

CLASS A UNITS

Balmain Opportunity Trust

INFORMATION MEMORANDUM



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IMPORTANT INFORMATION

This document (or “**IM**”) is issued by Australian Commercial Mortgage Corporation Pty Limited ABN 47 109 865 590 AFS Representative Number 000 434 727 (“**Trustee**”) in its capacity as trustee of the Balmain Opportunity Trust (the “**Trust**”). This IM sets out general information about the Trust to assist any person to whom this document is provided in assessing whether to invest in the Trust by subscribing for Class A Units (“**Offer**”). This IM is provided to each prospective Unitholder on the following conditions:

- this document is strictly confidential and is for the sole use of prospective investors in the Trust and their advisers. It must not be provided to any other party without the prior written consent of the Trustee, which may be withheld in its absolute discretion; and,
- the content in this document does not constitute financial product advice (nor investment, tax or legal advice).

This document is dated **1 March 2018**. Statements in this document are made only as of the date of this document unless otherwise stated. The Trustee is not responsible for providing updated information to any prospective investors. Any forecast or other forward looking statement contained in this document may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. None of the Trustee, its associates or their respective officers make any representation or warranty as to, or take responsibility for, the accuracy, reliability or completeness of the information contained in this document. Nothing contained in this document nor any other related information made available to prospective investors is, or shall be relied upon as, a promise, representation, warranty or guarantee, whether as to the past, present or the future.

Each recipient of this document should also read the constitution of the Trust, which contains important information as to the management and administration of the Trust.

To the extent permitted by law, the Trustee and its officers disclaim all liability that may otherwise arise due to any information contained in this document being inaccurate or due to information being omitted from this document, whether by way of negligence or otherwise. None of the Trustee, its associates or their respective officers, nor any other person, guarantees the performance of the Trust. Obligations in respect of the Units are not secured. Investment-type products are subject to investment risk, including possible delays in repayment and loss of income and capital investment. Past performance is not an indicator of future performance.

This document must not be used in conjunction with an invitation to offer Units in the Trust that would require a product disclosure statement under Part 7.9 of the *Corporations Act 2001* (Cth) (“**Corporations Act**”). This document does not contain all the information which would be required in a product disclosure statement prepared in accordance with the requirements of the Corporations Act. Each recipient of this document represents and warrants that it is and at all times will be a Wholesale Client for the purposes of section 761G of the Corporations Act. This document is not provided to any person located in a jurisdiction where its provision or dissemination would be unlawful. No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this document. Any information or representation not so contained may not be relied upon as being authorised by the Trustee in connection with the Offer.

All amounts in this document are in Australian dollars. Photographs in this document are not photographs of the assets of the Trust, unless stated otherwise.

OVERVIEW OF OPERATIONS

The Trustee intends to manage the Trust as follows:

- to continue to grow funds under management (FUM);
- to invest the Trust’s assets in accordance with the Investment Eligibility Criteria; and,
- to manage the Trust’s obligations to Unitholders including, without limitation, complying with the terms of: this Information memorandum, the Redemption Policy, Distribution Reinvestment Plan and the Investor Safeguards Policy.

The Trust will remain an Australian domiciled and Australian dollar denominated (“**AUD**”) unit trust although Trust investments may be made in Australia and New Zealand.

PERFORMANCE OBJECTIVES

The Trustee is targeting returns to Class A Unitholders, net of all fees to the Trustee, of 9.60% per annum calculated on a distribution re-invested basis.

