



Wholesale and Portfolio Investment

The Company in Brief

- Prequin Securities Pty Ltd (Prequin or PSPL) is an Australian Proprietary Company, Limited by Shares.
- The registered office of PSPL is Studio 3, 82-84 King St Perth WA 6000.
- PSPL has been established primarily for the purpose of conducting Non-conforming mortgage lending.

PSPL also acts as the:

- Fund Manager for a number of registered managed investment schemes; and
 - The manager of a number of private mortgage portfolios.
- Line these two points up with paragraphs above and below.

The current objectives of PSPL are to:

- advance mortgage loans to non-conforming borrowers;
- promote a scalable and flexible platform for institutional or wholesale investors wishing to invest in high-yielding mortgage portfolio's portfolios;
- promote the Prequin Monthly Income Fund (PSMIF) and the Prequin select Mortgage Fund (PSSMF); and
- generate sustainable, high-yielding returns to its stakeholders.

Please confirm main text is Calibri 12
Headings in Calibri - size as they are.

Corporate Structure

The Board of Directors

The Board of Prequin Securities consists of:

- Michael Ian La Motte
- Albert Alan Croxson
- ~~Richard Walter La Motte~~ **DELETE**

Michael La Motte – Managing Director

Michael La Motte has over 15 years' experience in the financial services industry in Australia. Michael has held a number of senior management positions including Director of Areca Finance Pty Ltd, Managing Director of All State Finance and Securities Pty Ltd and Manager at Areca Management.

Michael's experience includes overseeing the day to day management of new and existing loans, dealing with and structuring property finance and ~~setting~~ **settling** and managing mortgages. Michael holds a Diploma in Financial Services (Finance/Mortgage Broking) (MyFENG) and a Certificate IV in Financial Services (Finance/Mortgage Broking) (MyFENG). Michael is also RG146 Compliant.

Alan Croxson - Director

Alan Croxson is an extensively experienced and practical executive in the fields of Business Development, Marketing, Supervision and Management.

Alan's 40 year plus business career involves senior executive and managerial experience in the Oil & Gas industry as well as the Petrochemical and Power Generation industries. Alan's experience includes experience with both leading and working in teams associated with design, construction and commissioning of world scale capital projects including a number of Senior Management and MD roles.

In addition, Alan has considerable private mortgage lending experience both on his own account and for Companies of which he is a principal.

~~Richard La Motte (non executive director)~~

~~Richard La Motte is an experienced manager and Company Director.~~

~~Richard's experience has been gained in a number of sectors including financial services, accounting and mortgage lending. Richard has in excess of 40 years business and management experience.~~

Corporate Structure- Cont'd

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Issued Share Capital

The current ordinary shareholders of PSPL are:

1. Albert Alan Croxson – ⁹⁵75 fully paid shares; amend to 95 Fully Paid shares
2. Michael Ian La Motte – ¹⁰⁵75 fully paid shares; & amend to 105 fully paid shares
3. ~~Richard Walter La Motte – 50 fully paid shares. DELETE~~

There are currently 200 ordinary shares on issue.

Auditors, Accountants and Lawyers

The accountants (Tax & Structuring) for PSPL are

Brentnalls NSW
Trevor Seymour – Partner
T: +61 8 252 5555 F: +61 2 8252 5566
E: trevors@brentnallsnsw.com.au

The Corporate lawyers for PSPL are

Gadens Lawyers ☐ ☒
Lee Christensen – Partner
T: +61 8 9323 0999 F: +61 8 9323 0900 ☐ remove symbols.
E: lchristensen@wa.gadens.com.au

The Lawyers for the Managed Funds are

Bersten Legal Pty Ltd
Malcolm Bersten
9/65 York Street Sydney NSW 2000
T: 0414 251 931
E: malcolm@mbersten.com.au

Corporate Structure- Cont'd

Responsible Entity of the Managed Funds

Huntley Management Limited | AFSL 229754
Level 3, 37 Bligh Street
Sydney NSW 2000

Custodian of the Managed Funds

Monthly Income Fund ← *In Italics please*

Huntley Custodians Limited
Level 3, 37 Bligh Street
Sydney NSW 2000

Select Mortgage Fund ← *In Italics please*

One Managed Investment Funds Limited
11/20 Hunter Street
Sydney NSW 2000

Business and Management Structure

PSPL operates as a lender in the non-conforming mortgage market in Australia. Since the Global Financial Crisis, the Australian non-conforming mortgage market has been both underserved and under served due to a shortage of lenders with genuine lending capacity. The sector is ripe for positive exploitation.

Our business structure adopts the outsourcing of certain functional areas of the business (IT, Compliance, Legal & Marketing) while retaining control of the core value areas of the business such as credit approval and review, Asset Management, **F**inancial management and **T**reasury. *Capital first letters please.*

The key element of this strategy is summarised below:

← (i) Outsourcing:

align these left as paragraph above.

