

The Guardian Investment Fund ARSN 168 048 057
A Registered Managed Investment Scheme

ASIC RG46 Continuous Disclosure Requirements
Policy Statement

Part 1 of 2

Dated 31 May 2020

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The Fund

The Guardian Investment Fund (Fund) is a registered managed investment scheme with the ability to create special purpose companies for each specific project or investment. Investors subscribe for a Class of Units allocated to a specific Special Purpose Vehicle (SPV) that will engage in the project or investment as set out in the Part 2 Product Disclosure Statement issued by Guardian.

Each Class of Units has beneficial ownership of the SPV. The equity issued by the Fund to the SPV is beneficially held in trust by an independent Custodian for the investors in each SPV.

The Fund also runs a sub fund, the Development Income Fund (DIF) which invests in, by way of Preference Shares, various property developments managed by SMSF Property Australia Pty Ltd. These development projects are part of a separate Managed Investment Scheme, The SMSF Property Fund ARSN 159 753 474

Please refer to Part 2 disclosure for your Class of Units for an update on Unit Prices and the present status of the investment in which you have invested.

If you have any questions in relation to your investment in the Fund, please contact us on 07 3188 6650 or email us at info@guardiansecurities.com.au

Information about this Policy Statement

This Policy Statement sets out the ASIC Benchmark & Disclosure Principles that relate to the Guardian Investment Fund as required under Regulatory Guide 46. The Regulatory Guide lists eight disclosure principles and six benchmarks that responsible entities of unlisted property schemes are required to apply to their upfront and ongoing disclosures for retail investors.

With each Policy Statement provided to Investors in the Guardian Investment Fund, we will provide a Part 2 for each SPV investment outlining the Benchmark & Disclosure Principles that relate to that specific SPV.

Investors should read both this Policy Statement and the Part 2 for each SPV in which they have invested to gain a better appreciation of the investment and our obligations under RG 46.

As at the date this Continuous Disclosure statement was issued, there are five (5) investments being undertaken by the Fund with a total of \$41,378,987 of funds under management.

Information on the Fund including the audited financials for the year ended 30 June 2020 will be available on our website www.guardiansecurities.com.au once these are signed off by the auditors.

If you have any question in relation to this Policy Statement, please contact us on **07 3188 6650** or email us at info@guardiansecurities.com.au

The Fund has applied these guidelines in accordance with the form and content stated in RG 46. Investors are invited to have reference to the Fund's Part 1 Product Disclosure Statement dated 14 September 2018 (**PDS**).

The information below contains an overview of ASIC's description of the disclosure principles and benchmarks, the responses of the Fund's responsible entity to those key risk features and then the practical application of each of the disclosure principles to the Fund.



Risk Feature

What this means

Gearing Ratio

This indicates the extent to which the Fund's assets are funded by external liabilities. RG 46 defines gearing ratio as total interest bearing liabilities divided by total assets

ASIC's description of this key risk states that "*a higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to fund assets. This exposes the scheme to increased funding costs if interest rates rise. A highly geared scheme has a lower asset buffer to rely upon in times of financial stress.*"

The gearing ratio represents the percentage of debt compared to the gross assets of the Fund. The gearing ratio can help investors assess risks.

It shows how much the Fund owes in debt to its financiers as a proportion of what the Fund owns (assets).

The Fund's Response and Practical Application of the Disclosure Principle and benchmark

The Fund does not borrow in its own right.

The Fund raises capital from Investors for the purpose of investing into a Special Purpose Vehicle ('SPV'). Each SPV has its own Class of Units and this Class of Unit is issued in accordance with the disclosures to investors set out in the Part 1 and Part 2 Product Disclosure Statements ("PDS").

The Fund uses the monies raised from the issue of a Class of Units to acquire all of the ordinary shares in the SPV on the terms set out in a Part 2 PDS. The SPV owns the asset to which the Class of Units relates.

A SMSF Property SPV may issue redeemable preference shares to the Development Income Fund ("DIF") at a rate of 12% p.a. The SPV can only issue redeemable preference shares up to the greater of 45% of the Total Development Costs (TDC) or 35% of 'as if complete' valuation.

