

INFORMATION MEMORANDUM

The GEMI
First Mortgage Fund

TRUSTEE

Gemi Asset Management Pty Ltd
ACN 092 408 627
AFSL Number 231175

MANAGER

Gemi Investments Pty Ltd
ACN 626 991 213

22 November 2021

Notice

This Information Memorandum (**IM**) is dated 22 November 2021 and is issued by Gemi Asset Management Pty Ltd (**Trustee**), which is the trustee of The Gemi First Mortgage Fund (**Fund**).

The Trustee holds AFS licence number 231175. The purpose of this IM is to provide information for prospective Investors to decide whether they wish to invest in the Fund.

The Trustee has appointed Gemi Investments Pty Ltd ATF Gemi Investments Unit Trust (**Gemi Investments** or **Manager**) as the investment manager of the Fund under the Investment Management Agreement.

NO DISCLOSURE REQUIRED

This IM is intended to provide potential Investors with information only and does not constitute a product disclosure statement or other disclosure document required by the Corporations Act 2001 (Cth) (**Act**). This IM has not been lodged with the Australian Securities and Investments Commission (ASIC) or any other government body.

The offer made under this IM is only available for persons who qualify as wholesale clients (as defined in section 761G (7) of the Act), sophisticated investors (as defined in section 761GA of the Act), (collectively, "Qualifying Investors"). The Trustee will not issue Ordinary Units in the Fund to a person unless it is satisfied that the person is a Qualifying Investor.

FOREIGN JURISDICTIONS

This IM does not constitute, and may not be used for the purpose of, an offer or solicitation in any jurisdiction other than Australia or in circumstances in which such offer or solicitation is not authorised. No recipient of this IM in any jurisdiction other than Australia may treat it as constituting an offer to acquire Ordinary Units in the Fund.

In particular, this product has not been and will not be registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold, delivered or transferred in the United States or to, or for the account of, any "US Person" (as defined in Regulation S under the US Securities Act). Neither this IM nor any Application Form or other material relating to this product may be distributed in the United States.

NO RESPONSIBILITY FOR CONTENTS OF DOCUMENT

To the maximum extent permitted by law, neither the Trustee nor any of its associates, related parties, directors, officers, employees, advisors (including financial, accounting and legal advisors) or representatives make any recommendation in relation to the Fund, or make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information contained in this IM.

This IM does not purport to contain all the information that a prospective Investor may require in evaluating a possible investment in the Fund. This IM must be read in conjunction with the Fund's Constitution, a copy of which is available (free of charge) by contacting the Trustee on 02 9157 0710. To the extent there are any inconsistencies between the Constitution and this IM, the Constitution will prevail.

NOT REGULATED BY APRA

The Trustee is not authorised under the Banking Act and is not supervised by APRA, and investments in the Fund are not covered by the deposit or protection provisions available to depositors that make a deposit with an Australian ADI.

FORWARD LOOKING STATEMENTS

This IM includes forward looking statements that may contain the words “believe”, “intend”, “estimate”, “expect” and words of similar meaning. All statements other than statements of historical facts included in this IM, including, without limitation, those regarding a Sponsor’s financial position and business or investment strategy, plans and objectives are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of a Borrower to be materially different from future results, performance or achievements expressed or implied by such forward looking statements.

Any forward looking statements are based on numerous assumptions regarding a Sponsor’s operations and present and future business and investment strategies and the markets in which a Sponsor will operate in the future. These forward-looking statements are current only as at the date of this IM. Accordingly, there can be no assurance that such statements, estimates or projections will be realised.

INDEPENDENT ADVICE RECOMMENDED

Prospective Investors are not to construe the contents of this IM as tax, legal or investment advice. The information contained in this IM is general information only and does not take into account your objectives, financial situations or needs. An investment in the Fund should be regarded as speculative and may not be appropriate for all persons or entities. You should seek appropriate professional advice and should conduct your own independent investigation and analysis regarding any information contained in this IM. You should rely on your own enquiries, in particular in obtaining your own legal, investment and tax advice in determining whether to invest in the Fund.

NO GUARANTEE

An investment in the Fund is subject to investment risk, including the loss of income and capital invested. Neither the Trustee nor any of its directors, officers, employees, advisers or representatives guarantee the rate of return or performance of the Fund, the meeting of the objectives of the Fund, nor do they guarantee repayment of committed capital.

TRUSTEE LIMITATION OF LIABILITY

Except in certain circumstances (including fraud, negligence or default by the Trustee), the Trustee enters into transactions for the Fund in its capacity as trustee of the Fund only, not in its own capacity, and its liability in relation to those transactions is limited to the assets of the Fund.

UPDATED INFORMATION

The information contained in this IM can change, and the IM may be updated or replaced from time to time. Unless the changed information is materially adverse to you, the Trustee may not always update or replace this IM to reflect the changed information. Updated information can be obtained by calling us on 02 9157 0710.