PSPL will seek to outsource the non-core activities of the business including IT, legal and compliance and marketing. Outsourcing these roles enables PSPL to minimize fixed costs and maintain the flexibility to develop the business using a variable operating cost structure;

← (ii) Risk Management:

PSPL approves and reviews each loan application with authorized personnel conducting reviews of each application and making underwriting decisions. A documented in-house credit policy and procedures manual has been developed to assist achieve consistency in this objective.

← (iii) Diversification:

PSPL diversifies its lending base to minimise risk by lending to many borrowers across a range of asset classes including residential, industrial, commercial.

PSPL generates revenue primarily through the:

1. fees it charges borrowers;
2. management fees it earns from the Schemes it acts as the Fund Manager for; &
3. interest revenue it generates from its own loan portfolio.

Business and Management Structure

Cont'd

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Corporate Governance

Board of directors:

PSPL has established a board of directors currently comprising 2 executive and 1 non executive directors. Brief backgrounds on the directors are set out elsewhere in this report. It is envisaged that a further non-executive director will be added to the board within 24 months. Standard insurance and indemnity arrangements apply to members of the board.

Board committees:

The board of PSPL has established several operating committees, these are:

(a) Management Committee:

Comprising the MD, the Head of Credit and the Operations Manager. The Management Committee is responsible for the day-to-day management of PSPL and the implementation of strategy and directives determined by the board.

(b) Risk Committee:

The Company has established a risk Committee which governs accounting and risk standards for the Company. The Committee comprises a non executive Chairman and the Managing Director.

Capital letters please

(c) Lending & Credit Committee:

The primary role of the Committee is to monitor on behalf of the Board, the Company's lending activities against the Company's Lending and Credit policies and procedures.

*Can this be one line?
If not, align "Credit Committee" under "Lending". Not under "LC" as it is here.*

Business and Management Structure

Cont'd *as per page 8 (if possible)*

Management



The board has appointed a capable management team to:

- Carry out the day-to-day control of the Company's business affairs;
- Establish proper internal controls, management information systems and accounting records; *align with "Establish"*
- Reduce to writing as appropriate and communicate policies and strategies adopted by the board; *align with "Reduce"*
- Implement the policies and strategies adopted by the board;
- Summarise the Company's affairs for the board as required or requested;
- Prepare proposals and submissions for consideration by the board;
- Prepare a budget, and attend to personnel matters such as the recruitment and termination of staff and their terms of employment. *align with "Prepare"*

Who We Are

↑ capital letter

Prequin Securities is a niche funder of non-conforming mortgage loans with capability across all property sectors in Australia.

Our Mission Statement

Our mission is to be the leading non-bank owned mortgage finance company in Australia.

Our Values

→ indent in line with above.

Please align box with text rather than margins

Execution of our plan to leverage our market position will be achieved by focusing on our six "Ps": people, process, plan, product, performance and protect.

People:

Ensuring we have the right people with the right skills is vital. This starts with the recruitment process, a well-defined induction program and continuous focus on knowledge development. We are very much 'we not me'.

Process:

Ensuring we have appropriate policies and procedures for all activities, coupled with a program of continuous review and update as both the internal and external environment changes.

Plan:

We dream big and will make it happen.

Product:

Ensuring we have the right product for the right markets at the right time.

Performance:

Ensuring consistently superior performance with both product and service, benefits both our clients and us. Fostering and practising Kaizen; constant and never ending improvement.

in italics please

Protect:

We look after our own – in the company, our stakeholders and in the community. We are socially and environmentally responsible when making wide reaching investment decisions.

Implementation Of Strategy – Our Values

In order to implement our long-term business strategy, PSPL has identified the following 4 key activities that collectively, define our most important values.

→ indent to align with above

1. Our No 1 Service Proposition

PSPL has never tried to compete on rate alone providing the best service is a much more sustainable objective. Therefore, to deliver a no 1 service, we:

- Focus on a relentless drive for excellence
- Provide an enterprise where everyone is a brand custodian and recognises the input they have into the Prequin culture.

2. Teamwork → indent

Recognition that we are who we are because the sum of the enterprise is greater than the individual parts.

3. Risk Management → indent

This is the responsibility of all staff. From the directors down everyone must have a balanced view of growth vs. control and seek to manage risk appropriately. This starts with ensuring a strong compliance culture and an enterprise-wide identification of the risks involved together with an appreciation of the role of risk assessment in achieving the business' goals.

4. Innovation → indent

Ensuring that we are consistently challenging the "established" way with improved methods, ideas and products.

Our Vision

Our Vision

We aim to be a leading non-bank mortgage finance company in Australia within 5 years.