The issue of redeemable preference shares is designed as short term capital raising by the SPV to assist with completion of a development. DIF is designed to eliminate investor capital remaining idle from the initial fund raising by the SPV.

The Fund and SPV Constitutions do not have any restriction on gearing ratio limits.



Timing is critical when gearing a development. Any delays in the completion of the development will add additional costs or put the SPV development in jeopardy if the loan cannot be continued or replaced by another facility.

The RE must disclose in the Part 2 PDS to investors its policy on gearing and its intention to do so.

The RE will use the following formula to calculate the gearing ratio:

$$\text{Gearing Ratio} = \frac{\text{Total interest bearing liabilities}}{\text{Total assets}}$$

The RE does not calculate the gearing ratio for the Fund as it serves no purpose. When a SPV development has been geared the RE will use the SPV's financial statements to calculate the gearing ratio for the development.

Taking into account the length of the term of the development and the speed that it is developed the RE may use the latest reconciled monthly management accounts to calculate the gearing ratio.

Interest Cover Ratio

This indicates the Fund's ability to meet interest payments from earnings. RG 46 defines interest cover ratio as (EBITDA1 minus unrealised gains plus unrealised losses) divided by interest expense.

ASIC's description of this key risk states that "*interest cover is a key indicator of financial health. The lower the interest cover, the higher the risk that the scheme will not be able to meet its interest payments. A scheme with a low interest cover only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet its interest payments.*"

The Fund's Response and Practical Application of the Disclosure Principle and benchmark

The Fund does not borrow in its own right. The Fund has no borrowings and therefore no Interest Cover Ratio.

Interest Capitalisation

This relates to whether or not the interest expense of the scheme is capitalised into the loan facility.

ASIC's description of this key risk states that "*when a scheme capitalises interest expense, it is important for investors to understand how the scheme will meet its interest obligations when deciding whether to invest in the scheme*".

The Fund's Response and Practical Application of the Disclosure



Scheme borrowing

benchmark

The Fund does not have an interest capitalisation policy because the Fund has no borrowings.

This relates to the Fund's borrowing maturity and credit facility expiry and any associated risks

ASIC's description of this key risk states that "*relatively short-term borrowings and credit facilities with short expiry dates are a risk factor if they are used to fund assets intended to be held long term. If the scheme has a significant proportion of its borrowings that mature within a short timeframe, it will need to refinance. There is a risk that the refinancing will be on less favourable terms or not available at all. If the fund cannot refinance, it may need to sell assets on a forced sale basis with the risk that it may realise a capital loss. Breach of a loan covenant may result in penalties being applied, or the loan becoming repayable immediately. This means that the fund may need to refinance on less favourable terms or sell assets. Termination of critical financing could also mean the scheme is no longer viable.*"

The Fund's Response and Practical Application of the Disclosure Principle

The Fund has no borrowings.

This relates to the valuation policy adopted by the Fund.

Valuation policy

ASIC's description of this key risk states "*The value of real property assets can be volatile, particularly when access to credit is constrained and more properties are on the market. Investors should be able to understand and compare how responsible entities value their schemes' real property assets. This will help investors assess the reliability of the valuations.*"

The Fund's Response and Practical Application of the Disclosure Principles

The Fund maintains a valuation policy. Each SPV property development will be independently valued by a registered valuer as required by the Constitution of the Fund and at any other times that the RE, the Fund's Compliance Committee or Auditor may deem necessary or as required by the Act and/or Regulations from time to time. At any time the Directors believe a significant reduction in the value of a class asset occurs, an updated valuation will be obtained.



Portfolio diversification

This information addresses the Fund's investment practices and direct property investment portfolio risk

ASIC's description of this key risk states that "*generally, the more diversified a portfolio is, the lower the risk that an adverse event affecting one property or one lease will put the overall portfolio at risk.*"

The Fund's Response and Practical Application of the Disclosure Principles

The investment strategy of the Fund is to invest in a variety of investment types including property.

Investors have a beneficial interest in particular Property corresponding to their Class of Interests and not in the Fund's Property as a whole. Details of Portfolio Diversification (if any) will be disclosed in the Part 2 PDS.