CONFIDENTIALITY

This IM is confidential and is being provided to prospective investors for them to consider investing in the Fund. Its use for any other purpose is not permitted. It may not be reproduced or redistributed, in whole or in part, and its contents may not be disclosed to any person.

GLOSSARY

Certain capitalised words and expressions used in this IM are defined in the Glossary. All references to dollar amounts in this IM are to Australian Dollars (AUD), unless otherwise stated.

Contents

| | | |
|----|------------------------------|----|
| 1. | KEY FEATURES | 5 |
| 2. | INVESTMENT OVERVIEW | 8 |
| 3. | THE LOANS | 11 |
| 4. | RISKS | 13 |
| 5. | FEES AND COSTS | 16 |
| 6. | MANAGEMENT OF THE FUND | 16 |
| 7. | TAXATION INFORMATION | 17 |
| 8. | ADDITIONAL INFORMATION | 18 |
| 9. | GLOSSARY | 20 |

1. Key Features

The table below is only a summary of the key features of an investment in the Fund. It is not intended to be exhaustive. You must read the whole of this IM to obtain more detailed information before making a decision to invest in the Fund.

| About the Fund | | Section |
|-----------------------------|--|---------|
| Trustee | Gemi Asset Management Pty Ltd is the trustee of the Fund and will be responsible for holding title to the Fund's assets. | 6.1 |
| Manager | <p>Gemi Investments Pty Ltd ATF Gemi Investments Unit Trust (Gemi Investments or the Manager) has been appointed as the manager of the Fund and is responsible for managing the Fund's assets.</p> <p>The Manager will source and assess potential Sponsor Loans for the Fund and will monitor the day-to-day management of the Fund's Loans.</p> | 6 |
| Administrator | Automic Finance Pty Ltd ACN 085 283 601 has been appointed by the Trustee to provide administration services to the Fund. | 8.2 |
| Investment objective | <p>The Manager's aim is to provide you with the following:</p> <ol style="list-style-type: none"> Regular monthly income. An indirect exposure to loans secured by real estate located in Australia and New Zealand. Timely and informative communication to you. | 2.1 |
| Target Return | <p>The Fund will seek to deliver an annualised return of 8% paid monthly in arrears, net of fees and expenses of the Fund.</p> <p>Note this Target Return is not a forecast. The Fund may not be successful in meeting this objective. Returns are not guaranteed.</p> | 2.1 |
| Key benefits | <ol style="list-style-type: none"> Investors can gain via a single investment in the Fund a diversified exposure to a portfolio of Sponsor Loans originated by the Manager secured by 1st ranking mortgages over real estate in Australia and New Zealand. Reduced administration required by an investor as they receive a monthly distribution reflecting the return derived by multiple underlying loans invested into by the Fund. Entities associated with the Manager and the principals of the Manager have invested more than \$5 million in Manager Units, which provide a level of protection against Investor capital losses by assuming a first loss position in the Fund. See Sections 2.8 and 3.7 for information on Manager Units and how any Loan losses are addressed by the Fund. The Fund's trustee will provide an enhanced level of oversight in relation to the Loans and the Fund. See Section 6.1 for information about the Trustee. | |

| About the Fund | Section |
|--|---|
| The Fund | <p>The Fund is an unregistered managed investment scheme which pools Investors' money and invests in an underlying portfolio of 1st ranking Loans secured by real estate in Australia and New Zealand, secured by Real Property Mortgages.</p> <p>All investments are made in accordance with the Fund's Lending Guidelines.</p> |
| Borrowers | <p>Loans will be made to Borrowers, who are related parties of the Manager, pursuant to a Limited Recourse Loan Agreement.</p> <p>Each Borrower is a special purpose company responsible for undertaking a single loan and the recourse under the Limited Recourse Loan Agreement will be limited to the underlying borrower (Sponsor).</p> |
| Sponsor Loans | <p>Sponsor Loans will made to approved Sponsors as a senior lender to the Sponsor secured by a 1st ranking registered mortgage over real estate located in Australia or New Zealand.</p> <p>It is anticipated Sponsor Loans will be senior ranking, which means they will rank in priority to other creditors.</p> |
| Types of security | <p>The Borrower will hold a registered Real Property Mortgage over the relevant Sponsor's real property to secure each Sponsor Loan made. Each Real Property Mortgage will be a first ranking mortgage.</p> <p>To better secure the Fund's position, the Borrower may take other forms of security referred to as Security Interests, which may include unregistered mortgages, personal guarantees or directors' guarantees.</p> |
| Who can invest in the Fund? | <p>The Offer is only available to persons who qualify as wholesale clients (as defined in section 761G (7) of the Act) or sophisticated investors (as defined in section 761GA of the Act), (collectively, "Qualifying Investors").</p> |
| Minimum initial investment amount | <p>The minimum investment is \$25,000 from a Qualifying Investor.</p> |
| Unit price | <p>We intend to issue Ordinary Units at \$1.00, however the Unit price is based on the underlying value of the Fund's assets and is calculated in accordance with the terms of the Constitution.</p> <p>The withdrawal price for a Unit is also based on the underlying value of the Fund's assets. This price may be different from the price originally paid for the Unit.</p> |
| Issue of Units | <p>Ordinary Units will be issued weekly, on the first Business Day of the week. Applications for Ordinary Units will be processed up to 5.00pm on the second last Business Day of the preceding week.</p> |
| Classes of Units | <p>There will be two classes of Units in the Fund, Ordinary Units and Manager Units.</p> |

