more certainty on the application of the income tax provisions to the Fund and its Investors.

The Responsible Entity believes that the Fund qualifies to make an AMIT election and proposes to make an irrevocable election to apply the new AMIT provisions. Accordingly, the section below outlines the Australian income tax treatment where the AMIT provisions apply to the Fund and its Investors.

The Responsible Entity will provide an update to the extent that the Fund does not make an election to apply the AMIT provisions.

(b). Income tax treatment of the Fund

Where the AMIT provisions apply, the Fund will effectively be treated as a flow-through vehicle for income tax purposes irrespective of whether income or capital is distributed to Investors. The Responsible Entity should therefore not pay Australian income tax on the taxable income derived by the Fund. This is on the condition that the Fund will not be taxed as a company under the public trading trust provisions (see paragraph (e) below).

(c). Income Tax treatment of Investors

The AMIT provisions require the taxable income of the Fund to be attributed to Investors on a fair and reasonable basis, having regard to their income and capital entitlements in accordance with the constituent documents. The Responsible Entity will seek to allocate taxable income having regard to the Units held by Investors during the period, their entitlements to income and capital, as well as cash distributions made to such Investors during the relevant period. Under the AMIT provisions, an Investor may be taxable on their share of the Fund's taxable income prior to receiving distributions from the Fund. The Fund's Investors will be required to include their share of taxable income in their tax return.

To align the Australian income tax year with the U.S. income tax year, the ATO has granted the Fund a substituted accounting period of 31 December in lieu of the following 30 June. Therefore, the taxable income of the Fund for the full 12 months to 31 December (e.g. 31 December 2018) will be assessable to Investors in the subsequent 30 June income year (i.e. 30 June 2019).

(d). Tax deferred distributions

Under the AMIT provisions, an Investor's cost base in their Units is increased where taxable income is allocated to them (inclusive of any tax-free component of a discount capital gain). The cost base is decreased where cash distribution entitlements are made to the Investor in respect of their Units, irrespective of whether the amounts distributed are classified as income or capital. Additional reductions are made for certain tax offsets (such as the franking credit tax offset and foreign income tax offset). The net annual tax cost base adjustment amount will be detailed in an AMMA tax statement, which will be sent annually to Investors after 30 June of each year. A capital gain may arise where the cost base of the Units is reduced below nil.

(e). Public trading trust provisions

It is noted that a Unit Trust that is a public trust can be taxed as a company where it carries on (or controls another entity that carries on) trading activities other than eligible investment business activities ("public trading trust provisions"). The Fund intends to limit the activities of the Fund to eligible investment business activities so that the public trading trust provisions do not apply to the Fund.

In particular, the Fund's major investment is in the REIT, which has elected to be treated as a Real Estate Investment Trust for US federal income tax purposes. Where the Fund invests in a foreign Real Estate Investment Trust, the public trading trust provisions contains a special rule that allows the Fund to consider the aggregate business of the REIT (including entities which the REIT controls) to determine whether the business of the REIT consists primarily of investing in land outside Australia for the purpose, or primarily for the purpose, of deriving rent. In this respect, the Fund intends to ensure that the activities of the REIT will be limited so that the public trading trust provisions do not apply to the Fund.

(f). Capital account election for managed investment trusts

The Responsible Entity has previously made an election to treat the disposal of covered assets (shares, units and real property) on capital account. The election will continue to apply to the Fund provided the Fund meets the MIT qualification criteria.

C2. ADDITIONAL INCOME TAX ISSUES

(a). Foreign income

A Foreign Income Tax Offset ("**FITO**") is likely to arise for Investors in two cases. The first is where the Fund derives foreign sourced income and pays foreign tax on such income. In this case, the Fund may allocate FITOs to Investors based on the allocation of taxable income to such Investors. The second is where foreign tax is paid based on distributions attributable to Investors (as a fiscally transparent entity). In this case, the Fund may allocate FITOs to Investors based on the foreign tax paid on behalf of (and allocated specifically to) Investors. The following table outlines how FITOs should be allocated to Investors based on the different types of foreign tax that may be paid on income derived (as outlined in Section B2 to B4 above).