INDICATIVE SUMMARY TERMS

Target Trust Size	A\$400 million. The Trustee may accept oversubscriptions and has the discretion to close the Trust at any level of subscriptions as it may determine.
Trust Term	The Trust will expire on 31 December 2022 (7th anniversary after the first commitment date) unless the holders of 75% of the Units on issue elect to extend the term.
Target Class A Unit Return	9.60% net of all fees payable to the Trustee.
Commitments	Subscriptions can be made up until 31 December 2021 by submitting the Application Form at Appendix I to the Trustee.
Distributions	The Trustee may reinvest any income or capital in new investments. Subject to the above, and the working capital requirements of the Trust, income will be distributed monthly and surplus capital will be returned at such time as the Trustee determines.
Fee structure in respect of Class A Units	<ul style="list-style-type: none"> • Management Fee: The Trustee will receive an ongoing management fee of 1.60% in respect of Class A Units • Administration Costs: The Trust will meet all costs and expenses incurred by the Trustee in respect of the Trust • Performance Fee: The Trustee will receive a Performance Fee of 25% of the amount by which distributions to Class A Unitholders (excluding the Performance Fee) exceed 9.00% provided that Performance Fees are paid annually in arrears. Performance Fees are calculated from 1 March 2018 (i.e. Performance Fees are based on "life of Trust" performance.).
Trust Structure	Australian domiciled AUD unit trust.
Trustee	The trustee of the Trust is Australian Commercial Mortgage Corporation Pty Limited. There is no capacity for Unitholders to remove the Trustee.
Liquidity	<p>Class A Unitholders will have the following rights to redeem their Units:</p> <ul style="list-style-type: none"> • a Class A Unitholder may redeem not more than 10% of the Units held by it at the start of a financial year during that financial year by giving written notice to the Trustee (Emergency Withdrawal) using the form in Appendix III; • commencing 1 October 2018 the Trust will offer two-(2) redemption dates each year on 15 December and 15 June of each year (Redemption Date); • subject to eligibility, a Class A Unitholder may redeem part or all of that Class A Unitholder's Units on a Redemption Date (Half Year Withdrawal) by giving the Trustee not less than 60 days' notice; • a Class A Unitholder is not eligible to request a Half Year Withdrawal unless that Unitholder has been a holder of Units for more than 12 months; • the Trustee reserves the right to not pay (or delay payment of) an Emergency Withdrawal or Half Year Withdrawal if, in the opinion of the Trustee, the Trust has insufficient liquidity; • all withdrawals/ redemptions are made at the prevailing unit price inclusive of any interest payable up to the date of withdrawal; and, • the Trustee and its associates are NOT entitled to make Emergency Withdrawals.
Derivatives	The Trust may invest in derivatives (swaps & other financial products) to manage both exchange rate risk and/ or interest rate risk pertaining to the Trust's investments. Derivatives will not be used for speculative purposes.
Distribution Reinvestment Plan	Unitholders may elect to have distributions reinvested in the Trust.
Leverage	The Trust may be geared up to 25% of the gross assets of the Trust.

TRUSTEE OVERVIEW

The Trustee is a proprietary company. Information in relation to its directors follows:

Andrew Griffin

Andrew commenced his career at Trafalgar Properties Limited in 1987. Andrew was Managing Director of this public company and was responsible for an abundance of large property developments and associated funding. On leaving Trafalgar in 1997 Andrew continued to work with Robert Whyte, John Singleton and Kerry Packer on numerous property developments as well as the acquisition, funding and management of various operating businesses. Andrew joined Balmain in 2005 and is currently Group Chief Executive. Under Andrew's guidance Balmain has expanded its core capacities from commercial debt origination to a financial services and funds management business and real estate management division with experience and capacity through all levels of secured private debt management. Andrew is a director of all Balmain entities, a major shareholder in Balmain and is RG146 compliant.

Michael Holm

Michael is the founder, major shareholder, and Executive Chairman of Balmain NB Corporation Limited. Michael established Balmain in 1979 after working for the Australian Guarantee Corporation for 2 years. Michael is one of the most highly experienced commercial lending executives in Australia, having been personally involved in closing over \$5 billion in commercial loans. He is the Chairman of Balmain Fund Administration Limited, and a Director of AMAL Asset Management Limited; Balmain Aqua Pty Limited and Balmain Trilogy Investment Management Pty Limited. Michael is RG146 compliant.

William Davis

Bill commenced his career with National Australia Bank and has over 40 years' banking, finance and hands on commercial real estate lending experience. Bill has held senior roles at Citibank and the ING group where he was responsible for commercial real estate credit and loan recovery. In 1994 Bill was overseeing commercial loan portfolios of some \$815 million represented by circa 1,700 individual borrowers and had a team of 20 people in Sydney, Melbourne and Brisbane. Subsequently Bill also achieved an S&P above average servicer ranking for a private lender. Bill joined Balmain in 2004 as Head of Credit (and Credit Committee member) and currently manages portfolios with an aggregate value exceeding \$3 billion.

INVESTMENT STRATEGY

The Trust's investment strategy will be to generate returns through investing in:

- mortgages to be held by the Trust until term;
- mortgages to be sold to other lending programmes associated with Balmain's lending business;
- lending programmes; and,
- special opportunities.

MORTGAGES TO BE HELD

Eligibility criteria for loans to be acquired by the Trust and held to term are as follows:

- senior loans are permitted;
- mezzanine loans permitted (where Balmain is not also providing the senior debt);
- construction loans permitted;
- LVR not to exceed 75% (for any loan even mezzanine loans);
- all initial loan terms must be for less than 24 months with an average term of c. 15 months;
- mezzanine loans cannot exceed 20% of the Trust's assets;
- where LVR <50%, valuation can be up to 6 months old and not "addressed" to Balmain (but valuations are still required); and
- where LVR is <50% personal guarantees are not mandatory (but generally will be sought).