| About the Fund | Section |
|---|--|
| Distributions | It is intended that distributions will be paid monthly, within 7 days after the last day of each month. 2.9 |
| Withdrawal opportunities for Investors | Subject to an initial lock-up period of 3 months, Investors will have an opportunity to withdraw from the Fund by lodging a Withdrawal Request by 5.00pm seven days prior to the last Business Day of a Month. 2.10 Provided the Fund is able to satisfy a Withdrawal Request, the Investor will be paid their withdrawal proceeds within 14 Business Days of the end of the Month. See Section 2.10 for more information about how withdrawals from the Fund will operate, including a worked example. |
| Risks | Like any investment of this type, there are risks associated with an investment in the Fund. It is important that you read and consider the risks associated with the Fund before deciding whether to invest. 4 Distributions are not guaranteed and neither are any capital returns. Further details regarding the risks associated with investing in the Fund are included in Section 4 of this IM. |
| Fees and other costs | There are fees and costs payable in relation to the management of the Fund as follows: 5 1. Trustee fee The Trustee is entitled to a fee payable out of the assets of the Fund. This fee is equal to 0.5% per annum of the Fund's gross asset value. This fee is calculated daily and will accrue and is payable to the Trustee monthly in arrears. 2. Manager fee The Manager is not entitled to a fee payable out of the assets of the Fund. 3. Expenses Expenses of the Fund will be met by the Trustee. |

2. Investment Overview

2.1 Investment objective and Target Return

The Manager's aim is to provide you with the following:

1. Regular monthly income.
2. An indirect exposure to loans secured by first ranking mortgages over real estate located in Australia and New Zealand.
3. Timely and informative communication to you.

The Fund will seek to deliver an annualised return of 8% through the market cycle, net of fees and expenses of the Fund.

Note this Target Return is not a forecast. The Fund may not be successful in meeting this objective. Returns are not guaranteed.

2.2 The Fund

The Fund is an unregistered managed investment scheme which pools Investors' money and invests into an underlying portfolio of Loans predominantly secured by Real Property Mortgages over real estate located throughout Australia and New Zealand.

All investments are made in accordance with the Fund's Lending Guidelines. Please see section 3.1 for more information.

2.3 Who can invest in the Fund?

The Offer is only available to Qualifying Investors, meaning an Investor who:

1. Invests \$500,000 or more in the Fund, or
2. Provides a certificate from a qualified accountant (substantially in the form attached to this IM) that states the Investor has net assets of at least \$2.5 million or has a gross income for each of the last two financial years of at least \$250,000, or
3. Is a professional investor (including the holder of an Australian financial services licence, a person who controls more than \$10 million or a person that is a listed entity or a related body corporate of a listed entity).

2.4 Minimum investment amount

The minimum investment is \$25,000 from a Qualifying Investor.

2.5 Fund structure

The Fund is an unlisted, unregistered managed investment scheme structured as a unit trust. There is no intention to register the Fund with ASIC or to list the Fund on a secondary market such as the ASX.

The Fund was established by a constitution dated 11 November 2021 which regulates the relationship between the Trustee and Investors. The Trustee has appointed the Manager as the manager of the Fund pursuant to an Investment Management Agreement.

2.6 Unit price

We intend to issue Units at \$1.00, however the Unit price is based on the underlying value of the Fund's assets and is calculated in accordance with the terms of the Constitution.

The withdrawal price for a Unit is also based on the underlying value of the Fund's assets. This price may be different from the price originally paid for the Unit.

2.7 Issue of Units

Ordinary Units will be issued on the first Business Day of each week. Applications for Ordinary Units will be processed up to 5.00pm on the second last Business Day of the preceding week.

2.8 Classes of Units

There will be two classes of Units in the Fund:

1. Ordinary Units

These are the Units which are issued to Investors who invest in the Fund in accordance with this IM. Ordinary Units entitle their holder to an equal and undivided interest in the assets of the Fund, including rights to capital and income from the Fund. The rights and obligations that apply to Ordinary Units are set out in the Constitution.

2. Manager Units

These are a specific class of Units which will not be issued to Investors, and will only be issued to entities associated with the Manager. Entities associated with the Manager and the principals of the Manager have invested in excess of \$5 million in Manager Units at the date of the IM.

Manager Units will assume a first loss position and therefore act as a buffer in the event of any capital losses being incurred by the Fund. This means any such capital losses will first be incurred by the Manager Units, before being incurred by Ordinary Units held by Investors. See section 3.7 below for further information in relation to Loan Losses.