Income type	How foreign tax is applied to Investors
Ordinary dividends from the REIT	The foreign tax amount paid is based on the Investors entitlement to benefits under the Tax Treaty. The foreign tax is applied on an Investor level after distributions are made to the Investor.
Liquidating distributions and capital gain dividends from the REIT	The foreign tax is paid by the Fund (as a Corporation) and is allocated to Investors based on their allocation of taxable income of the Fund.
Interest payments from the REIT	The foreign tax amount paid is based on the Investors entitlement to benefits under the Tax Treaty. The foreign tax is applied on an Investor level after distributions are made to the Investor.
Sale or exchange gains in respect of the REIT investment	The foreign tax is paid by the Fund (as a Corporation) and is allocated to Investors based on their allocation of taxable income of the Fund.

Investors may be able to claim a tax offset against their Australian income tax liability for FITOs allocated to them by the Fund. FITO's that are not utilised cannot be carried forward to a future income year.

(b). Foreign currency gains and losses

As the Fund holds assets denominated in foreign currency, the Fund may realise gains or losses attributable to foreign exchange movements. Realised foreign currency gains may form part of the taxable income allocated to Investors.

(c). Tax losses

Where the Fund incurs a tax loss, these do not flow-through the Fund to Investors. However, provided that the requirements of the trust loss provisions are satisfied, the Fund may be able to carry forward those tax losses to offset them against assessable income derived in a future income year.

(d). Distribution reinvestment

Investors may choose to reinvest their distributions as additional units in the Fund. Where the Investor makes such a choice, the Investor may still be assessed on the amount of the distribution applied to the reinvestment.

(e). Disposal of Units

To the extent that an Investor disposes of their Units (e.g. by way of a transfer or withdrawal) a gain or loss may arise. An Investor that holds their Units on capital account will derive a capital gain or incur a capital loss.

An Investor may make a capital loss in respect of the disposal of their Units to the extent that the capital proceeds are less than the tax cost base of the Units. Alternatively, an Investor may make a capital gain to the extent that the capital proceeds exceed the tax cost base of the Units. In ascertaining the tax cost base of your Units, tax adjustments from tax-deferred distributions will need to be taken into account (see Section C1 paragraph (d)).

An Investor may be eligible for the discount capital gains tax concession if the Units are held for 12 months or more and the Investor is an individual, trustee or complying superannuation fund.

C3. NON-RESIDENT INVESTORS

(a). General

The taxation implications for Investors that are not Australian tax residents ("**non-resident Investors**") are not considered as part of this PDS. However, this section provides a general outline of the Australian income tax requirements of the Fund to withhold on distributions made to non-resident Investors by the Fund. It is noted that under the AMIT provisions, an allocation of taxable income to a non-resident Investor is deemed to be a distribution to that Investor.

The U.S. income tax and withholding tax implications outlined in Section B3 will, in general, also be applicable to non-resident Investors (who are not U.S. persons) in the Fund. Non-resident Investors would not be eligible to benefit from the reduced rates of withholding offered in the Tax Treaty between the U.S. and Australia, however may be eligible for a withholding tax reduction through a tax treaty applicable to their jurisdiction of tax residence.

(b). Withholding tax

Where an Investor is a non-resident Investor or provides details to the Fund that indicate that they are residing outside of Australia for tax purposes, withholding tax may be deducted from the allocation of taxable income to the Investor at the applicable rate. The rates may vary according to whether the Fund qualifies as a Withholding MIT, the residency or address of the Investor and the components of the distribution. Non-resident Investors may also be subject to tax in the country of their residence (but may also obtain a credit for Australian withholding tax paid).

Where withholding tax paid by the Responsible Entity in relation to an Investor and it is not a final tax, non-resident Investors may be required to lodge an Australian income tax return.

(c). Capital gains on non-taxable Australian property assets

Certain capital gains (e.g. capital gains related to non-taxable Australian property asset, such as the investment in the REIT) may not be subject to Australian withholding tax.

C4. ANNUAL REPORTING

The Fund will be required to provide distribution information (including tax components) to the ATO on annual basis by lodging the Annual Investment Income Report ("**AIIR**").

The Fund will provide an annual tax distribution statement to Investors in the form of an AMMA statement that complies with the ATO's guidelines. The AMMA will reconcile the cash distribution with the taxable distribution for the income year. The AMMA will also provide details on the net tax cost base adjustment for the income year.

