



# RF Eclipse Select Credit Fund

ARSN 090 994 326

## Product Disclosure Statement

19 December 2019

Responsible Entity and Issuer  
RF Eclipse Limited  
ACN 089 265 270, AFSL 238546



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## Important Information

### About the issuer

The issuer of interests in the RF Eclipse Select Credit Fund ARSN 090 994 326 (**Fund**) (previously known as Eclipse Prudent Mortgage Fund) is RF Eclipse Limited ABN 54 089 265 365 (**RF Eclipse, Responsible Entity, we or us**) (previously known as Eclipse Prudent Mortgage Corporation Limited). RF Eclipse holds an Australian Financial Services Licence No. 238546.

### The Fund

The Fund is a managed investment scheme registered with ASIC. The constitution and the Fund's compliance plan have been lodged with ASIC in accordance with the Corporations Act 2001.

### This document

This product disclosure statement (**PDS**) dated 19 December 2019 relates to the offer of interests in the Fund. This PDS has not been lodged with ASIC and is not required by the Corporations Act 2001 to be lodged with ASIC. ASIC takes no responsibility for the contents of this PDS.

### No performance guarantee

None of RF Eclipse, RF Group or any of their directors, related parties or associates, guarantees the performance or success of the offer, the repayment of capital or any particular rate of capital or income return or investment performance of the Fund. An investment in the Fund does not represent a deposit with or a liability of RF Eclipse or any of its associates. An investment is subject to investment risk, including possible delays in repayment or no repayment, or loss of income or principal invested.

### No investment advice or recommendation

RF Eclipse is not authorised to give any personal financial product advice. This PDS contains important information however it does not take into account your particular circumstances including your investment objectives, financial situation or needs. Accordingly, before you invest, you should read this PDS (and any supplementary PDS and website updates) carefully and in its entirety, and it is recommended that you obtain independent financial and taxation advice about whether an investment in the Fund is suitable for you.

### Information

No one is authorised to provide any information or to make any representation in connection with the offer, which is not contained in this PDS. No such information or representation may be relied on as having been authorised by RF Eclipse.

### Electronic PDS

An electronic version of this PDS appears at [www.rfecclipse.com](http://www.rfecclipse.com). If you have received this PDS electronically, then the Responsible Entity will give you a paper copy free of charge, on request, by calling Investor Relations on 02 9954 2211.

### Availability of Offer

The offer under this PDS is available to persons receiving the PDS within Australia. This PDS (including an electronic version) does not constitute and should not be construed as an offer, invitation or recommendation by RF Eclipse to apply to be a member of the Fund in any state, country, or jurisdiction where such offer, invitation or recommendation may not be lawfully made. Interests in the Fund or any Syndicate are not intended to be offered or issued to US Persons as defined under Regulation S of the US federal securities laws.

## Important Information (continued)

### Information on Website

The information in this PDS is up to date at the time of preparation. However, some information can change from time to time. RF Eclipse may make available updated information in relation to the PDS. This may include matters that ASIC requires RF Eclipse to tell you about on a regular basis. You may access this information at [www.rfecclipse.com](http://www.rfecclipse.com). Investors are encouraged to visit this website regularly for this purpose. Alternatively, you may request a paper copy of the information, free of charge, by calling Investor Relations on 02 9954 2211 or by contacting your financial adviser. The information RF Eclipse will make available by way of these updates will not be information that is materially adverse to investors. This information will be contained in a supplementary or replacement product disclosure statement.

### Related party investments

RF Eclipse, RF Group and their related entities or associates (including employees, associates, agents, officers and other individuals) may (in various capacities) deal in transactions or interests identical or similar to those described in this PDS and may invest in the Fund or any Syndicate.

### Defined terms and financial information

Certain terms used in this PDS have been defined in the glossary. All fees quoted are inclusive of GST and all amounts are in Australian dollars.

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### Advice and Investment Decisions

**Warning:** In preparing this PDS RF Eclipse has not taken into account your particular investment objectives, financial situation or needs. Before making an investment decision on the basis of this PDS and the relevant supplementary product disclosure statement (**Syndicate PDS**) of a Mortgage Investment, you need to read this PDS and any Syndicate PDS in full and consider obtaining independent financial and taxation advice about whether an investment in this Fund is suitable in light of your personal circumstances. Investment in the Fund is subject to investment and other risks. These could result in delays in repayment of, or loss of, income or capital invested. Carefully consider the risks set out in Section 5 of this PDS.

Our representatives are able to assist with factual information about investing in the Fund. However, they are not authorised to advise on an investor's personal investments or to give any personal financial product advice.

Visit [www.rfecclipse.com](http://www.rfecclipse.com) regularly for information updates and updated RG 45 benchmark and disclosure principles reports.

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## Letter to Investors

Dear Investors,

It is with great pleasure that we present the Product Disclosure Statement (**PDS**) for the RF Eclipse Select Credit Fund (**Fund**).

We are proud to announce that this product, previously known as the Eclipse Prudent Mortgage Fund, has been in operation for over 20 years with a proven track record of superior long-term sustainable investment performance and preservation of capital.

RF Eclipse is a leading alternative lender to the real estate market, specialising in financing for residential, commercial, retail, industrial properties and construction projects primarily in Australian metropolitan areas.