MORTGAGES TO BE SOLD

Eligibility criteria for loans to be acquired by the Trust and sold to other lending programmes are as follows:

- each loan must be eligible for the intended purchaser; and,
- LVR not to exceed 75% (for any loan even mezzanine loans).

LENDING PROGRAMMES AND SPECIAL OPPORTUNITIES

Eligibility for investment in lending programmes and special opportunities is restricted to investments where the Trustee or its associates directly hold not less than 25% of the investment directly on identical terms as the Trust.

CHARACTERISTICS OF THE TRUST'S INVESTMENTS

A summary of the underlying collateral and expected portfolio concentration for eligible Trust investments is as follows:

Parameter	Held Mortgages	Sold Mortgages	Lending Programmes	Special Opportunities
Investment Type	HM	SM	LP	SO
Loan Size	<\$20MM	<\$20MM	<\$10MM	<\$10MM
Ave LVR	<65%	<70%	<65%	<80%
Loan Term	<36 months	<36 months	<24 months	<24 months
Whole Rate Return	11.00%	9.20%	+12.00%	+15.00%
Weighting	35%	45%	10%	10%

The Trust will benefit from a range of economics from its investments summarised as follows:

- loan establishment fees (HM, SM): generally 0.25% to 0.50% of the loan amount
- mortgage income (HM, SM): generally 7-18% depending on the loan type
- trailing income paid by the Trustee (SM): generally 0.10% to 0.20%
- interest on cash (generated from bank accounts): generally 1-2%
- coupon income (LP, SO): generally 8-12%
- unit distributions (SO): generally +12%

A short-form projected income statement for the Trust at \$100MM is as follows:

Investment Type	Held Mortgages	Sold Mortgages**	Lending Programmes	Special Opportunities	Cash**	Total
Whole rate Return	12.00%	9.20%	12.00%	15.00%	1.50%	
Concentration/ Weighting (%)	29.75%	38.25%	8.50%	8.50%	15%	100%
Concentration/ Weighting (\$)	29,750,000	38,250,000	8,500,000	8,500,000	15,000,000	100,000,000
Establishment fees (\$)	148,750	1,530,000				1,678,750
Mortgage Income (\$)	3,570,000	3,519,000				7,089,000
Trail (\$)		114,750				114,750
Interest on Cash (\$)					225,000	225,000
Coupon income (\$)			1,020,000	850,000		1,870,000
Unit distribution (\$)				425,000		425,000
Gross income (\$)	3,718,750	5,163,750	1,020,000	1,275,000	225,000	11,402,500
Return	12.50%	13.50%	12.00%	15.00%	1.50%	11.40%
less Management Fees						(1.60%)
Return before Performance Fees						9.80%
less Performance Fees (25% of over 9.00%)						(0.20%)
Net Investor Return						9.60%

[**Please note that the Trust currently only receives income from "Sold Mortgages" and "Cash" to generate returns of c. 9.50% per annum.]

TRUST MAY BORROW

The Trust may seek gearing of up to 25% of the Trust's gross assets in order to both increase the gross assets of the Trust and to increase returns to investors. In the event of the Trust borrowing money, the lender's entitlement to payment of interest and repayment of capital is in priority to Unitholders rights.

In the event that the Trust utilises a debt facility (up to 25% of the gross assets of the Trust) it is anticipated that investor returns will increase by c. 0.50%. The underlying Investment Strategy will not be impacted by the level of Trust gearing.

RESPONSIBILITIES OF THE TRUSTEE

The Trustee will have responsibility for all aspects of administering and managing the Trust, including:

- Investment origination
- Feasibility studies and due diligence
- Tax planning and structuring
- Documentation
- Development and asset management
- Cash flow / loan management
- Investor reporting & liaison
- Service provider selection, monitoring and instructing

INVESTOR MEETINGS AND REPORTING

The Trustee will convene meetings of all of the investors in the Trust not less than annually for the purposes of the Trustee advising the investors of the status and performance of the Trust.

At each annual meeting the Trustee will present the investors with such reporting as is ordinarily required in respect of a fund of a similar nature to this Trust, together with any such further reporting that the investors may reasonably require.

The Trustee will provide distribution statements inclusive of an update on the operations of the Trust not less than monthly.