← Full stop

We will achieve this vision by employing the five principals of a great Company:

1. Outstanding customer management
2. Appropriate controls and compliance
3. Human Capital leadership
4. Growth & Profitability
5. Simplified business process

Our Lending Business

Our Mortgage Lending

Our lending covers all major security asset classes including residential, commercial and industrial property. The majority of our borrowers are considered non-conforming.

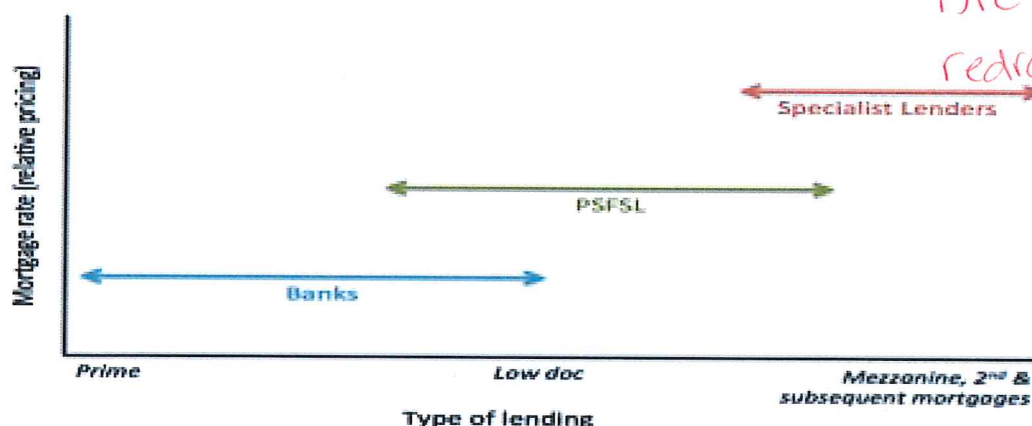
By non-conforming we mean our loans are designed to meet the needs of borrowers who do not fit the lending criteria of Australia's traditional financial institutions or who simply choose not to borrow from them. This may include business owners, the self-employed, property investors, borrowers wishing to consolidate debt and property developers.

Our borrowers pay a higher interest rate than that of traditional lenders – on average two to eight per cent more. We charge higher interest rates than traditional lenders, commensurate with our specialist lending market.

The majority of our loans are:

- for a fixed term – normally 3 months to 2 years;
- on a fixed rate;
- with repayments on an interest only basis; &
- for business or investment use (no code regulated lending).

Our lending market is presented diagrammatically below:



Are you able to
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diagram?

Wholesale and Institutional Funding Opportunities

Prequin Securities provides wholesale and sophisticated investors with direct access to mortgage investment opportunities backed by our distribution, portfolio management, system and asset management capabilities.

We achieve this by providing access to high yielding investment opportunities primarily through eligible loans consistent with the Company's lending policy.

Options for investors vary from 'off balance sheet' portfolio management to 'on balance sheet' portfolio funding. Co investment and first loss pieces will also be considered.

The Prequin advantage lies in our deep knowledge of secured mortgage lending and our capability across all property sectors from residential, commercial and industrial security together with our ability to consistently deliver tailored finance and investment solutions.

Prequin Securities – Tailored finance solutions

Who can best invest with us?

Investors seeking:

- a regular income
- capital stability
- better returns than cash
- less volatility than ordinary shares and other similar investments and
- asset allocation diversification.

Investors seek the Prequin advantage because:

- ~~they~~ the gain access to an experienced lender who has been involved in the financing of millions of dollars of non-bank, non-conforming mortgage finance; and
- they seek regular, competitive and sustainable returns secured via mortgage loans over residential, commercial and industrial property in Australia.

Tailored Finance Solutions

Insert line → Each wholesale funding pool is created on a bespoke basis with each investor establishing their unique portfolio requirements.

The creation of each portfolio starts with an analysis of your requirements. This includes:

- Proposed facility structure;
- Availability Period (term);
- Facility Limit / size; and
- Loan eligibility criteria.
- Agreeable asset classes

Considerable effort is applied to ensure that all loans funded by your programme meet your loan eligibility criteria as this is the most critical element applied to minimise risk and maximise potential returns consistent with each investors risk v return profile.

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Considerations include: ↑

- Eligible loan purpose
- Repayment type – interest only / principal and interest / both
- Security type (residential, industrial, and commercial security)
- Loan terms
- Interest rate type – fixed / variable / both
- Geographical restrictions
- Loan to Valuation (LVR) restrictions
- Credit impairment eligibility
- Valuation requirements

Etc.

Attached ^{as} is an Annexure is a sample terms sheet.

Tailored Finance Solutions – how we invest

The Company strives to create long-term authentic value for investors through secured mortgage lending to provide sustainable, high yielding income returns.