RF Group, the parent company of RF Eclipse, assumed control of the Fund in June 2016 after the sale of RF Eclipse. The Fund has been rebranded to reflect the new ownership as well as the rich heritage of "Eclipse".

The RF Eclipse Select Credit Fund, as its name implies, is a contributory mortgage scheme that allows investors to choose risk-appropriate investments to achieve a stable income stream with low volatility and the security of a mortgage investment.

Specifically, the Fund provides the following:

- The ability for members to invest in accordance with their individual risk profiles and objectives. A member has absolute discretion over which mortgages to invest in;
- A stable and secured monthly income stream;
- Focussed and comprehensive risk management and corporate governance. The Fund has strong systems and management frameworks in place to manage loans throughout their lifecycle, including a rigorous borrower selection process. The Fund maintains a diversified portfolio of mortgages over real estate assets across the residential, commercial, industrial and rural sectors. The RF Eclipse Board and internal committees closely oversee finance, operations, internal governance and investment policies;
- A highly-experienced and capable management team in RF Eclipse, with considerable industry experience across property, funds management, debt financing and commercial lending (to name only a few areas), as well as extensive knowledge of investment markets, borrowing processes and risk management; and
- The security of an investment within the RF Group, which has interests in real estate, credit and financial markets operating across Australia, Asia and Europe, leveraging 50 years of experience in real estate investment, development, construction and funds management.

Investor returns from Mortgage Investments made through the Fund, after fees but before tax, over the five-year period to 30 June 2019 averaged:

FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
7.70%	7.40%	7.50%	7.60%	7.60%

Investors are reminded that past performance is not a reliable indicator of future performance and that each investment is separate from any other investment. In considering the benefits of investing in a chosen mortgage, members must also consider the risks.

We invite you to become a member of the Fund. If you have any questions, please contact us on 02 9954 2211 or email us at [investor@rfeclipse.com](mailto:investor@rfeclipse.com).

Yours sincerely



Michael Vella  
Chief Executive Officer,  
RF Eclipse Limited



## 1. Features of your investment in the Fund at a glance

### Minimum transaction and balance requirements

*For further details*

Initial investment	\$10,000	Section 7.3
Additional investment	\$5,000	Section 7.5

Note: The Responsible Entity may at its discretion, accept a lower investment amount, additional investment amount and minimum balance.

### Making and withdrawing your investment

*For further details*

Disclosure Documents	This PDS is the first part of a two part disclosure process and you will subsequently be provided with a separate document called a <b>Syndicate Product Disclosure Statement (Syndicate PDS)</b> which will provide you with information about the specific Mortgage Investment.	Section 7.1
Fund participation	<p>To participate in the Fund, you must:</p> <ul style="list-style-type: none"> <li>• first apply to become a Member of the Fund; and</li> <li>• then become a Syndicate Member.</li> </ul> <p>Upon acceptance of your application and receipt of your initial investment you will become a Member of the Fund.</p> <p>Once you become a Member of the Fund, you can then choose to become a Syndicate Member of a specific Mortgage Investment by accepting the terms of a Syndicate PDS that are offered from time to time.</p>	Sections 7.2, 7.4 and 7.10
Cooling off	No cooling off period applies.	Section 7.16
Suggested minimum investment timeframe	The duration of a Mortgage Investment is specified in the Syndicate PDS. The term is generally between 12 and 36 months.	Section 4.12
Withdrawals	<p>A Syndicate Member has no right to withdraw from a Syndicate until the Mortgage Investment has been repaid.</p> <p>When you have committed to invest in a Mortgage Investment, your monies are committed to that specific Mortgage Investment for 60 days.</p> <p>You may withdraw Holding Monies by submitting a written withdrawal request.</p>	Section 7.18

## Fees and other costs

		<i>For further details</i>
Establishment fee	Nil	Section 6.2
Contribution fee	Nil	Section 6.2
Withdrawal fee	Nil	Section 6.2
Exit fee	Nil	Section 6.2
Holding Monies management fee	0.15% per annum of your investment held as Holding Monies.	Section 6.2
Mortgage Investment management fee	Up to 0.55% per annum of your investment in a Mortgage Investment, paid monthly. If charged, this fee is deducted from the investment earnings in the manner as provided in the Syndicate PDS.	Section 6.2
Operating expenses and other expenses	Normal operating expenses are borne by RF Eclipse. Any abnormal expenses from the Fund, such as costs of member meetings, may be recovered from the Fund, or the relevant Syndicate as required.	Section 6.2

The fees show the net effect of GST (i.e. inclusive of 10% GST less any input tax credits, including reduced input tax credits).

For certain wholesale clients (as defined in the Corporations Act 2001) the Responsible Entity may, at its discretion, negotiate, rebate or waive all or part of its fees, on an individual basis, and only in accordance with the Corporations Act 2001 requirements and the ASIC class order relief relating to differential fees.