Related party transactions

This relates to the responsible entity's approach to related party transactions

ASIC's description of this key risk states that "*a conflict of interest may arise when property schemes invest in, make loans or provide guarantees to related parties.*"

The Fund's Response and Practical Application of the Disclosure Principle and benchmark

Policies and procedures are in place to mitigate the risk of any actual or perceived conflict of interest, including as a result of a related party transaction. Related party transactions with the Fund are disclosed in the PDS to ensure investors are informed. These transactions are reviewed as required to ensure that they are in line with market expectations and are at arm's length.

All related party transactions are disclosed in the monthly management accounts, sent to the compliance committee and the board, and are ratified by the RE directors at each board meeting.

Any related party transaction with a director of the RE or an associate must be approved by the remaining directors first. Examples of related party transactions with the RE are application fees, monthly RE and ongoing administration fees.



Distribution practices

This relates to information on the Fund's distribution practices.

ASIC's description of this key risk states that "*some property schemes make distributions partly or wholly from unrealised revaluation gains and/or capital rather than solely from realised income. This may not be commercially sustainable over the longer term, particularly where property values are not increasing.*"

The Fund's Response and Practical Application of the Disclosure Principle and benchmark

The fund may invest in a variety of investments including non-property related investment. Refer to the Part 2 PDS for distribution practice for a specific investment.

Where the Fund invests into SPV property investments there is no withdrawal from these investments as they are illiquid and there are no distributions paid or return of capital until the development has been completed and sold.

At the outset feasibility models produce costs, timing and forecasted profits. As the investment progresses these models are updated as required and Investors are kept advised of any material changes.

Withdrawal arrangements

This relates to investors' withdrawal rights from the Fund

ASIC's description of this key risk states that "*unlisted property schemes often have limited or no withdrawal rights. This means they are usually difficult to exit.*"

The Fund's Response and Practical Application of the Disclosure Principle

The SPV investments are not liquid and investors cannot withdraw from the Fund. Under extenuating circumstances, the RE may allow an investor to withdraw from the Fund.

Investments in DIF may be redeemed after the RE receives 3 months written notice. Redemptions are subject to available liquidity.

Investors should treat the Fund as 'illiquid' as there is no automatic right or redemption of Units. There is no formal secondary market for Units in the Fund. However, Units in the Fund are transferable. While Units may be transferred (to another investor) only the full investment balance in the Fund may be transferred. Any transfer is subject to consent of the RE.



Net tangible assets

The NTA calculation helps investors understand the value of the assets upon which the value of their unit is determined”.

ASIC's description of this key risk states that *“The responsible entity of a closed-end scheme should clearly disclose the value of the net tangible assets (NTA) of the scheme on a per unit basis in pre-tax dollars.*

An NTA calculation helps investors understand the value of the assets upon which the value of their unit is determined.”

The Fund's Response and Practical Application of the Disclosure Principles

Investors subscribe to a Class of Unit that is attached to a SPV. Investors in one Class of Unit are not exposed to the risk of another Class of Unit so the Net Tangible Assets are calculated for each SPV investment individually as opposed to the Fund as a whole.

The NTA for a particular Class of Unit is calculated as follows:

$$\text{NTA} = \frac{\text{Net assets - intangible assets + / - any other adjustments}}{\text{Number of units in the Class of Units on issue}}$$

The RE bases the NTA calculation on the Fund’s latest audited financial statements. Where the RE is aware of material changes since those statements were issued and the RE does not base the NTA on the latest financial statements, the RE will disclose the source(s) and date of the information used to calculate the NTA.

The NTA can be utilised by investors to understand the value of the assets upon which the value of their unit is determined.

The Fund is a closed fund. Therefore, the unit price set out in the PDS (generally \$1) is set at the time the PDS is issued and the funds are raised.

The Fund may update its unit price when the Fund’s audited financial accounts are lodged.

The nature of an investment is such that the NTA will decrease over the life of the project, which is due to non-capitalised expenses, until completion of the development and the assets are realised.

In some cases where an investment is staged, assets will be realised which may cause the NTA to fluctuate.