Our investment philosophy can be exemplified by the following broad principles:

- The Company believes that the best investment opportunities will be found in mortgage loans to borrowers secured by real property;
- Investment in mortgage loans has the potential to provide returns commensurate with the medium to long term investment in shares and similar investments with the potential for less volatility; and
- The Company will look to maintain the preservation of capital within an appropriate, and predetermined risk v return framework.

Managing Risk

It is well known that there are risks associated with mortgage lending. The primary risk is credit losses resulting from loan defaults. These are a part of any mature lending business.

What is a loan default?

← *BOLD Titles in dark blue as per "Managing Risk" size is OK.*

Loan defaults occur when a borrower does not meet a fundamental obligation under the loan arrangement, such as failing to meet an interest payment obligation or failing to discharge the loan on or before its due date. The nature of our borrowers, together with our shorter loan terms, tends to result in loan default rates higher than those of traditional lenders. It is important to appreciate that loan defaults are an ordinary part of the Company's business.

How often do credit losses occur?

← *BOLD AS ABOVE*

Credit losses occur when the proceeds available from the sale of the property mortgaged to the Company as security for a loan, are less than the amount owed under the mortgage. This may be as a result of the valuation relied on when making the lending decision not accurately reflecting the value of the property at the time it is sold, or changes in property market conditions, or the insurance over the secured property being inadequate if the secured property is damaged. While loan default rates may be higher than those of traditional lenders, the Company's credit losses have been historically low – at less than 1.0% of all loans made by the Company. However, no guarantee can be given that this will always be the case.

What other transaction risks could impact?

← *BOLD*

There is a risk that a loan cannot be enforced as it was intended because of a deficiency in the transaction documentation or because new case law and statutes may adversely affect the way in which an existing loan may be managed and rights enforced.

The Company mitigates such risk by only engaging appropriately qualified and experienced service providers such as solicitors to document and certify each loan.

Managing Risk

General risk mitigation

There are a number of key factors to managing risk within our mortgage portfolios.

These include:

- the Company and its directors have considerable experience in arranging and managing non-conforming mortgages;
- having portfolio's diversified in terms of the number of loans written with exposure to numerous property sectors;
- having loans to borrowers secured;
- having the property offered as security assessed by a professional valuer instructed by the Company;
- having considered the nature and location of the security, we are confident of recovering the amount lent; and
- having documented lending and credit policies and procedures.

Risk management forms an integral part of the operating environment at PSPL. The company has developed a risk management culture across all activities. In fact it is one of the key four values identified for the company to have sustainable business success.

A risk management methodology has been developed which outlines the classification of risks by likelihood and impact. These risks are summarised in an overall combined rating after taking into account risk mitigation actions. A risk matrix has been compiled of all key risks to the business that is circulated to the board. There is an ongoing continuous development culture at all levels of the business to ensure this is a perpetual process.

The Non-Conforming Mortgage Market

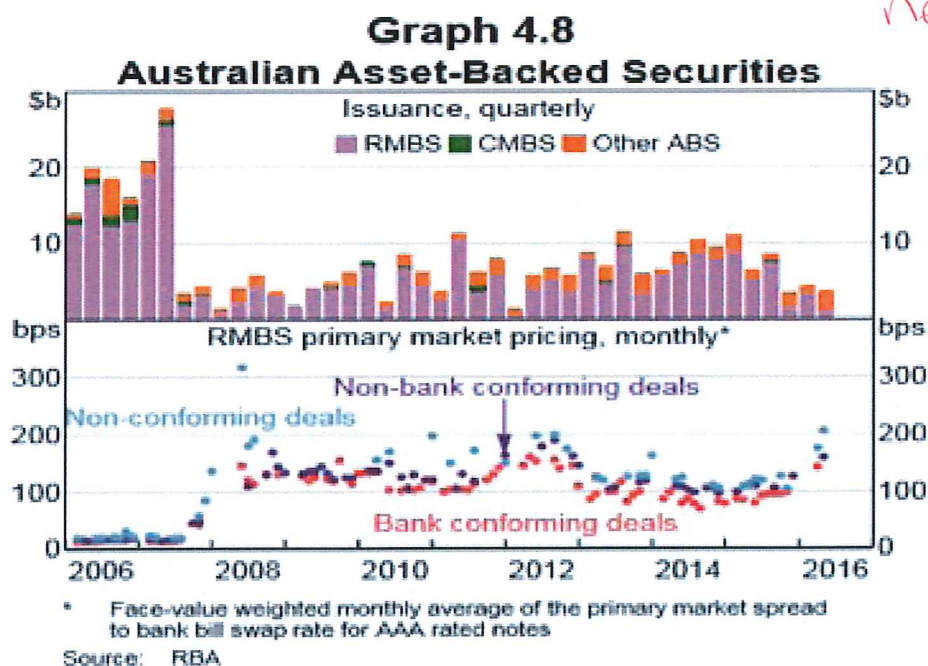
Despite the GFC, the conforming loan market in Australia remains highly competitive with low margins and limited profitability especially for new entrants and those without a significant and mature loan book. With higher margins and a smaller, less crowded market, the Company continues to see significant opportunity in the non-conforming loan market.