## Risks of investing in the Fund

		<i>For further details</i>
Investment risks	<p>All investments are subject to risk. When considering your investment in the Fund, it is important that you consider such things as:</p> <ul style="list-style-type: none"> <li>the risks involved in investing in the Fund including the risk of losing some or all of your investment;</li> <li>the extent that the investment in the Fund fits your financial objectives and goals;</li> <li>your risk appetite; and</li> <li>the risks that other investment opportunities have.</li> </ul> <p>In Section 5 of this PDS, headed 'Investment Risks' we provide information about the risks of investing in the Fund and Mortgage Investments. These include the significant risks as to:</p> <ul style="list-style-type: none"> <li>borrower default;</li> <li>reduction in property values;</li> <li>breach of borrowing covenants;</li> <li>delays in withdrawal; and</li> <li>economic policy and legislative risk.</li> </ul>	Sections 5.1 and 5.2

## Risks of investing in the Fund continued

For further details		
RG 45 benchmarks and disclosure principles	ASIC has developed certain benchmarks and disclosure principles for unlisted mortgage schemes such as the Fund that are aimed at assisting investors understand the risks of investing and whether such investments are suitable for them. The benchmarks and disclosure principles that apply to the Fund deal with the Fund's borrowings, related party transactions, valuation policy, lending principles, distribution practices and withdrawal arrangements.	Sections 3.1 and 3.2
No capital protection	An investment in the Fund is not an investment in a bank deposit. There is no guarantee of the investment result, the return of capital or the amounts payable to investors.	Section 5.2

## Distribution payments

For further details		
Frequency	<b>Syndicate Members' income:</b> monthly, unless otherwise disclosed in the Syndicate PDS <b>Members who have Holding Monies:</b> monthly	Section 7.17
Payment methods	Paid to your nominated account.	Section 7.17

## Investor reporting

For further details		
Transaction confirmations	You will receive transaction confirmations when investments and withdrawals are made.	Section 7.22
Income distribution statements	Statements are issued when income distributions are made.	Section 7.22
Annual tax reporting	Consolidated annual tax statements as at each 30 June are sent.	Section 7.22

## Syndicate Member reporting

For further details		
Investment confirmations	You will receive a transaction confirmation for an investment in a Mortgage Investment.	Section 7.23
Management or Additional Information of Mortgage Investment	You will receive additional information relating to the performance of the Mortgage Investment or other relevant facts about which a Syndicate Member would reasonably expect to be informed.	Section 7.23
Default and Enforcement Information	You will receive particulars of any default or breach of the covenants of the Mortgage Investment.	Section 7.23

If you require further information as to the Fund or an investment in it, contact Investor Relations by calling on 02 9954 2211, forwarding an email to [investor@rfeclipse.com](mailto:investor@rfeclipse.com) or by visiting the offices of RF Eclipse as shown in the Corporate Directory.





## 2. Key Features of the Fund

Key Features of the Fund		
		<i>For further details</i>
Responsible Entity	RF Eclipse Limited ACN 089 265 270, AFSL 238546	Section 9.1
Fund	RF Eclipse Select Credit Fund ARSN 090 994 326 is a contributory mortgage scheme that offers you fixed rates of return and the opportunity to choose the Mortgage Investments in which you invest. The Fund was established in 1999 and has operated continuously for the last 20 years.	Section 10
Investment objective	The Fund aims to provide investors with regular income and capital stability, by offering you the opportunity to invest in loans secured by a registered mortgage.	Section 4.2
Investment strategy	The investment strategy of the Fund is to lend money to borrowers on the security of a registered mortgage over legal interests in real property in Australia.	Section 4.3
Features of the Fund	<p>The Fund enables you to select a range of Mortgage Investments and to create a diversified investment portfolio on the security of registered mortgages.</p> <p>As the Fund is a contributory mortgage scheme, you have the opportunity to select a Mortgage Investment which suits you, based on the information about the Mortgage Investment, its term and interest rate, the Security Property and the borrower. You receive the benefits and the rights that attach to the Mortgage Investment that you select and are exposed to its specific risks.</p> <p>You are not required to fund the full loan amount of a Syndicate and you may set a maximum limit to the amount that may be allocated to a Syndicate in the Application Form.</p>	Section 4.1
Security Property valuations	Property valuations are obtained as part of the loan approval process from qualified independent valuers.	Section 4.8

**Key Features of the Fund continued***For further details*

Loan to valuation ratios (LVR)	<p>The Fund restricts loans secured by a first registered mortgage to a maximum of 65% of the valuation of the Security Property. For loans secured by a second registered mortgage, the loan amount must not, when taken with the amount advanced on the first registered mortgage and any equal ranking securities, exceed 80% of the valuation of the Security Property.</p> <p>The Fund will require a lower LVR for some types of properties.</p>	Section 4.9
Fund borrowing	<p>The Fund's constitution allows for borrowing. However, at the date of this PDS there are no borrowings and there is no current intention to borrow.</p>	Section 5.2
Related party information	<p>All transactions, including those with related parties, are conducted on commercial terms and conditions and on an arm's length basis.</p>	Section 10.7



### 3. ASIC RG 45 benchmark and disclosure principles

To improve the disclosure of information about mortgage funds in Australia, ASIC requires information to be provided about specific operating benchmarks. Information about these benchmarks and disclosure principles are outlined below. ASIC has issued an independent guide for investors about unlisted mortgage schemes called 'Investing in mortgage schemes' which can be obtained on the 'Moneysmart' link from ASIC's website [www.asic.gov.au](http://www.asic.gov.au).

#### 3.1 Benchmarks

The information disclosed in this Section 3.1 reflects the information ASIC considers to be key to enable retail investors to analyse the risks of investing and continuing to hold interests in unlisted contributory mortgage schemes, such as the Fund.