The rights and obligations that apply to Manager Units are set out in the Constitution and the Terms of Issue. Manager Units have the same rights and entitlements as Ordinary Units (including rights to distributions) except:

- (a) Manager Units cannot be withdrawn until all Ordinary Units have been withdrawn from the Fund, and
- (b) Manager Units will rank in priority behind Ordinary Units in the event of a winding up, so that they can only be redeemed once all Ordinary Units have been redeemed at the prevailing Unit price in accordance with the Constitution.
- (c) Manager Units will not receive any return in a month unless the Target Return is achieved by Investors in Ordinary Units.
- (d) Manager Units will be entitled to any return in excess of the Target Return on Ordinary Units in a given month.

2.9 Distributions

It is intended that distributions will be paid monthly, within 7 days after the last day of each month.

Investors will receive their pro-rata portion of the income of the Fund up until the Target Return, after fees have been paid. This means they will receive a proportion of the Fund's income based on the number of Units they hold in relation to the number of Units on issue. Income of the Fund up to and including the Target Return is eligible for distribution. Income in excess of the Target Return will not be distributed to Investors and instead will be paid to the holders of the Manager Units.

An Investor will become eligible to receive distributions from the Fund from the date they are issued with Ordinary Units.

There is a distribution reinvestment facility.

2.10 Withdrawal rights for Ordinary Units

Subject to an initial lock-up period of 3 months, Investors will have an opportunity to withdraw from the Fund by lodging a Withdrawal Request by 5.00pm seven days prior to the last Business Day of a Month.

An Investor who wishes to withdraw from the Fund must lodge a Withdrawal Request with the Registrar by 5.00pm on the seventh last Business Day before the end of the month. The Withdrawal Request can be found at the following website: <https://www.gemi.com.au/the-gemi-first-mortgage-fund/>

The Trustee will have up to 14 days to decide whether to accept a Withdrawal Request.

The Administrator will process Withdrawal Requests the Trustee has accepted within 14 Business Days of the end of each month.

If the Trustee is unable to accept all Withdrawal Requests received in a given month, then the following will apply:

1. Withdrawal Requests for that month will be satisfied on a pro-rata basis, which means an Investor will continue to hold some Ordinary Units in the Fund (**Remaining Units**).
2. For the following month and for subsequent months (if necessary), the Trustee will redeem Remaining Units before subsequent Withdrawal Requests are satisfied.
3. If the Trustee has had to pro-rata Withdrawal Requests for three consecutive months then the Manager and the Trustee will consult on the Fund's investment strategy, the status and performance of the Fund's Loan portfolio and the Fund's current and prospective liquidity.

2.11 Restricted withdrawal rights for Manager Units

Manager Units have restricted withdrawal rights as follows:

1. Manager Units cannot be withdrawn until all Ordinary Units have been withdrawn from the Fund.
2. If the Fund is wound up then Manager Units will rank in priority behind Ordinary Units, so that they can only be redeemed once all Ordinary Units have been redeemed.

2.12 Transfer of Ordinary Units

You can transfer the ownership of your Ordinary Units at any time provided that the transferee meets the requirements of an Investor in the Fund and has been approved by the Trustee.

Under the Constitution, the Trustee has the discretion to refuse the transfer of Ordinary Units and is not obliged to accept a transfer of Ordinary Units. Please note that a transfer of Ordinary Units may have taxation consequences. See Section 7 of the IM for further information.

There will not be any established secondary market for the sale of Ordinary Units.

2.13 Borrowings

The Fund will not borrow.

3. The Loans

3.1 Lending Guidelines

The following table provides a summary of the key terms of the Fund's Lending Guidelines:

| | |
|--------------------------------------|---|
| Borrowers | Loans will be made to Borrowers, who are related parties of the Manager. Each Borrower is a special purpose company established solely for the purpose of facilitating a single loan to a Sponsor. |
| Sponsor | The underlying borrower in a loan lent to by the Borrower. |
| Sponsor Loans | Loans will be made to approved Sponsors as a senior lender with first ranking security to the Sponsor. Sponsor Loans will be senior debt, which means they will have a registered first mortgage secured by the real estate and rank in priority to other creditors. |
| Purpose of Sponsor Loans | Loans will predominantly be used to fund real estate purchases, refinances and business purposes. |
| Location of Security Property | All Sponsor Loans will be supported by Real Estate located in Australia or New Zealand. |
| Real Property Mortgage | The Borrower will hold a registered first ranking mortgage over the relevant real property to secure each Sponsor Loan made by the Borrower. |
| Security Interests | To better secure the Fund's position the Borrower may take other forms of security referred to as Security Interests, which may include unregistered mortgages, personal guarantees or directors' guarantees. |
| Loan to value ratio (LVR) | Sponsor Loans are expected to be advanced at up to 65% LVR. The actual LVR for each investment will vary depending upon the credit risk of the Sponsor and the nature of the property which is the subject of a Real Property Mortgage. |
| Term | The Term of a Sponsor Loan is expected to be between 3 months and 24 months. |
| Interest rate & terms | The interest rate will be as determined between the Manager and the Sponsor, but will be consistent with or above the prevailing market interest rates. |
| Default interest rate | The then current interest rate plus a default margin on any amounts not paid when due and payable. |
| Default terms | Standard events of default including failure to pay amounts when due, breach of financial covenants and insolvency of the Sponsor. |
| Other key requirements | Typical representations, warranties, undertakings and events of default, including restrictions on the Sponsor disposing of the security property or incurring additional financial indebtedness. |

3.2 Lending strategy

The Manager will ensure at all times that the risk/reward profile of each Sponsor Loan is appropriate having regard to the quality and value of the Sponsor Loan, underlying security property and the risk analysis process.