C5. TAX FILE NUMBER (TFN) AND AUSTRALIAN BUSINESS NUMBER (ABN)

As the Fund will be an investment body for income tax purposes, the Fund will be required to obtain a Tax File Number ("**TFN**") or Australian Business Number ("**ABN**") in certain cases from its Investors.

It is not compulsory for an Investor to quote a TFN, claim a valid exemption for providing a TFN, or (in certain circumstances) provide an ABN. However, failure to obtain an appropriate TFN or ABN from Investors will result in the Fund being required to withhold at the top marginal rate (currently 47%) with respect to distributions to the Investor (which may be creditable in their tax return).

C6. GOODS AND SERVICES TAX (GST)

The acquisition and disposal of units in the Fund by Investors will not be subject to GST. However, GST may apply if fees are charged to Investors or the Fund by the Responsible Entity. Where fees are charged to the Fund, the Fund may be eligible to claim a Reduced Input Taxed Credit of either 75 per cent or 55 per cent of the GST paid on some of the fees charged to the Fund, depending on the type of fee.

C7. STAMP DUTY

The issue, redemption, transfer or any other arrangement involving a change in the unitholding of the unit trust may result in Stamp Duty consequences. Investors should confirm the duty consequences of their dealings in Units with their taxation advisers.

C8. FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

In compliance with the U.S tax regulations commonly referred to as the Foreign Account Tax Compliance Act ("**FATCA**") and the Intergovernmental Agreement signed with the Australian Government in relation to FATCA, the Fund will be required to provide information to the ATO in relation to: (a) Investors that are US citizens or residents; (b) entities controlled by US persons; and (c) financial institutions that do not comply with FATCA.

The Fund has registered for FATCA purposes and conducts the required due diligence. Where the Fund's Investors do not provide appropriate information to the Fund, the Fund will be required to report those accounts to the ATO.

C9. COMMON REPORTING STANDARD (CRS)

The Common Reporting Standard ("**CRS**") is a global standard for the collection, reporting and exchange of financial account information of non-residents, which applies to calendar years ending after 1 July 2017. The CRS is similar to FATCA, whereby the Responsible Entity will need to collect and report similar financial account information of all non-residents to the ATO (including certain entities controlled by non-residents). The ATO may exchange this information with the participating foreign tax authorities of those non-residents.

10. Additional information

10.1. Constitution

The Fund is a managed investment scheme registered with ASIC and established under a Constitution. The rights and obligations of Unit Holders, and the powers and responsibilities of the Responsible Entity, are governed by the Fund's Constitution and this PDS, and also affected by the Corporations Act, relief and guidelines issued by ASIC, and general law.

Each Unit gives Unit Holders an equal and undivided interest in all the Fund's assets. However, a Unit does not give an interest in any particular part of the Fund and does not entitle Unit Holders to have any part of the Fund transferred to them. Subject to the Fund's Constitution, Unit Holder rights include the right to:

- obtain a copy of the Fund's Constitution;
- participate in any distributions of income and capital from the Fund;
- attend and vote at Unit Holder meetings; and
- participate in the Fund's winding up.

The Fund's Constitution contains provisions intended to limit the liability of Unit Holders to their investment in the Fund. However, there is no absolute assurance that the liability of Unit Holders will be limited as intended by these provisions, as such determination ultimately rests with the courts.

Interested parties can obtain a copy of the Fund's Constitution free of charge by contacting the Responsible Entity.

10.2. Compliance Committee and Compliance Plan

Under the Corporations Act, the Fund is required to have a Compliance Plan lodged with ASIC. The Compliance Plan is required to be audited annually and sets out the measures that the Responsible Entity will implement to ensure the Fund's operation complies with the Corporations Act and the Fund's Constitution.

Interested parties can obtain a copy of the Compliance Plan free of charge by contacting the Responsible Entity.

The Responsible Entity has established a Compliance Committee to oversee compliance by the Responsible Entity and its officers and staff with the Compliance Plan. The Compliance Committee reports directly to the Directors of the Responsible Entity, and to ASIC in appropriate circumstances.