The benchmark and disclosure principles in the tables below are current as at the date of this PDS. Except to the extent stated below, RF Eclipse complies with the benchmarks. The updated information will be made available to Applicants and Members on RF Eclipse's website [www.rfecclipse.com](http://www.rfecclipse.com). A paper copy of the current benchmark and disclosure principles will also be provided free of charge on request.

The table below sets out briefly:

- the benchmark; and
- how and to what extent RF Eclipse complies with the benchmark and if not, why not.

#### Benchmark 1: Liquidity (applicable to pooled mortgage schemes only)

This benchmark does not apply to the Fund

#### Benchmark 2: Scheme Borrowing

Details of the Benchmark	Meeting the Benchmark
RF Eclipse does not have current borrowings and does not intend to borrow on behalf of the Fund.	<b><i>RF Eclipse meets this benchmark</i></b>

For additional disclosure on this benchmark see Disclosure Principle 2: *Scheme borrowing* below.

#### Benchmark 3: Loan Portfolio and Diversification (applicable to pooled mortgage schemes only)

This benchmark does not apply to the Fund

#### Benchmark 4: Related party transactions

Details of the Benchmark	Meeting the Benchmark
RF Eclipse does not lend to related parties of RF Eclipse or to the Fund's investment manager.	<b><i>RF Eclipse meets this benchmark</i></b>

For additional disclosure on this benchmark see Disclosure Principle 4: *Related party transactions* below.

## Benchmark 5: Valuation Policy

Details of the Benchmark	Meeting the Benchmark
<p>In relation to valuations for the Fund's Mortgage Investments and their security property, the board of RF Eclipse requires:</p> <ul style="list-style-type: none"> <li>(a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;</li> <li>(b) a valuer to be independent;</li> <li>(c) procedures to be followed for dealing with any conflict of interest;</li> <li>(d) valuer rotation and diversity;</li> <li>(e) in relation to the security property for a loan, an independent valuation to be obtained: <ul style="list-style-type: none"> <li>(i) before the issue of a loan and on renewal: <ul style="list-style-type: none"> <li>- for development property, both on an 'as is' and 'as if complete' basis; and</li> <li>- for all other property, on an 'as is' basis; and</li> </ul> </li> <li>(ii) within two months after the directors form the view that there is a likelihood that a decrease in the value of the security property may have caused a material breach of the loan covenant.</li> </ul> </li> </ul>	<p><b><i>RF Eclipse does not meet the Benchmark.</i></b></p> <p>RF Eclipse meets those aspects of the benchmark in paragraphs (a), (b), (c), (d) and (e)(ii).</p> <p>With respect of paragraph (e)(i) there are limited circumstances in which a valuation is not required before the issue or renewal of a loan, as described below.</p>

RF Eclipse does not meet this benchmark for the following reasons:

1. A current Valuer General's assessment may be accepted where the loan to valuation ratio (**LVR**) does not exceed 30%. If so, this will be stated in the relevant Syndicate PDS.

RF Eclipse considers that this is an acceptable practice as that assessment, made for rating and taxation purposes, is of the unimproved land value of the Security Property, and does not include the value of any home or other structures and improvements.
2. RF Eclipse may not obtain a new valuation on the extension of a loan facility with a further term of 12 months or less. The cost is not warranted in all cases and RF Eclipse is satisfied that the following alternative and additional practices are adequate. Each renewal is assessed on a case by case basis and RF Eclipse will order an updated valuation if:
  - the latest valuation was obtained more than two years ago;
  - there is a decline in the market that may impact on the value of the Security Property and the LVR (including but not limited to where this may have caused a material breach of a loan covenant); or
  - a Syndicate Member transfers their interest in the Syndicate.

For additional disclosure on this benchmark, see Disclosure Principle 5: *Valuation Policy* below.

## Benchmark 6: Lending principles – loan to valuation ratios

Details of the Benchmark	Meeting the Benchmark
As the Fund directly holds mortgage assets:	<b><i>RF Eclipse meets this benchmark</i></b>
(a) where the loan relates to property development – funds are provided to the borrower in stages based on independent evidence of the progress of the development;	
(b) where the loan relates to property development – the Fund does not lend more than 70% on the basis of the latest ‘as if complete’ valuation of property over which security is provided; and	
(c) in all other cases – the Fund does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.	

The Fund’s constitution states that the LVR on any first registered security must not exceed **65.0%** of its independent value determined on an ‘as is’ basis and an ‘as if complete’ basis for Construction Loans.

The maximum LVR on any second registered mortgage, including for Construction Loans must not, when taken with the amount advanced on the first registered mortgage and any equal ranking securities, exceed **80.0%** of its independent value determined on an ‘as is’ basis and an ‘as if complete basis’ for Construction Loans.

For additional disclosure on this benchmark see Disclosure Principle 6: *Lending principles – Loan to valuation ratios* below.

## Benchmark 7: Distribution practices

Details of the Benchmark	Meeting the Benchmark
RF Eclipse will not pay current distributions from scheme borrowings.	<b><i>RF Eclipse meets this benchmark</i></b>

For additional disclosure on this benchmark see Disclosure Principle 7: *Distribution practices* below.