Existing non-conforming lenders have largely been either decimated or exist with reduced lending potential due to legacy issues and reduced capital. Low-doc lending continues to represent less than 1 per cent of loan approvals. no space

Increased regulation both from a credit and funding perspective has further curtailed activity.

Despite recent activity, pricing and volume of RMBS issues have still not recovered to pre GFC levels creating further opportunity for lenders with alternative funding models such as Prequin. Consistent with other wholesale funding markets, primary issuance spreads to the bank bill rate have widened compared to similar deals issued only late last year.

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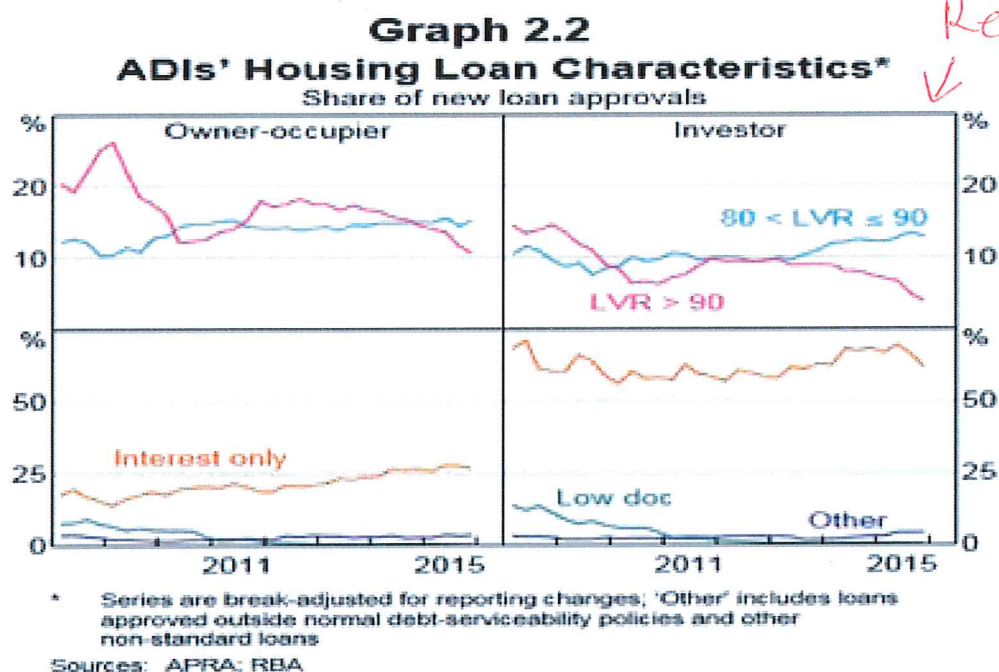


The Non-Conforming Mortgage Market Cont'd

The actions of the regulators started from late 2014 to reduce the financial risk in housing sector with steps taken to rein in growth in lending to the lender (investor) markets and reinforce prudent bank lending practices.

In response, authorised deposit-taking institutions (ADIs):

- Increase the interest rate on investor loans so that the advertised pricing is about 25 basis ^{points} higher than the loans for owner-occupier.
- Lenders have reduced the size of the discretionary discount that available to investors.
- More recently, ADIs now have applied much stricter loan serviceability assessment criteria across all types of housing lending.



The current state of the market presents opportunities for PSPL not dissimilar to that that existed for nonbank lenders in the early 2000's.