RISK AND RISK MANAGEMENT

You should consider the risks involved prior to investing in the Trust. The Trustee believes the following are some of the key risks involved in an investment in the Trust.

RISKS

Construction Risk, Cost Overruns, and Delayed Delivery Risk	The Trust may invest in loans which have exposure to real estate assets that are to be developed or that are under construction. A number of factors may result in construction being delayed meaning that the Trust's income from that investment may be realised at a later time than originally intended. An investment may also be subject to a construction cost overrun which may mean that the Trust's return from that investment may be lower than expected, resulting in a reduction in the income of the Trust.
Developer and/or Builder Solvency Risk	The Trust may invest in loans that have exposure to real estate assets that are to be developed or that are under construction. There is a risk that a developer and/or builder may become insolvent and be unable to complete construction. This may result in the Trust being unable to recover its investment or to obtain any returns on its investment.
Disaster Risk/Insurance Risk	Disasters such as natural phenomena, acts of God and terrorist attacks may damage or destroy assets which have secured loans in which the Trust has invested. It is not possible to insure against some of these events and therefore such disasters may result in a loss of income for the Trust, in turn reducing the value of returns.
Foreign Currency Risk	The investment in the Trust is in Australian Dollars and the income and capital will be paid in Australian Dollars. Investors must manage their own currency risk.
Borrower default risk	There is a risk that the borrower may default under the loan and that the Trust security may be insufficient to recover any or all amounts owing to the Trust.
Interest Rate Risk	Projects to which the Trust has lent to may have substantial gearing and may be subject to variable interest rates. There is a risk that these interest rates may fluctuate resulting in decreased income for the Trust.
Valuation Risk	The ongoing value of assets of which the Trust has lent money is influenced by changes in real estate market conditions (e.g. supply, demand, capitalisation rates and rentals). There is no guarantee that any of the assets against which the Trust secures loans will enjoy a capital gain on its sale or that the value of an asset will not fall as a result of the assumptions on which the valuation is based proving to be incorrect.
Risk of Fall in Property Values	A downturn in the property market or a fall in property values will have an adverse effect on the value of the security the Trust has and the return to investors.
Tenancy Risk/Risk of Vacancies	The Trust may lend money in respect of real estate assets which are tenanted. The Trust's income from this type of loan may depend on tenants paying rent in accordance with their lease terms. There is a risk that a tenant may default on the terms of their lease which could result in a reduction in income for the Trust. In addition, there is a risk that a tenanted asset may become vacant. While a vacancy exists the income of the Trust may decrease and the value of the asset may be negatively affected.
Senior Lender Risk	Mezzanine loans are subject to the behaviour of the senior lender.
Risk of Unexpected Capital Expenditure	Assets against which the Trust has lent money may require amounts of capital expenditure that exceed original expectations. This may cause the income of the Trust to decrease.

<p>Liquidity Risk</p>	<p>An investment in the Trust is illiquid and there is no established secondary market in which investors may sell their units. Investors should view the investment as a long term investment.</p> <p>Depending on the state of the Trust, investors may not be able to take advantage of the limited liquidity options which are proposed before the expiry of the Trust Term.</p>
<p>Legal and Counterparty Risk</p>	<p>The Trust may, in the ordinary course of business, be involved in possible litigation and disputes.</p> <p>A material or costly dispute or litigation may affect the value of the Trust's assets or expected income of the Trust.</p> <p>The Trust may enter into legal documents and contracts in relation to numerous aspects of the Trust's operation. The Trust may be adversely affected where a party fails to perform under these agreements.</p> <p>In addition, it is expected that the Trust's returns will be dependent on contracts that it enters into with parties that are associated with or related to the Trustee. This gives rise to potential conflicts of interest.</p>
<p>Distribution Risk</p>	<p>There is no guarantee that the Trust will pay distributions as forecast or at all. If the Trust does not satisfy these requirements, the tax deferred component of the distribution could be materially different.</p>
<p>Trustee Risk</p>	<p>Investing in the Trust means that an investor is delegating their control over some investment decisions to the Trustee. How the Trust performs will depend partly on the performance of the Trustee as trustee of the Trust and partly on any external service providers engaged by the Trustee.</p>
<p>Risk of Reliance on Experts</p>	<p>The Trustee has made certain assumptions based on advice obtained from independent experts. Whilst the Trustee believes it is reasonable to rely on those experts, there is a risk that those assumptions may prove incorrect and that as a result the Trust may experience losses.</p>
<p>General Investment Risks</p>	<p>The performance of the Trust may also be affected by the following general investment risks:</p> <ul style="list-style-type: none"> • a downturn in the Australian and/or global economy in general; • legislative changes (which may or may not have a retrospective effect) including taxation and accounting issues; and • natural disasters, including earthquakes, social unrest, terrorist attack or war in Australia or overseas.
<p>No Guarantee of Investment Returns</p>	<p>Return from the Trust is dependent on the velocity of loan origination and sell down. The Trustee does not guarantee the performance of the Trust or the repayment of investor's commitments.</p>