## Benchmark 8: Withdrawal arrangements – non liquid schemes

Details of the Benchmark	Meeting the Benchmark
For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.	<b><i>RF Eclipse does not meet the benchmark</i></b>

However, as is stated in RG45.71, the benchmark can be considered to be inapplicable as RF Eclipse has disclosed in this PDS that investors have no ability to withdraw from the Syndicate until the Mortgage Investment to which the loan relates has been repaid.

For additional disclosure on this benchmark, see Disclosure Principle 8: *Withdrawal arrangements* below.

### 3.2 Disclosure Principles

The information disclosed in this Section 3.2 reflects the information ASIC considers to be key to enable retail investors to analyse the risk of investing and continuing to hold interests in unlisted contributory mortgage schemes, such as the Fund.

The table below sets out:

- the disclosure principle;
- the relevant disclosures of RF Eclipse; and
- where additional information is to be found in this PDS.

The disclosures below are to be read in conjunction with the further material in the PDS and in the Syndicate PDS.

#### **Disclosure Principle 1: Liquidity (*applicable to pooled mortgage schemes only*)**

This disclosure principle does not apply to the Fund.

#### **Disclosure Principle 2: Scheme borrowing**

If the Fund has borrowings, the responsible entity should disclose a number of matters including those relating to:

- the total debts due, their maturity profile, undrawn credit facility and whether refinancing or sale of assets is likely during various periods;
- why RF Eclipse has borrowed the money, including whether the borrowed funds will be used to fund distributions or withdrawal requests;
- any material loan covenant breaches;
- the fact that the amounts owing to lenders and other creditors rank before an investor's interests in the Fund; and
- the risks associated with the Fund's borrowings and credit maturity profile.

As at the date of this PDS, the Fund does not have any borrowings and does not intend to borrow on behalf of the Fund. For information relating to the risks associated with Fund borrowing, see Section 5.2 – Types of risk.

#### **Disclosure Principle 3: Loan portfolio and diversification (*applicable to pooled mortgage schemes only*)**

This disclosure principle does not apply to the Fund.

#### Disclosure Principle 4: Related party transaction

If the responsible entity enters into related party transactions, RF Eclipse should disclose details of those transactions including:

- the value of the financial benefit;
- the nature of the relationship (i.e. the identity of the related party and the nature of the arrangements between the parties, in addition to how the parties are related for the purposes of the Corporations Act 2001 or ASX Listing Rules – for group structures, the nature of these relationships should be disclosed for all group entities);
- whether the arrangement is on ‘arm’s length’ terms, is reasonable remuneration, some other exception applies, or ASIC has granted relief;
- whether scheme member approval for the transaction has been sought and, if so, when (e.g. if member approval was obtained before the issue of interests in the scheme);
- the risks associated with the related party arrangement; and
- the policies and procedures that RF Eclipse has in place for entering into related party transactions, including how compliance with these policies and procedures is monitored.

The Fund has not made any loan to any related party of the Fund. This includes the Directors and shareholders of RF Eclipse, RF Group or any entity associated with any of them, together with their respective spouses or employees. As part of its Management of Conflicts of Interest Policy, no borrowing is permitted by a related party of the Fund.

From time to time RF Eclipse, RF Group or their associates (including associated staff and other individuals) may (in various capacities) deal in transactions or interests identical to those described in the PDS and may invest in the Fund or any Syndicate, and as such will derive interest income in the same way as any other member of the Syndicate or the Fund.

The policy of RF Eclipse as to how it manages any potential conflict of interest that may arise in relation to any related party investment in a Mortgage Investment or any other related party transaction is described in the PDS.

#### Disclosure Principle 5: Valuation policy

The responsible entity must disclose:

- where investors may access the Fund’s valuation policy;
- the processes that the directors employ to form a view on the value of the security property;
- the frequency of valuations; and
- any material inconsistencies between any current valuations over security property and the Fund’s valuation policy.

#### Valuation Policy

The Valuation Policy adopted by RF Eclipse is available by request or can be downloaded from RF Eclipse’s website at [www.rfeclipse.com](http://www.rfeclipse.com).

#### Valuation Processes

A formal valuation is obtained in accordance with the processes set out in the Valuation Policy from an independent valuer who meets the criteria set out in the Valuation Policy.

## **Diversity and rotation of valuers**

Under its Valuation Policy, RF Eclipse maintains a panel of valuers who are independent, experienced and qualified to perform valuations on Security Property. No valuer may provide more than three consecutive valuations of any single Security Property, other than for a Construction Loan. No valuer may conduct more than one-third of the total valuation work for the Fund based on either the total number of loans or by value of funds under management at the time of the valuation.

This policy as to rotation and diversity of valuers recognises that it may not be possible at any particular time to achieve the preferred one-third position and the overriding requirement that the valuation meets the competency, independence, experience, specialisation and professional indemnity insurance criteria adopted by RF Eclipse together with the ability of the Fund to rely on the valuation as having been provided for the purpose of the loan.

## **Frequency of valuations**

The valuation of the Security Property must not be more than six months old when the particular Mortgage Investment is made or a Member is placed in a Syndicate unless an alternative method of estimating the value of the property has been disclosed in the Syndicate PDS.

When a Mortgage Investment is renewed, RF Eclipse assesses on a case by case basis whether an updated valuation is required. For further information on the Valuation Policy adopted by RF Eclipse, refer to Section 4.8 - Valuations.