10.3. Labour standards or environmental, social or ethical considerations

The Responsible Entity does not take into account labour standards or environmental, social or ethical considerations in determining the selection, retention or realisation of assets. However, to the extent that those matters may affect the value or performance of an underlying investment, they maybe considered. The Responsible Entity does not have a predetermined view as to what constitutes a labour standard or environmental, social or ethical consideration, as these will be determined on a case-by-case basis.

10.4. Transferring of units

A Unit Holder can apply to transfer their Units in the Fund to another eligible investor by providing the Responsible Entity with a completed standard transfer form (in a form approved by the Responsible Entity) signed by both the transferor and the transferee, provided that the Responsible Entity approves of the transferee. The Responsible Entity reserves the right to decline transfer requests in its absolute discretion. Tax implications (both in the USA and Australia) could be associated with the transfer of Units. Current and potential Unit Holders should seek their own professional advice.

Interested parties can download a Unit Transfer Form available on the Fund's website at www.PassiveIncomeFund.com. Please note that when transferring Units, transferees will need to satisfy the application process including providing supporting identification documents as outlined in *Section 11.4 – Supporting identification and documents*.

10.5. Indemnity

The Responsible Entity, its officers and the members of the Compliance Committee are each indemnified out of the Fund's assets for all liabilities and outgoings reasonably and properly incurred by them in performing their respective functions and duties on the Fund's behalf, except as a result of conduct involving a lack of good faith or a breach of the Corporations Act.

Except in the case of a breach of the Fund's Constitution or as required by the Corporations Act, none of the Responsible Entity, its officers nor the members of the Compliance Committee are liable to account to or to indemnify any person for anything done in good faith in the performance of their respective functions and duties and the exercise of their respective powers.

10.6. Custodian

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

The Fund's custodian is Australian Executor Trustees Limited (ABN 84 007 869 794, AFSL No. 240023) (the Custodian). The Custodian's role is to hold the Fund's assets in its name and act on the direction of the Responsible Entity to effect cash and investment transactions. The Custodian will hold the Fund's interests in the REIT structure, which will acquire property assets.

The Custodian has no supervisory role in relation to the Fund's operation and has no liability or responsibility to any Unit Holder or potential applicant for any act done or omission made in accordance with the Custodian Agreement. However, the Responsible Entity will supervise and monitor the Custodian's performance of its duties and obligations and may enforce compliance with those obligations as it determines in the best interests of its Unit Holders.

The Custodian earns fees for carrying out its duties, paid for out of the Fund's assets.

The Custodian is not the issuer of this PDS and has not prepared this PDS. The Custodian makes no representation in and takes no responsibility for the accuracy or truth of any statement in or any omission from any part of this PDS. The Custodian does not guarantee the Fund's performance or success, the repayment of capital, or any particular rate of return of either capital or income.

10.7. Continuous disclosure

In accordance with ASIC Regulatory Guide 198 'Unlisted disclosing entities: Continuous disclosure obligations', the Responsible Entity advises that it fulfills the required continuous disclosure requirements by way of website disclosure which complies with ASIC's good practice guidance. Interested parties may access material information regarding the Fund from the Fund's website at www.PassiveIncomeFund.com.

10.8. Enhanced disclosure securities

Units in the Fund are Enhanced Disclosure (ED) Securities under the Corporations Act. As a disclosing entity under the Corporations Act, the Fund is subject to regular reporting and disclosure obligations.

Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office and may, on reasonable notice, be obtained from or inspected at the Responsible Entity's office. Interested parties can obtain a copy of the following documents:

- the annual financial report of the Fund most recently lodged with ASIC;
- half-year financial report most recently lodged with ASIC; and
- any continuous disclosure notices lodged by the Fund with ASIC.

10.9. Consents

Australian Executor Trustees Limited has given and has not, before the date of this PDS withdrawn its consent to be named in this PDS in the form and context in which it was named, has not made any statement that is included in this PDS or any statement on which a statement made in the PDS is based and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this PDS, other than reference to its name in the form and context in which it is named.

Hall & Wilcox, lawyers, has given and has not, before the date of this PDS withdrawn its consent to be named in this PDS in the form and context in which it was named, has not made any statement that is included in this PDS or any statement on which a statement made in the PDS is based and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this PDS, other than reference to its name in the form and context in which it is named.