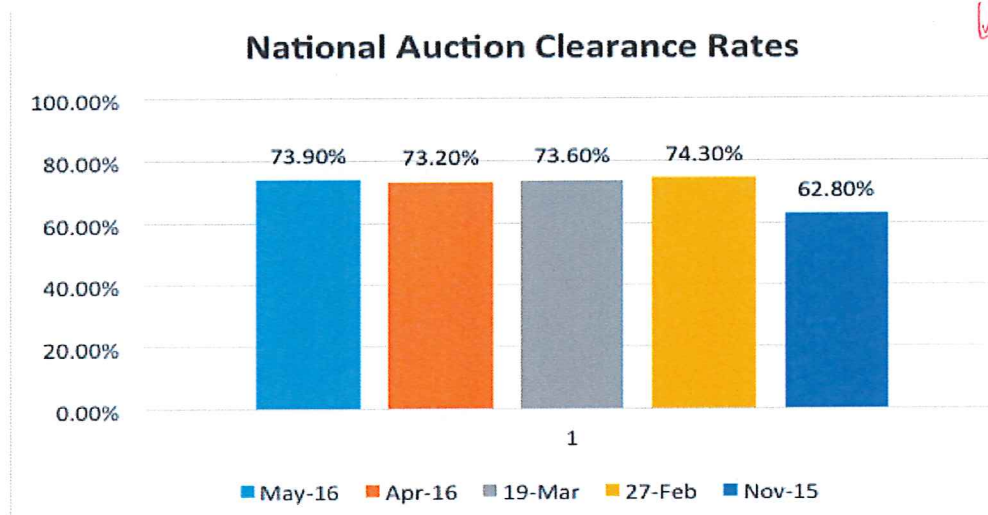
The Non- Conforming Mortgage Market

The Housing Market

The national housing market continues to remain strong buoyed by

- low official interest rates, and
- continued low unemployment.

National auction clearance rates are currently trending at above 60% nationally, and despite pockets of resistance such as the broader (new) apartment markets, national house prices have remained resilient. There is a general belief that 2016-17 will continue to be nationally a strong year for housing.



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Source: <https://www.apmpricefinder.com.au/category/auction-results/>



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Source : www.macrobusiness.com.au

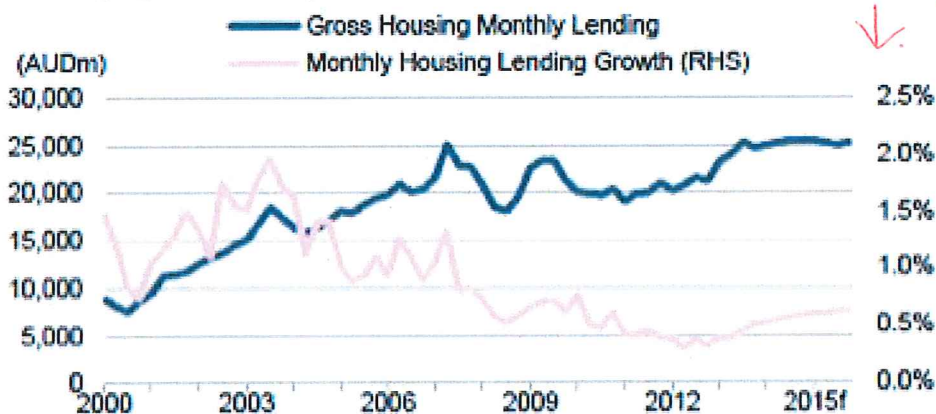
The Non- Conforming Mortgage Market The Housing Market Cont'd

In terms of the future outlook of housing and mortgage finance in the Asia-Pacific market, Fitch expects that the nominal growth rate of house prices will be 2% in Australia.

(Source: <http://www.macrobusiness.com.au/2016/01/fitch-house-price-growth-to-slow-in-2016/>)

Fitch also predicts a steady level of mortgage lending which has continued to rise since 2012.

Mortgage Lending



Source: Fitch, ABS, RBA

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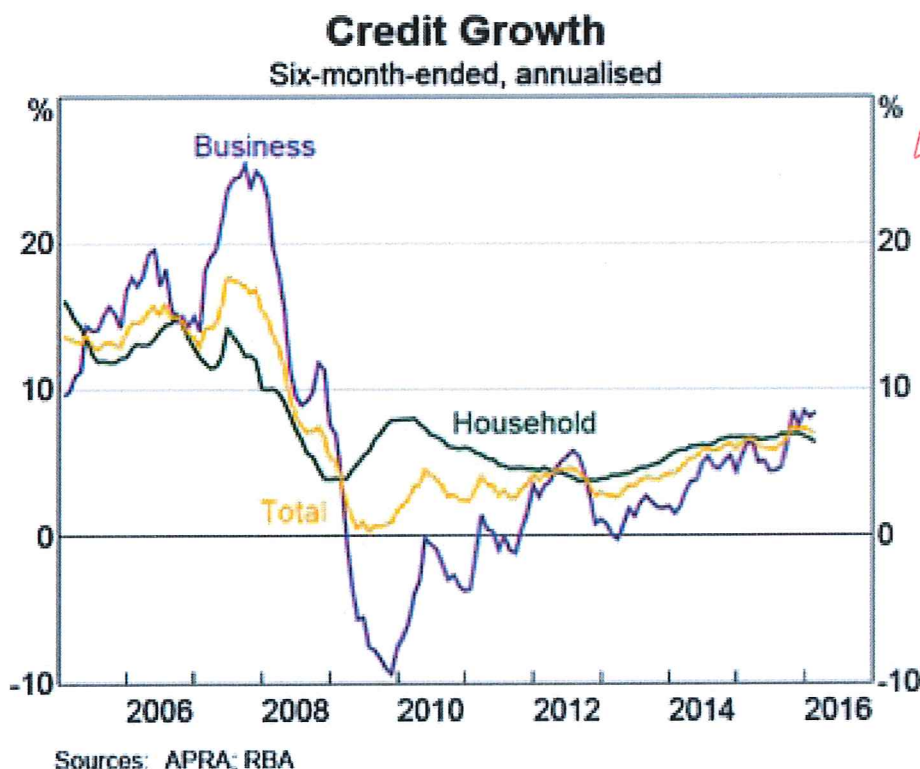
The Non- Conforming Mortgage Market Upswing in credit markets