## **Material inconsistencies**

As at the date of this PDS there were no material inconsistencies between any current valuation and RF Eclipse's Valuation Policy.

### **Disclosure Principle 6: Lending principles – loan to valuation ratios**

As the Fund will directly hold mortgage assets the responsible entity must disclose:

- (a) the maximum and weighted average loan to valuation ratios for the Fund as at the date of reporting; and
- (b) where funds are lent for property development:
  - the criteria against which the funds are drawn down;
  - the percentage (by value) of the completion of any property that is under development as at the date of reporting;
  - the loan to valuation ratio of each property development loan as at the date of reporting.

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Mortgage Investments are held by Syndicate Members in each Syndicate, rather than by the Fund itself. The LVR for a Mortgage Investment is provided in the Syndicate PDS.



## Disclosure Principle 7: Distribution practices

The responsible entity makes distributions to investors from the Fund. The responsible entity should therefore disclose:

- the source of the current and forecast distributions (e.g. from income earned in the relevant distribution period, operating cash flow, financing facility, capital, application money);
- if the distribution is not solely sourced from income received in the relevant distribution period, the reasons for making those distributions and the risks associated with such distributions;
- if the distribution is sourced other than from income, whether this is sustainable over the next 12 months;
- when the responsible entity will pay distributions and the frequency of payment of distributions.

Monthly interest paid by the borrower in respect of the particular Mortgage Investment is distributed to the Syndicate Members in their respective proportions. If the income received from the borrower is insufficient in any monthly period to enable a distribution of interest to be made in full or in part, interest is distributed to Syndicate Members only to the extent that the income has actually been received from the borrower.

Syndicate Member's income is dependent on the relevant borrower meeting their payment obligations.

For information relating to distribution of income, see Section 7.17 – Income and distributions.

## Disclosure Principle 8: Withdrawal arrangements

The responsible entity should disclose:

- the Fund's withdrawal policy and any rights that RF Eclipse has to change the policy;
- the ability of investors to withdraw from the Fund when it is liquid;
- the ability of investors to withdraw from the Fund when it is non-liquid;
- any significant risk factors or limitations that may affect the ability of investors to withdraw from the Fund;
- how investors can exercise their withdrawal rights, including any conditions on exercising these rights;
- the approach to rollovers and renewals, including whether the 'default' is that investments in the Fund are automatically rolled over or renewed;
- if the withdrawals from the Fund are to be funded from an external liquidity facility, the material terms of this facility, including any rights the provider has to suspend or cancel the facility;
- the maximum withdrawal period that applies to the payment of withdrawal requests when the Fund is liquid;
- any rights RF Eclipse has to refuse or suspend withdrawal requests; and
- the policy of the Fund on balancing the maturity of its assets with the maturity of its liabilities and the ability of its members to withdraw (e.g. if the Fund has a policy of ensuring that sufficient assets are held in readily realisable investments to meet future withdrawal requests, RF Eclipse should state this in its PDS, provide details of the source of the realisable investment and report against this in its ongoing disclosure).

If the Fund promotes a fixed redemption unit price for investments (e.g. \$1 per unit), RF Eclipse must clearly disclose details of the circumstances in which a lower amount may be payable, details of how that amount will be determined and the impact of a default under the Fund's mortgage assets on investors (e.g. on investor distributions and the unit price).

Members should note:

- a Member may request to withdraw any Holding Monies that have not been committed to a Syndicate by submitting a withdrawal request in such form required by RF Eclipse;
- if a Member has committed to invest in a Mortgage Investment, their Holding Monies will remain committed to that Mortgage Investment for 60 days from the date the monies were committed. If the Mortgage Investment is not settled within 60 days, the Holding Monies may then be allocated to another selected Mortgage Investment or withdrawn;
- Syndicate Members may not withdraw their investment in a Syndicate until the loan has been repaid or the Security Property realised, the proceeds are available for distribution and the Syndicate is terminated; and
- any request by the borrower for an extension or variation to the term of a Mortgage Investment must be agreed to by the Syndicate Members. A Syndicate Member is under no obligation to agree to the extension or variation and may request the withdrawal of their investment from the Syndicate.

For information relating to withdrawal arrangements, see Section 7.18 – Withdrawing your investment.



## 4. Fund's investments and lending processes

### 4.1 Overview of the Fund

The RF Eclipse Select Credit Fund (**Fund**) is an unlisted Australian managed investment scheme. The Fund was registered in 1999 and was previously known as the Eclipse Prudent Mortgage Fund. RF Eclipse Limited (**RF Eclipse**) is part of the RF Group of companies (**RF Group**) and is the responsible entity of the Fund.

The Fund operates as a contributory mortgage scheme and offers investment in Mortgage Investments that are secured by a registered Mortgage over legal interests in real property.

### 4.2 Investment objective

The Fund aims to provide Members with stable and recurring income with capital stability and low volatility from Mortgage Investments secured by a registered mortgage over legal interests in real property.

### 4.3 Investment strategy

The investment strategy of the Fund is to lend money to borrowers on the security of a registered mortgage over legal interests in real property in Australia.

#### A. Mortgage Investments

Mortgage Investments are loans made directly to borrowers secured by registered mortgages over real property.