Pitcher Partners Advisors Pty Ltd, accountants, has given and has not, before the date of this PDS withdrawn its consent to be named in this PDS in the form and context in which it was named, has not made any statement that is included in this PDS or any statement on which a statement made in the PDS is based and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this PDS, other than reference to its name in the form and context in which it is named.

10.10. Platform investors

The Responsible Entity authorises the use of this PDS as disclosure to indirect investors who access the Fund through an IDPS or IDPS-like scheme (commonly referred to as a Platform) and those investors may rely on this PDS.

People who invest in the Fund via a Platform do not become direct Unit Holders in the Fund. The Platform operator will be recorded as the Unit Holder and will be the person who exercises the rights and receives the benefits as a Unit Holder. Investors using these services should be aware they may be subject to different conditions from those set out in this PDS, particularly in relation to:

- arrangements for the application and transfer of Units;
- fees and expenses; and
- distribution calculation and timing.

Indirect investors should contact their Platform operator with any queries relating to an investment in the Fund using these services.

10.11. Privacy and personal information

From time-to-time, the Responsible Entity will need to collect from you and verify personal information about you (and where applicable, people acting on your behalf) in order to properly administer the financial products you have requested and to comply with its legal obligations. The Responsible Entity collects, uses, discloses and stores your personal information in accordance with its privacy policy and the *Privacy Act 1988 (Cth)*. You can request access to your personal information or the Responsible Entity's full privacy policy upon request. The full privacy policy can also be obtained from the Fund's website at www.PassiveIncomeFund.com.

The Responsible Entity is required to comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)* (AML/CTF Law). This means the Responsible Entity is obliged under legislation to satisfy thorough applicant identification and verification requirements prior to accepting your application for Units in the Fund. The Responsible Entity may request additional information from applicants where it considers it necessary to satisfy its obligations under the AML/CTF Act.

10.12. Complaints handling

The Responsible Entity has a procedure to receive, consider, investigate and respond to complaints by Unit Holders and other parties who are dissatisfied with the Fund's management or administration. If Unit Holders or other parties wish to make a complaint they should write to:

The Chairman
Plantation Capital Limited
PO Box 2193
Blackburn South VIC 3130

The Responsible Entity must acknowledge any complaint immediately, or where immediate acknowledgement is not possible, as soon as practicable, and must within 45 business days investigate, properly consider and decide what action (if any) to take or offer regarding the complaint and to communicate its decision to the complainant.

If the Responsible Entity has not made a decision, or if you are not satisfied with the Responsible Entity's response, you may lodge a complaint with:

1/ If lodged before 1 November 2018:

Financial Ombudsman Service Limited
www.fos.org.au
Email: info@fos.org.au
Phone: 1800 367 287
GPO Box 3
Melbourne VIC 3001

2/ If lodged on or after 1 November 2018:

The Australian Financial Complaints Authority
www.afca.org.au
Email: info@afca.org.au
Phone: 1800 931 678
GPO Box 3
Melbourne VIC 3001

11. How to invest

The following information is provided to assist applicants in completing and lodging their Application Form.

When completing the Application Form:

- use a **black** or **blue** ballpoint pen; and
- print in **BLOCK** letters inside the boxes.

11.1. How to invest

- Read this PDS carefully.
- Complete all relevant sections of this Application Form.
- Read and sign the declaration in the Application Form.
- Attach certified copies of your supporting identification and documents, including any power of attorney authorisations.
- Lodge your application form together with your supporting identification and documents. We recommend that you keep copies for future reference.

Existing Unit Holders can make an additional investment by completing the Additional Investment Form available from the Fund's website at www.PassiveIncomeFund.com.

11.2. Which sections of the Application Form should you use?

The sections you need to complete will depend on the type of investor you are.

Investor type	Sections
› **INDIVIDUAL** and **JOINT INVESTORS**, including child/minor accounts	1 to 3, and 10 to 20
› **TRUSTS** and **SUPERANNUATION FUNDS**, including: › self managed superannuation funds › family trusts › unit trusts, and › probate trusts, etc.	4 to 6, and 10 to 20
› **COMPANIES** (including margin lending providers), › **PARTNERSHIPS**, › **ASSOCIATIONS**, and › **CUSTODIANS** (for superannuation funds, master trusts, wraps, and platforms)	7 to 9, and 10 to 20

11.3. How to lodge your application form

Once you have completed the Application Form, please make your cheque payable to **AET Ltd ACF Passive Income Fund App Acc** and mark it **Not Negotiable**. Payment methods other than cheque are available ie. you initiate a transfer to the nominated bank account via EFT (see *Section 11* of the Application Form for details).