All Sponsor Loan investment decisions will be based on risk-adjusted returns over the term of the Sponsor Loan. All Sponsor Loans, Sponsors and Real Property Mortgages are assessed by the Manager, as described below.

In addition, each Sponsor Loan will be properly documented and appropriately secured following a comprehensive assessment of the purpose, servicing capability of the Sponsor, planning and permits, valuation, insurance and management protocols proposed for each Sponsor Loan.

3.3 Loan selection and assessment process

The Manager will be responsible for undertaking the assessment of any Sponsor Loan proposed to be made by the Fund, having regard to the Lending Guidelines outlined above.

1. Analysis and evaluation

Assessment of a Sponsor Loan commences when an application and accompanying financial data is received from a proposed Sponsor.

The Manager will assess the merits of each prospective Sponsor Loan and the associated risks. The analysis takes into account a set of criteria including available security, the precise nature of the security property, loan-to-valuation ratio and evidence of capacity to service the loan. The risks can be described in three broad categories as follows:

- (a) Security/Asset Risk – the Manager must assess the character and geographic suitability of the security property, the proposed capital expenditure for the development and a number of extraneous factors such as permissible usage, competition and the appeal and demand for the development asset.
- (b) Sponsor risk – the experience and track record of the Sponsor with similar property transactions, the reputation and trustworthiness of the Sponsor and the loan size relative to the Sponsor's net worth and the income and cash flow sources of the Sponsor.
- (c) Saleability – the exit strategy at the loan conclusion including the ability of the Sponsor to sell the property (including existing income producing or development assets), the end value of the asset and the ability of the borrower to refinance.

2. Approval process and ongoing management

After a loan is made, the Manager is responsible for the day-to-day and ongoing management of that loan. It will provide reports to the Trustee in relation to both individual and portfolio loan performance including in respect of payment and collection of interest, and compliance with Loan covenants and conditions.

The Manager will also dedicate resources towards ensuring that all properties are appropriately insured for public liability and against loss or damage to improvements.

3.4 Valuation policy

The security property for any Sponsor Loan is independently valued for suitability and market value.

3.5 Documentation and settlement of security property

Mortgage documents are prepared and reviewed by an experienced panel of legal firms experienced in mortgage finance, verification and validation requirements, who also attend to settlement of the legal documentation.

In the event of construction funding, normal development funding conditions such as receipt of independent engineers and/or quantity surveyors report confirming costs, expenses, and cost to complete the project will be required before any Loans are made.

3.6 Arrears and default management

Investors may be affected by any default by a Sponsor under a loan. The Manager will be responsible for default management and commencing recovery action against the defaulting Sponsor.

3.7 Loan losses

Investors' capital is afforded a significant level of protection because the entities associated with the Manager and the principals of the Manager have invested in excess of \$5 million in Manager Units. These Manager Units will assume a first loss position and therefore act as a buffer in the event of any capital losses being incurred by the Fund. This means any such capital losses will first be incurred by the Manager Units, before being incurred by Ordinary Units held by Investors. Please see section 2.8 for more information on Manager Units.

The Fund does not maintain a separate reserve of funds to meet losses on loans, should they occur. Therefore once the value of Manager Units has been depleted, any loan losses caused as a result of Sponsor default or otherwise will have to be addressed from the Fund's capital. This could result in a reduction of the Fund's Unit price and ultimately in a loss of Investors' capital.

4. Risks

Like any investment, there are risks associated with investing in the Fund. There are a number of risk factors that could affect the performance of the Fund and the repayment of Investor's capital. Many risk factors fall outside of the Trustee and the Manager's control and cannot be completely mitigated.

The following is a non-exhaustive list of the main risks associated with investment in the Fund. Investors should consider and weigh them up carefully and make their own assessment as to whether they are comfortable with them.

Distributions are not guaranteed and neither is the return of Investor's capital.

Risks associated with the performance of the Manager

The success of the Fund is dependent on the Manager identifying suitable Loans for the Fund to make and then managing those loans to ensure that the loans are repaid. If the Manager is unable to achieve this then this may adversely affect the Fund's returns.

Risks associated with the solvency and financial position of the Sponsors

The financial performance of the Fund's investments will be impacted by the financial performance of the Manager and the Sponsors.

If Sponsors become insolvent or face financial difficulties, then the Fund may suffer losses and you may lose some or all of your investment as a result.