The primary security for each Mortgage Investment is a registered first ranking mortgage. The Fund's constitution authorises RF Eclipse to lend money to borrowers on security of a registered second ranking mortgage however as at the date of this PDS, there is no loan secured by a registered second ranking mortgage.

The security ranking details for each Mortgage Investment will be set out in the Syndicate PDS.

The Mortgage Investment is held by a syndicate of Members of the Fund. The Syndicate Members hold the beneficial interest in the Mortgage Investment as tenants in common according to their proportionate share in the Syndicate.

A Mortgage Investment is an asset of the Syndicate Members and is not an asset of the Fund.

Each Mortgage Investment is separate from all other Mortgage Investments in the Fund. If a Mortgage Investment is in default, any loss is not shared by all Fund Members but only the Members in the Syndicate which is in default.

The information below discusses the operation of Mortgage Investments.

### 4.4 Borrowers

Borrowers may be individuals, partnerships, companies or trusts. Each borrower must be identified in accordance with the law. The Fund will not lend to minors or other persons where the Credit Committee considers that there may be legal or practical limitations to the enforcement of the Mortgage Investment.

Prospective borrowers will submit an application to RF Eclipse for assessment under its credit approval process. When approved, the Mortgage Investment will be offered to Members and the Syndicate PDS will provide details of the Mortgage Investment.

### 4.5 Credit assessment process

The Credit Committee has the primary responsibility to ensure that the Mortgage Investments satisfy the lending criteria and to:

- analyse the type, quality and value of the Security Property;
- analyse and subsequently approve or reject an application for a loan proposal or a loan extension or variation;
- ensure that the proposed loan meets the Credit Policy; and
- monitor Mortgage Investment performance.

For Construction Loans, in addition to the above the Credit Committee:

- analyses the type, quality and value of the proposed development proposal;
- assesses the marketability and saleability on completion of the proposed development;
- analyses the design concept, costings, feasibility, projected sales figures, net returns and timeline for completion;

- assesses the experience of all parties associated with the construction as well as considering the capacity of the borrower to inject further capital into the construction should the need arise; and
- monitors the loan to valuation (LVR) ratio and loan to cost (LTC) ratio during construction.

#### 4.6 Purpose of loans

Loans may be advanced for a variety of purposes including, but not limited, to:

- purchase residential premises for investment purposes;
- purchase commercial, retail or industrial property for either owner occupation or investment;
- purchase vacant land for investment or future development;
- fund the construction or development on a Security Property;
- refinance an existing commercial debt; and
- equity release for business or investment purposes.

The purpose of the loan will be disclosed in the Syndicate PDS.

No loans may be made if the loan is regulated by the National Consumer Credit Protection Act.

#### 4.7 Security

The primary security for each Mortgage Investment will be a registered mortgage over the Security Property. In addition to the registered mortgage, which will normally be a first ranking mortgage, we may obtain additional collateral security such as personal guarantees and general security agreements over the assets of the borrower.

For Construction Loans, a tripartite agreement will be entered into with the borrower's builder.

In some circumstances, where collateral security is required, a charge may be registered on a property where a valuation has not been obtained. The collateral security may be secured by a charge such as caveat or a mortgage (which may not be registered).

The details of the primary security will be set out in the Syndicate PDS.

In some circumstances, RF Eclipse will lend money to borrowers on security of a registered second ranking mortgage over the Security Property the particulars of which will be set out in the Syndicate PDS.

#### 4.8 Valuations

RF Eclipse requires valuations to be prepared by an independent, qualified and registered valuer prior to advancing loan funds against a property being offered as security. In all cases we require the valuation to meet the following criteria (amongst other things):

- all valuations must be performed by a valuer who is on the panel of approved valuers for the Fund;
- the panel valuer must be independent of the borrower and RF Eclipse and any conflicts of interest will be dealt with in accordance with the RF Eclipse Conflicts Policy;
- the valuer must be a member of an appropriate professional body in the state or territory where the Security Property is situated; and
- RF Eclipse must instruct the valuer.

All valuations must not be more than six months old as at the date of the settlement of the loan.

Valuations must also be obtained:

- within two months after the directors form a view that there is a likelihood that a decrease in the value of the Security Property may have caused a material breach of a loan covenant;
- where there is an increase to an existing loan and the latest valuation is more than six months old;
- where the loan is being renewed and the latest valuation is more than two years old (unless this is waived by the Credit Committee);
- for any other reason determined by the Credit Committee; and
- when a Syndicate Member transfers their interest in the Syndicate to another Member.

At the discretion of the Credit Committee valuations may also be obtained when the following occurs:

- a partial discharge of a security where more than one Security Property has been provided;

- a material change in the terms of the loan, including as to the amount, duration, or interest rate on renewal;
- information that leads RF Eclipse to believe that there may be a variation in the security value;
- a material change in the nature of the building/ property; or
- a request to vary directorship or ownership of a company.

For more information, see Disclosure Principle 5: Valuation policy in Section 3.2.

The Valuation Policy is available on RF Eclipse's website at [www.rfecclipse.com](http://www.rfecclipse.com).