If you are lodging your application monies via EFT, attach to the Application Form proof of the funds transfer (eg. attach a print-out of the funds transfer receipt). Please use the following details when lodging your application monies via EFT:

- Bank: Commonwealth Bank of Australia
- BSB: 062-000
- Account number: 14549746
- Account name: AET Ltd ACF Passive Income Fund App Acc
- Reference: <<Your initials and surname (eg. J. Doe), or Entity name (eg. Doe Pty Ltd)>>

Your original Application Form, supporting identification and documents, and cheque must be posted to or lodged directly at the Responsible Entity's office. Please note that facsimile or email copies will not be processed.

Postal address

Plantation Capital Limited
PO Box 2193
Blackburn South VIC 3130

Office address

Plantation Capital Limited
893A Canterbury Road
Box Hill VIC 3128

If you need any help completing this Application Form or would like any further information please contact your financial adviser or the Responsible Entity on (03) 8892 3800 between the hours of 10:00 am to 4:00 pm (Melbourne time) on any business day.

11.4. Supporting identification and documents

The AML/CTF Law obliges the Responsible Entity to ask for supporting identification documents from applicants. These obligations apply to all fund managers in Australia.

By investing in the Fund, you agree that:

- you do not apply for an interest in the Fund under an assumed name;
- any money invested by you in the Fund is not derived from or related to any criminal activities;
- any proceeds from your investment in the Fund will not be used in relation to any criminal activities;
- if we ask, you will provide us with additional information we reasonably require for the purposes of the AML/CTF Law (including information about you, any beneficial interest in the Fund, or the source of funds);
- we may obtain information about you or any beneficial owner of an interest in the Fund from third parties if we believe this is necessary to comply with the AML/CTF Law; and
- in order to comply with the AML/CTF Law we may be required to take action, including:
  - delaying or refusing the processing of any application or withdrawal; or
  - disclosing information that we hold about you (or any holder of a beneficial interest in the Fund) to our related bodies corporate or service providers, or relevant regulators of the AML/CTF Law (whether in or outside of Australia).

Forms of identification required

This section outlines the types of documents the Responsible Entity will collect from you. The Responsible Entity will usually collect these documents before processing your Application, but may request additional information at a later date. If you do not provide the documents requested, the Responsible Entity may not be able to process your application.

If you are completing the Application Form with the assistance of a financial adviser, you may find that your adviser has entered into arrangements with the Responsible Entity that will allow your adviser to collect and verify your information on the Responsible Entity's behalf. If this is the case, you may not have to attach all of the supporting/ identification documents when completing your initial Application Form.

Alternative forms of identification may be acceptable under circumstances permitted by law. Any identification documents provided must be in English (or translated by a certified translator).

See *Section 11.5 – Certifying copies of supporting identification and documents* for information on certifying copies of supporting identification and documents.

Individuals and joint investors

When completing your application, please attach:

- a certified copy of each investor's current driver's licence; or
- a certified copy of the photo page from each investor's current passport.

Trusts and superannuation funds (including self managed superannuation funds)

When completing your application, please attach the following documents:

- a certified copy of the trust deed (or extract from the trust deed or other official document) that shows the name of the trust, execution page and beneficiaries (schedule); and
- if there is a company acting as trustee, a certified copy of a certificate of incorporation (or other official document) that confirms the company's name, identification number (eg. ACN) and whether the company is a public or proprietary (private) company; or
- if there are individuals acting as trustees, a certified copy of a current driver's licence or current passport that confirms the name and date of birth of all trustees named in the form.

Companies (including margin lending providers, and custodians for superannuation funds, master trusts, wraps, and platforms), partnerships and associations

For **companies**, please attach:

- a certified copy of a certificate of incorporation (or other official document) that confirms the company's name, identification number (eg. ACN) and whether the company is a public or proprietary (private) company.

For **partnerships**, please attach:

- a certified copy of the partnership agreement (or extract from the partnership agreement) that confirms the full legal name of the partnership; and
- for one of the partners, a certified copy of their current driver's licence or current passport that confirms their name and date of birth.