Liquidity risk

Investors may not be able to withdraw from the Fund when they wish. This may represent a risk to Investors in the event that they require the return of their investment more urgently.

Return risk

The Fund seeks to deliver the Target Return to Investors. It is designed for Investors seeking a return greater than the interest paid on basic deposit and saving products offered by an ADI.

The Target Return is not a forecast. The Fund may not be successful in meeting this objective. Returns are not guaranteed.

Investors should note that an investment in the Fund is not an investment in an ADI (such as a bank) regulated by APRA and an investment in the Fund carries more risk than an investment in a bank.

Concentration risk

The Fund may lend to a limited number of underlying Sponsors, and all Sponsor Loans will be secured by real estate located throughout Australia and New Zealand.

There is an increased risk associated with loans that are highly concentrated in terms of particular types of Loans, location, activities or Sponsors.

Loan loss risk

The Fund will not maintain a reserve of funds to meet losses on Sponsor Loans, should they occur. This means any Sponsor Loan losses caused as a result of Sponsor default or otherwise will have to be met from the Fund's capital, which may impact upon the Fund's Unit price and may result in a capital loss being incurred by Investors.

This risk is mitigated by entities associated with the Manager investing in excess of \$5 million in Manager Units. The purpose of these Units is to act as a buffer in the event of any capital losses being incurred by the Fund, so that any such capital losses will first be incurred by the Manager Units, before being incurred by Ordinary Units held by Investors.

Development loan risk

The Fund may make Sponsor Loans for development purposes, and the risks associated with such loans risks are generally higher than those made for established properties.

Enforcement risk

If a Sponsor defaults under a Sponsor Loan, then the Manager may have to enforce its Real Property Mortgage to recover the loan, any unpaid interest and costs. The Manager will have to use its own resources to pay for those enforcement costs (such as the costs of appointing a receiver, legal fees in enforcing against the Sponsor, agent's commissions for sale of the security property etc.) but will have a right to recoup these from any recovery. This might lead to a reduction in distributions paid to Investors and, depending on whether the enforcement costs can ultimately be repaid out of the proceeds from the sale of the security property, may result in the Fund suffering a loss.

Documentation risk

A deficiency in documentation could, in certain circumstances, adversely affect the return on a Sponsor Loan. This may make it difficult for the Manager to enforce its Mortgage in respect of the Sponsor Loan and may also affect the ability to recover any penalties imposed against the Sponsor.

Valuation risk

The valuation of the security property for a Sponsor Loan may be inaccurate or not accurately reflect its true value at the time the valuation is undertaken. If the valuation of the security property for a Sponsor Loan is incorrect, then the amount realised on the sale of a security property may not cover the amount lent to the Sponsor.

Market risk

This is the risk that negative market movements will affect the price of assets within a particular market. By their nature, markets experience periods of volatility involving price fluctuations of varying magnitudes. Property market risk is the risk that the property market as a whole declines in value in line with various trends in the Australian or overseas markets. This may be due to a number of factors, such as over-supply of real estate, economic conditions, interest rate movements or general market sentiment.

The Fund's assets will be made up of underlying loans secured by Real Property Mortgages and Security Interests. Therefore, factors which affect the property market may impact upon the value of Fund assets. Property market risk is inherent in the real estate securing the Fund's assets.

A fall in property values may affect the ability to fully recover the amount owing under a Real Property Mortgage where a Sponsor defaults. If the Sponsor defaults and the security property is sold for less than the outstanding Loan amount (including the costs of the sale and interest), then this may result in the Fund suffering a loss if the Sponsor cannot repay the balance of the outstanding debt from other assets of the Sponsor.

Operational risk

Operational risk exists in all managed investments. This refers to the possibility the Manager may fail to anticipate market movements, to manage the investment risks appropriately, or to properly execute the Fund's investment strategy.

There is also an inherent risk associated with the death or departure of the Trustee's or the Manager's key personnel.

Regulatory and economic risk

There is the risk that the value of an investment may be affected by changes in domestic or international policies, regulations or laws (including taxation laws). There is also a risk that a downturn in domestic or international economic conditions may adversely affect investments.

These factors are outside the control of the Trustee and the Manager but they may have a negative impact upon the operation and performance of the Fund.

We strongly recommend that Investors obtain independent financial advice before investing in the Fund.

5. Fees and costs

5.1 Trustee fee

The Trustee is entitled to a fee payable out of the assets of the Fund. This fee is equal to 0.5% per annum of the Fund's gross asset value. This fee is calculated daily and will accrue and is payable to the Trustee monthly in arrears.

5.2 Manager Investment Management fee

The Manager is not entitled to a fee payable out of the assets of the Fund.

5.3 Expenses

The Trustee will meet the expenses of the Fund out its Trustee Fee.

5.4 Goods and services tax

Unless otherwise stated, all fees quoted in the IM are quoted exclusive of GST.

5.5 Fee changes

The Constitution allows for higher fees to be charged than those detailed and specifies circumstances where additional fees may be charged. The Trustee will provide Investors with at least 30 days' written notice of any such fee imposition or increase.