TAXATION

Under Australian law the taxable profits of an Australian domiciled trust are distributed to its Unitholders. There may be a mismatch between the recognition of profit for tax purposes in the Trust and the receipt of distributions by the Unitholders. Investors should obtain their own advice as to the possible tax implications applicable to them in relation to their investment in the Trust.

ONLY WHOLESALE CLIENTS MAY INVEST

This document is not a product disclosure statement. Only wholesale clients (see section 761G of the Corporations Act) may invest in the Trust.

APPENDIX I SUBSCRIPTION APPLICATION**

APPLICATION FORM

(please also complete and return the Accountant's Certificate at Appendix II)

A. AMOUNT TO BE COMMITTED TOWARD THE ACQUISITION OF CLASS A UNITS IN THE BALMAIN OPPORTUNITY TRUST (CAPITAL COMMITMENT)

A\$

B. FULL NAME AND CONTACT DETAILS OF PROPOSED INVESTMENT ENTITY:

Investment Entity Name

Tax File Number of Investment Entity:

Contact person

Mobile

Email

Postal Address

Suburb/City

State (if applicable)

Postcode

Country

C. PAYMENT DETAILS

If paying by cheque, please make your cheque payable to "ACMC Pty Limited ATF Balmain Opportunity Trust".
For payments by bank transfer account details are as follows:

Bank: **Commonwealth Bank**
Account Name: **Balmain Opportunity Trust**
BSB: **062-000**
Account Number: **1636-5270**

D. YOUR BANKING DETAILS FOR DISTRIBUTIONS:

Bank

BSB

Account Number

E. DISTRIBUTION REINVESTMENT

YES NO

Execution[^]

Name of Individual** / Sole Director / Director

Witness / Director / Secretary

Signature of above signatory

Signature of above signatory

** If an individual, please have your signature witnessed.

[^] E-signatures are not acceptable.

APPENDIX II ACCOUNTANT'S CERTIFICATE

ACCOUNTANT'S CERTIFICATE

PURSUANT TO SECTION 761G(7)(c) OF THE CORPORATIONS ACT

I am a "qualified accountant" for the purposes of section 761G(7)(c) of the Corporations Act, being a member of the following professional body:

("Body") and am subject to and in compliance with the Body's continuing professional development requirements.

I certify that the following investor has net assets of at least \$2.5 million or has a gross income for each of the last two (2) financial years* specified below of at least A\$250,000 a year.

Name of investor

* The last two financial years for which this certificate applies are 30 June 2019 and 30 June 2018 as defined in the Income Tax Assessment Act 1997.

Signed[^]

Print Name

Date

D	D	/	M	M	/	Y	Y	Y	Y
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NOTE: This Certificate is confidential and may only be provided to the individual, the company seeking to rely upon Section 761G(7)(c), any employer of the individual and the Australian Securities & Investments Commission or their duly appointed agents.

[^] E-signatures are not acceptable.

APPENDIX III REDEMPTION REQUEST

REDEMPTION REQUEST

A. TYPE OF REDEMPTION:

Emergency (limit of 10%) June ½ Year / Dec ½ Year**

B. AMOUNT REQUESTED TO BE WITHDRAWN

A\$

C. FULL NAME OF CLASS A UNITHOLDER:

D. YOUR BANKING DETAILS FOR REDEMPTIONS:

Bank

BSB

Account Number

E. SIGNATURE AND DATE:

Signed^

Print Name

Date

D	D	/	M	M	/	Y	Y	Y	Y
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** A minimum of 60 days' written notice is required in respect of a Half Year redemption, please see IM.

^ E-signatures are not acceptable.

HOW TO CONTACT US

For enquiries and information, please contact the Balmain Private Investments Team on:

Telephone: +61 (2) 9232 8888

Fax: +61 (2) 9232 8588

Email: info@balmainprivate.com.au

Address: Level 14, 60 Castlereagh Street, Sydney NSW 2000 Australia

Post: G.P.O. Box 3570, Sydney NSW 2001 Australia



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