For **associations**, please attach:

- a certified copy of the constitution, articles or rules of the association (or an extract from one of these documents) that confirms the full legal name of the association; and
- a certified copy of an official certificate or notice that confirms any official identification number issued to the association; and
- for the secretary (or equivalent) of the association, a certified copy of their current driver's licence or current passport that confirms their name and date of birth.

11.5. Certifying copies of supporting identification and documents

All certified copies must include the statement 'I certify that this is a true copy of the original document' (or similar wording) and must be signed by an eligible certifier (see below). The certifier must state their qualification or occupation that makes them eligible. Please note, the Responsible Entity requires the original copy that was actually signed by the certifier.

Who can certify copies of documents?

When having copies of documents certified, you should show both the original document and copy to the eligible certifier. Eligible certifiers include:

- pharmacists;
- lawyers;
- certified practising or chartered accountants with more than two years of membership;
- justices of the peace;
- police officers;
- public notaries;
- Australia Post employees with more than two years of experience;
- officers of financial institutions with more than two years of experience; and
- officers of Australian Financial Services Licence (AFSL) holders with more than two years of experience –this may include your financial adviser.

The Responsible Entity will not accept documents that have been self-certified.

APPLICATION FORM CHECKLIST

Before submitting your Application Form please ensure you have:

- [ ] completed the Application Form in full; **AND**
- [ ] provided all identity verification documentation as outlined in *Section 11.4*, ensuring it has been properly certified as outlined in *Section 11.5*; **AND**
- [ ] attached your cheque to the Application Form made payable to "AET Ltd ACF Passive Income Fund App Acc" and crossed "Not negotiable"; **OR**
- [ ] if you are lodging your application monies via EFT, attached to the Application Form proof of the funds transfer (eg. attach a print-out of the funds transfer receipt). Please use the following details when lodging your application monies via EFT:
  Bank: Commonwealth Bank of Australia
  BSB: 062-000
  Account number: 14549746
  Account name: AET Ltd ACF Passive Income Fund App Acc
  Reference: <<Your initials and surname (eg. J. Doe)>>

Your original Application Form, all supporting documentation and cheque or EFT receipt must be posted or lodged directly at the Responsible Entity's office:

Postal address

Plantation Capital Limited
PO Box 2193
Blackburn South VIC 3130

Office address

Plantation Capital Limited
893A Canterbury Road
Box Hill VIC 3128

Corporate directory

Passive Income (USA Commercial Property) Fund

ARSN 155 770 095
893A Canterbury Road
Box Hill VIC 3128

Responsible Entity

Plantation Capital Limited
ABN 65 133 678 029
AFSL No. 339481

893A Canterbury Road
Box Hill VIC 3128

PO Box 2193
Blackburn South VIC 3130

T: (03) 8892 3800
F: (03) 8892 3811
W: www.PassiveIncomeFund.com

Custodian

Australian Executor Trustees
Level 3
30 Hickson Road
Millers Point NSW 2000

Australian Legal Advisor

Hall & Wilcox Lawyers
Level 11
525 Collins Street
Melbourne VIC 3000

Australian Tax Advisor

Pitcher Partners Advisors Pty Ltd
664 Collins Street
Docklands VIC 3008

Auditors

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000

Plantation Capital Limited
PO Box 2193
Blackburn South VIC 3130
T: (03) 8892 3800
F: (03) 8892 3811
W: www.PassiveIncomeFund.com

ADDITIONAL INVESTMENT FORM
PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND

This Additional Investment Form relates to the Product Disclosure Statement dated 4 July 2018 for the issue of additional units in the Passive Income (USA Commercial Property) Fund ARSN 155 770 095 (Fund) issued by Plantation Capital Limited ABN 65 133 678 029, AFSL No. 339481, as Responsible Entity for the Fund.

Before completing this Additional Investment Form you should check you have the latest up to date information for the Fund, by ensuring you have the current Product Disclosure Statement (PDS) or any other website update for the Fund. A copy of the PDS and any website updates are available free of charge from www.passiveincomefund.com.au, or available by contacting the Responsible Entity on (03) 8892 3800 between the hours of 10.00 am and 4.00 pm (Melbourne time) on any business day.