Total credit growth picked up over the past six months, led by growth in business lending. Household credit growth has declined modestly over recent months, and the composition of housing credit growth has shifted away from investor lending and towards owner-occupier lending. Main stream Lenders tightened lending standards in the housing market over 2015 in response to regulatory actions, with some further tightening occurring over recent months. Main Stream Lenders have implemented tighter housing loan serviceability criteria such as:

- applying higher interest rate buffers and floors, including to existing debt
- applying haircuts to uncertain income sources such as bonuses and overtime
- more accurately assessing borrowers' actual living expenses and scaling minimum living expense estimates by income.

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Source APRA



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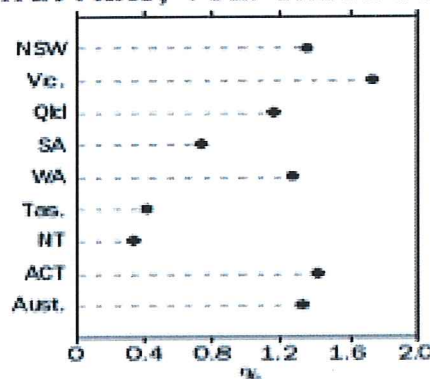
The Non- Conforming Mortgage Market

The impact of population growth

Australia continues to see a growth in its population, with a national growth rate of circa 1.4% as at September 2015. Natural increase and net overseas migration both contributed to the overall increase .

Most states continue to see strong population growth, particularly Vic, NSW, Qld, WA and the ACT. This is likely to place continued demand for housing in these states.

Population Growth Rate, Year ended 30 September 2015



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Source ABS

Furthermore, in projections released by the ABS population growth is projected to continue with NSW, Vic and Qld recording the strongest growth.

can you
← redraw this table?

State-by-state population statistics and projections					
State	2015 ('000)	% of national	2061	% of national	projection avg annual
NSW	7,644.2	32%	11,476	27.60%	0.80%
Vic	5,966.7	25%	10,306	24.80%	1.20%
Qld	4,792.9	20%	9,259	22.30%	1.40%
SA	1,701.1	7%	2,308	5.60%	0.70%
WA	2,598.2	11%	6,402	15.40%	1.90%
Tas	517	2%	566	1.40%	0.20%
NT	244.5	1%	453	1.10%	1.30%
ACT	392	2%	741	1.80%	1.40%

source: ABS

¹ <http://www.abs.gov.au/ausstats/abs@.nsf/mf/3101.0>

The Non-Conforming Mortgage Market

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The impact of population growth cont'd

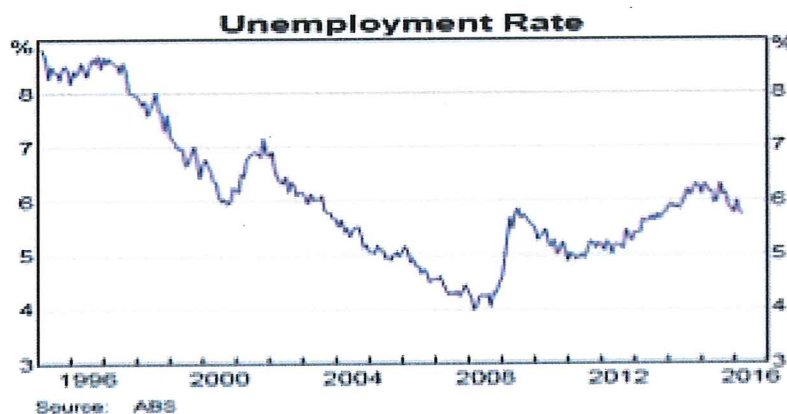
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source: ABS					

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The Non- Conforming Mortgage Market Employment / Unemployment