5.6 Waiver, deferral or rebate of fees

The Trustee may, in its absolute discretion, accept lower fees and expenses than it is entitled to receive, or may defer payment of those fees and expenses for any time. If payment is deferred, then the fee will accrue until paid. In addition, the Manager or Trustee may waive, negotiate or rebate their fees, for example, in the case of a large investment amount.

6. Management of the Fund

6.1 Gemi Asset Management Pty Ltd – the Trustee

The Trustee has experience as a corporate trustee and custodian, and holds AFSL licence number 231175.

Gemi Asset Management Pty Ltd is a subsidiary of the Gemi Group.

6.2 The Gemi Group

The Gemi Group (Gemi) is a privately owned investment firm that has been operating for in excess of 20 years and has been facilitating investment into debt secured by real estate.

Gemi's investment process is robust in nature and structured around strict risk and performance standards yet flexible enough to adapt to changing market conditions so that our investors can take advantage of new opportunities as they arise. Gemi's investor base includes fund-of-funds, family offices and high net wealth investors.

Gemi has built a consistent track record of strong returns and negligible losses to investors over the last 20 years. We focus on senior debt opportunities secured by real estate.

The principals of Gemi are substantial investors across Gemi's loans and often lend in a subordinated position to Gemi's investors on the basis that the principals' capital is only repaid from a transaction once the investors have been repaid.

7. Taxation information

This section provides a general outline of the Australian tax implications of purchasing Ordinary Units pursuant to this IM as well as the holding and disposing of such Ordinary Units.

Taxation laws are both complex and subject to change and Investors should obtain their own advice taking account of their own circumstances.

Acquiring, holding and disposing of Ordinary Units pursuant to this IM will have taxation implications for Investors.

The Fund is not liable for income tax in its own right as all income is distributed to Investors. Australian resident Investors will need to include in their taxable income for the year any assessable income distributed to them by the Fund. This remains the case where distributions are not actually received in that financial year. For non-residents of Australia, the appropriate level of withholding tax will be deducted by the Trustee from distributions.

The Trustee envisages that income distributions will be comprised fully of assessable income.

The withdrawal of an investment in the Fund by an Investor involves a redemption or disposal of the Investor's Ordinary Units. This may give rise to the Investor making a capital gain or capital loss if the redemption /disposal proceeds are greater or less than the cost base of the Ordinary Units. Capital gains are generally taxable in Australia but in certain circumstances the amount of capital gains tax payable may be reduced if the gain is eligible to apply a discount factor to the capital gain. Capital gains tax will have no relevance for Investors who acquire and dispose of their Ordinary Units at the same Unit price provided there are no transactional costs involved. Note it is intended by the Trustee that the Unit price of Ordinary Units be constantly maintained at \$1.00 per Unit but this may not always be the case.

Investors do not need to be registered for GST to invest in the Fund. GST is not payable on the issue or disposal of Ordinary Units in the Fund. The Fund will be registered for GST but as its supplies will be input-taxed financial supplies, the Fund's entitlement to input tax credits will be limited to 75% of GST paid on Fund expenses.

Australian resident Investors may choose to provide the Trustee with their tax file number (**TFN**). However, if a TFN is not quoted, or no appropriate TFN exemption is provided, the Trustee is required to deduct tax from any income distribution entitlement at the highest marginal tax rate plus Medicare.

8. Additional Information

8.1 Summary of material documents

The following is a summary of material documents relevant to the Fund.

The material documents are:

1. Constitution.
2. Investment Management Agreement.

You should consider whether it is necessary to obtain independent advice on any of the documents.

1. Constitution

The Constitution is the primary document that governs the way the Fund operates and sets out many of the rights, liabilities and responsibilities of both the Trustee and Investors.

Each Ordinary Unit gives you an equal and undivided interest in the Fund. However, an Ordinary Unit does not give you an interest in any particular part of the Fund.

Subject to the Constitution, as an Investor you have the following rights:

- The right to share in any distributions.
- The right to attend and vote at meetings of Investors.
- The right to participate in the proceeds of winding up of the Fund.
- The Constitution contains provisions about convening and conducting meetings of Investors.

The Trustee can amend the Constitution without Investors' approval provided it reasonably considers the change will not adversely affect Investors' rights.

The Constitution can also be amended by a special resolution passed by Investors.

A copy of the Constitution is available free of charge by contacting the Trustee on 02 9157 0710.

8.2 Related party transactions

The Trustee may from time to time face conflicts between its duties to the Fund as trustee, its duties to other funds that it manages and its own interests. The Trustee will manage any conflicts in accordance with its conflicts of interest policy, the Constitution, ASIC policy and the law.

The Trustee has appointed the Administrator, as the administrator of the Fund pursuant to the Fund Administration Agreement.

The Trustee has appointed the Registrar, pursuant to a registry services agreement, to perform registry services for the Fund.

Manager Units have been issued to associates of the Manager.