Instructions

- Please use blue or black biro and print in BLOCK LETTERS.
- Please ensure that both pages 1 and 2 of this form are completed and returned.

1. EXISTING INVESTOR DETAILS

1.1 Contact details

Entity type ☐ Individual ☐ Joint ☐ Child/Minor Account
☐ Trust ☐ Company ☐ Partnership ☐ Association

Full investor name

Account number

2. CONTACT PERSON

Title

Given name/s

Surname

Telephone ( ) Mobile

Email address

3. ADDITIONAL INVESTMENT SELECTION

Important

Additional investments must be for a minimum of $5,000 (more can be invested, however the sum specified must be a whole thousand dollar amount).

FUND NAME	ADDITIONAL INVESTMENT AMOUNT
Passive Income (USA Commercial Property) Fund	$ __ , ___ , 0 0 0 . 0 0

Please indicate how you would like to make your additional investment *(please tick ✓ one option)*:

Cheque ☐ ➔ Please make your cheque payable to "AET Ltd ACF Passive Income USA Commercial Property Fund Application Acc" and cross it "Not negotiable".

EFT ☐ ➔ Please use the following details when lodging your application monies via EFT:
Bank: Commonwealth Bank of Australia
BSB: 062-000
Account number: 14549746
Account name: AET Ltd ACF Passive Income Fund App Acc
Reference: <<Your contact name>>

4. DECLARATION AND SIGNATURE/S

By signing this Additional Investment Form:

- I/We have received, read and understood the Product Disclosure Statement dated 4 July 2018 (PDS), for the Passive Income (USA Commercial Property) Fund ("the Fund") to which this Application applies and any website updates for the Fund as made available from time to time on the Fund's website at www.passiveincomefund.com and agree to be bound by the Constitution of the Fund (and as amended from time to time) and declare all details given in this Application are true and correct.
- I/we declare all details given in this Form are true and correct.
- I/we declare that in deciding to make an additional investment in the Fund, the only information and representations provided by the Responsible Entity are those contained in the PDS together with the other important information taken to form part of the PDS.
- I/we declare that I/we have the capacity and power to make an additional investment in accordance with this Form.
- If signed under power of attorney, the attorney verifies that no notice of revocation of that power has been received.
- I/we understand and agree that, even if all information requested on this Additional Investment Form has been provided and received by the Responsible Entity, the processing of my/our Form may be postponed or delayed while the Responsible Entity verifies and considers information.
- I/we understand that none of the Responsible Entity or its related entities, directors or officers guarantees the performance of, the repayment of capital, or income invested in, the Fund.
- I/we agree to receive the PDS and other important information that is taken to form part of the PDS relating to my/our investment/s in the Fund to which this additional investment application applies, electronically via email, or on a website designated by the Responsible Entity, or other electronic delivery method. (You can request a printed copy of the PDS or any other important information that is taken to form part of the PDS at any time, at no cost).
- I/We understand that this additional investment will be treated the same as my/our original investment for the purposes of the treatment of distributions.

Signature/s

Each signatory below confirms that they have been duly authorised to execute this Additional Investment Form and that the signing authorities have also been duly authorised.

☐ Investor 1 ☐ Individual trustee 1 ☐ Sole director*

☐ Director 1* ☐ Partner 1 ☐ Authorised signatory*†

Signature ✘ SIGN HERE

Name

Date D D / M M / Y Y

☐ Investor 2 ☐ Individual trustee 2 ☐ Director 2*

☐ Secretary* ☐ Partner 2 ☐ Authorised signatory*†

Signature ✘ SIGN HERE

Name

Date D D / M M / Y Y

* For a company this form must be signed by two directors, a director and secretary, the sole director or authorised signatories of the company.

† An **Authorised Signatory List** must have been previously provided by the organisation.

INTERNAL USE

Date received		D D / M M / Y Y	Investor verified	Approved by
Accounting	Date entered	D D / M M / Y Y	Entered by	Date approved D D / M M / Y Y
Database	Date entered	D D / M M / Y Y	Entered by	
Banking	Date banked	D D / M M / Y Y	☐ Cheque ☐ EFT	
Banking	Date banked	D D / M M / Y Y	☐ Cheque ☐ EFT	
Banking	Date banked	D D / M M / Y Y	☐ Cheque ☐ EFT	