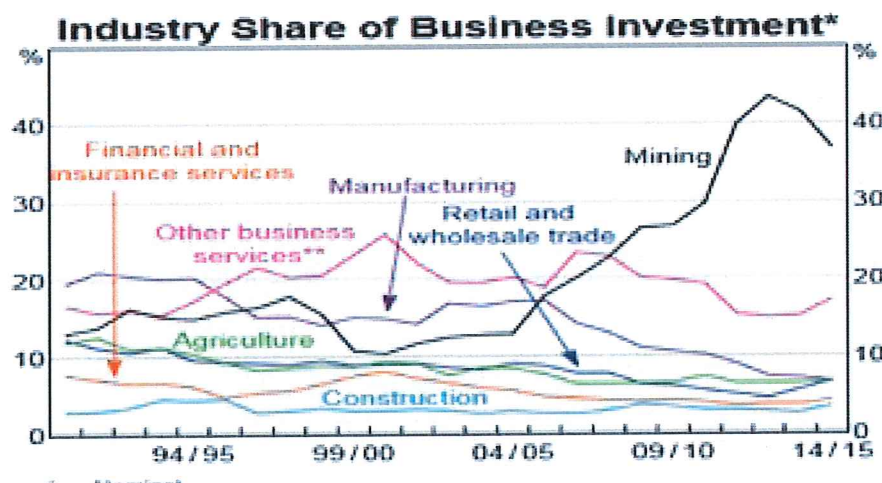
Unemployment is key to a performing business and property market. When employment is stable or growing, confidence is higher and this creates demand in the housing market and generally a stronger economy.

Australia has maintained a low unemployment rate throughout the GFC, although arguably this may have come at the replacement of full time employment by part time.



*Replace with
new file.*

Although we have recently seen a decline in the mining sector, this has been somewhat replaced by a stronger services sector. Overall, unemployment is stable albeit there are some signs of reduced business confidence.



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new file.*

The Prequin Advantage

The Prequin **AdvWantage** *Advantage.*

The Prequin advantage lies in our deep knowledge of secured mortgage lending and our capability across all property sectors from residential, commercial and industrial security together with our ability to consistently deliver tailored finance and investment solutions.

Prequin Securities – 'Tailored finance solutions'

The Opportunity – Tailored Finance Solutions

With Prequin, you:

- bigger font please

"You" in Italics

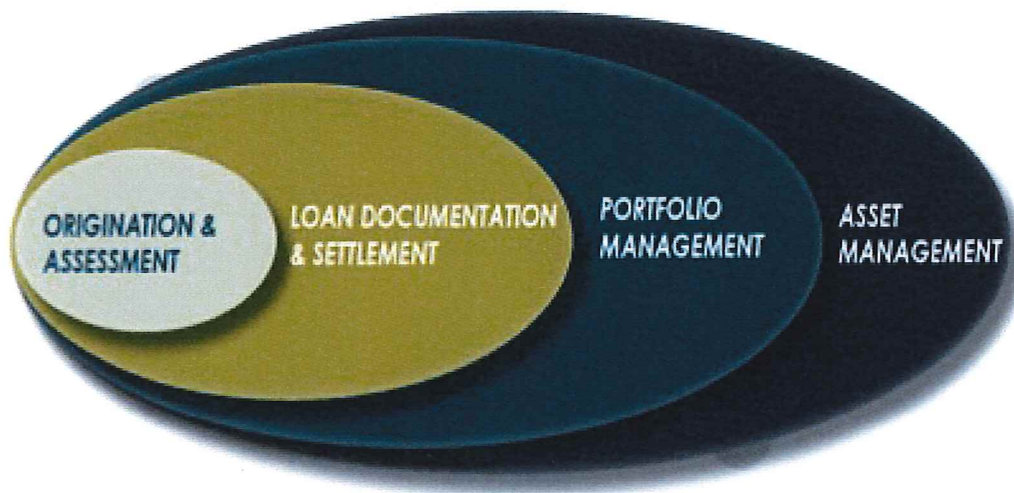
1. Determine the parameters of your investment portfolio including eligible loan types, sector spread, geographical controls and loan to valuation ratios.
2. Remain the equitable owner of the underlying security with no commingling of funds or conduit risk.
3. Receive certification that each investment complies with our agreed investment mandate.

reduce line space here

- ↑ 4. Receive regular, comprehensive and meaningful reporting. ↑

“Working within your requirements, we will develop a portfolio strategy that addresses your immediate needs and long term portfolio specifications.”

The Opportunity – Portfolio & Asset Management



Prequin has 'end to end' capabilities.

1. Origination & assessment

Build a high yielding portfolio for you from a referral source of over 1200 broker groups nationally.

2. Loan documentation & settlement

The experience from our network of professionals for documentation and settlement process.

3. Portfolio management

Leverage our portfolio management experience to optimise the management of the portfolio from settlement to discharge.

4. Asset management

Our proven asset management capabilities to manage assets, instruct third parties and negotiate with borrowers on your behalf.

Contact US

Enquiries in connection to creating your Bespoke Prequin high yielding Portfolio should be addressed to:

Michael La Motte – Managing Director - +61 409 368 655
E: michael@prequinsecurities.com.au

Michael O'Sullivan – Chief Investment Officer - +61 409 368 655
E: michael.osullivan@prequinsecurities.com.au



Prequin Securities
Tailored finance solutions