8.3 Privacy

In applying to invest, you are providing the Trustee and the Manager with certain personal details (your name, address etc). The Trustee uses this information to establish and manage that investment for you.

Under the Privacy Act 1988 (Cwlth), you can access personal information about you held by the Trustee, except in limited circumstances. Please let the Trustee know if you think the information is inaccurate, incomplete or out of date. You can also tell the Trustee at any time not to pass on your personal information by advising it in writing.

If you do not provide the Trustee with your contact details and other information, then it may not be able to process your application to invest.

Under various laws and regulatory requirements, the Trustee may have to pass-on certain information to other organisations, such as the Australian Tax Office or the Australian Transaction Reports and Analysis Centre (AUSTRAC).

By applying to invest, you give the Trustee permission to pass information it holds about you to other companies which are involved in helping it administer the Fund, or where they require it for the purposes of compliance with AML/CTF law or in connection with the holding of Application Money. The Trustee may also use your information to provide you with details of future investment offers made by it or the Manager.

8.4 Anti-money laundering law

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cwth) requires the Trustee to verify your identity prior to accepting your investment. You will be required to provide the identification information set out in the Application Form. The Trustee will not issue you with Ordinary Units unless satisfactory identification documents are provided.

8.5 Foreign Account Tax Compliance Act (FATCA)

FATCA is United States (US) tax legislation that enables the US Internal Revenue Service (IRS) to identify and collect tax from US residents that invest in assets through non-US entities. If you are a US resident for tax purposes, you should note that the Fund is or is expected to be a 'Foreign Financial Institution' under FATCA and it intends to comply with its FATCA obligations, as determined by either the FATCA regulations or any inter-governmental agreement (IGA) entered into by Australia and the US for the purposes of implementing FATCA. Under these obligations, the Fund will have to obtain and disclose information about certain Investors to the Australian Taxation Office (ATO). In order for the Fund to comply with its obligations, we will also request that you provide certain information about yourself, including your US Taxpayer Identification Number (TIN). We will only use such information for this purpose from the date the Fund is required to do so.

9. Glossary

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| Act | Corporations Act 2001 (Cth) for the time being in force together with the regulations of the Corporations Act. |
| ADI | Authorised deposit-taking institution. |
| Administrator | Automic Finance Pty Ltd or any replacement. |
| Application Form | The application form included in or accompanied by this IM. |
| Application Money | The money paid by an applicant for Units. |
| APRA | Australian Prudential Regulation Authority. |
| ASIC | Australian Securities and Investments Commission. |
| Borrower | Special purpose companies which are related parties of the Manager established solely for the purpose of facilitating a single loan to a Sponsor. |
| Business Day | A day on which banks are open for business in Sydney, except a Saturday, Sunday or public holiday. |
| Constitution | The constitution of the Fund dated 11 November 2021 as amended from time to time. |
| Fund | The Gemi First Mortgage Fund. |
| Fund Administration Agreement | The fund administration agreement between the Trustee and the Administrator. |
| GST | Goods and Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999, as amended. |
| IM | This information memorandum. |
| Investment Management Agreement | The investment management agreement between the Trustee and the Manager dated on or about the date of this IM. |
| Investor | A holder of Ordinary Units. |
| Lending Guidelines | The Manager's lending guidelines for the Fund. |
| Loan | Means a limited recourse loan advanced by the Fund to a Borrower which is in turn lent to a Sponsor secured primarily by way of a registered Real Property Mortgage over the security property. |
| Manager | Gemi Investments Pty Ltd as trustee for the Gemi Investments Unit Trust. |
| Offer | The offer under this IM to acquire Ordinary Units. |
| Ordinary Units | The class of Units in the Fund known as Ordinary Units, issued on the terms set out in the Constitution. |

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| Qualifying Investor | A wholesale client as defined in section 761G (7) of the Act or a sophisticated investor as defined in section 761GA of the Act. |
| Limited Recourse Loan Agreement | A loan agreement entered into by the Borrower securing a lender's entitlement to the underlying economics of a Sponsor Loan. |
| Manager Units | The class of Units in the Fund known as the Manager Units, issued on the terms set out in the Terms of Issue. |
| RBA | Reserve Bank of Australia. |
| Real Property Mortgage | A mortgage over real property to secure a Loan. |
| Registrar | Gemi Registry Services Pty Ltd. |
| Security Interest | Security over assets other than real property to secure a Loan. |
| Sponsor | The underlying borrower in a Sponsor Loan. |
| Sponsor Loan | A loan made by a Borrower to the Sponsor secured primarily by way of a registered Real Property Mortgage over the security property. |
| Target Return | An annualised return of 8%, net of fees and expenses of the Fund. |
| Terms of Issue | The terms of issue for the Manager Units. |
| Trustee | Gemi Asset Management Pty Ltd. |
| Unit | A unit in the Fund. |
| Withdrawal Request | A withdrawal request by an Investor to withdraw from the Fund, which can be found at https://www.gemi.com.au/the-gemi-first-mortgage-fund/ |