#### 4.9 Loan to Valuation Ratios (LVR)

The maximum LVR for a loan varies according to the Security Property type as follows:

Security Type	Max LVR
<ul style="list-style-type: none"> <li>- Residential</li> <li>- Commercial</li> <li>- Industrial</li> <li>- Strata</li> <li>- Retail</li> <li>- Vacant land (residential or suburban blocks)</li> </ul>	65% of "as is" value
Secured by a first registered mortgage.	
Construction loans	65% of "as is" value and also of "as if complete" value, net of GST
Secured by a first registered mortgage.	
<ul style="list-style-type: none"> <li>- Residential</li> <li>- Commercial</li> <li>- Industrial</li> <li>- Strata</li> <li>- Retail</li> <li>- Vacant land (residential or suburban blocks)</li> </ul>	80% when taken with the amount advanced on the first registered mortgage and any equal ranking securities
Secured by a second registered mortgage.	

All LVRs are based on the 'as is' value at the time of settlement of the loan and are disclosed in the Syndicate PDS.

#### 4.10 Construction loans

In assessing a Construction Loan, the Credit Committee will assess the project and its marketability and saleability upon completion, with a view to ensuring the LVR is maintained during the course of construction. The maximum LVR will not exceed 65% on an 'as is' basis and 'as if complete' basis at the time of the initial advance of the loan.

The 'as if complete' value assumes that at the date of the valuation the proposed construction project is already complete and reflects the market at that date. The valuer assesses the 'as if complete' value from the plans and specifications having regard to the market at the date of inspection.

The Credit Committee will also assess the 'loan to cost' (**LTC**) ratio, which considers the amount that it will cost to complete the development and the total loan amount. This takes into account the value of the land on which the development is to be built, and is different to the loan to valuation ratio. The Loan to Cost Ratio is to be no more than 75%.

The Syndicate PDS relating to the loan will disclose the LVR and LTC for the loan.

All Construction Loans are monitored on a cost to complete basis. The cost of construction of the development project must be assessed by an independent quantity surveyor and progress drawdown of funds are only released to the borrower, or the borrower's builder, when works are completed to an agreed stage. The construction must comply with all the necessary approvals and statutory requirements applicable at that time. The works are inspected by the quantity surveyor at each stage and after payment of a progress draw the balance of the cost to complete must be retained and forms part of the remaining undrawn amount of the loan.

The Fund manages all loans that are to be drawn down progressively by ensuring that, at the time of the initial advance of the loan, all subsequent advances are fully funded or otherwise as specified in the relevant Syndicate PDS. Each progress draw and payment is dealt with as a separate tranche of the loan and stage in the construction program. As RF Eclipse obtains an updated quantity surveyor report at each progress draw, the cost to complete is known at all times.

#### **4.11 Loan diversification**

RF Eclipse may accept residential, commercial, strata, retail or industrial properties, as well as vacant land and select construction and development project sites as Security Property for a Mortgage Investment.

The Fund does not lend on the basis of specialty security property, such as caravan parks, churches and the like.

RF Eclipse's policy as to geographical spread is that the proposed real estate be located anywhere in Australia, however predominantly located in metropolitan areas of either state capital or a major regional area in Australia.

Information as to the loan portfolio and its diversification is updated for the Fund semi-annually and disclosed in the RG 45 benchmark and disclosure principles report for the Fund at [www.rfecclipse.com](http://www.rfecclipse.com).

#### **4.12 Mortgage Investment term**

The Mortgage Investment term is generally between 12 and 36 months, however this may be longer or shorter depending on the nature of the investment. The term will be stated in the Syndicate PDS.

#### **4.13 Borrower's capacity to repay the loan and loan assessment**

A disciplined process is used by RF Eclipse to evaluate each loan proposal that is submitted by applicant borrowers and for monitoring any loan that is subsequently approved by the Credit Committee.

This process reflects the requirements contained within the Credit Policy for the Fund.

The applicant borrower's ability to repay the loan is important in the evaluation process. A standard loan application form is completed and signed by an applicant borrower. A credit check is carried out in all cases.

#### **4.14 Interest rates**

Interest rates and fees payable vary between Mortgage Investments and are set out in the Syndicate PDS.

Interest rates are set by RF Eclipse as part of its credit assessment process having regard to factors such as the prevailing market rates, the type of loan, nature of the security provided, loan terms and conditions and any other matter that RF Eclipse may consider relevant.

#### **4.15 Line fee**

For some Construction Loans, a line fee rate expressed as a percentage of the loan facility limit, may apply. The line fee is paid by the borrower on the full loan amount to keep the full loan amount available for use during the course of construction.

If you select a Mortgage Investment that has a line fee you will receive two different rates of interest. The first interest rate will apply to the proportion of the investment amount that has been advanced to the borrower and the second interest rate will apply to the proportion of the investment amount retained in trust and be comprised of:

- the rate of interest earned on the Holding Monies in the Fund Account; and
- the line fee disclosed in the Syndicate PDS, which will be charged on the total Mortgage Investment amount.

The interest rates for the Mortgage Investment will be specified in the relevant Syndicate PDS.

For further information, see Section 6.2 – Fees and other costs.

#### **4.16 Mortgage investment management**

On becoming a member of a Syndicate, each Syndicate Member appoints and authorises RF Eclipse to manage their interest in the Mortgage Investment. That appointment cannot be revoked by the Syndicate Member and will cease on termination of the Syndicate.

RF Eclipse must manage the Syndicate in accordance with the requirements of the constitution, this PDS, the Syndicate PDS and the Corporations Act 2001. For further information, see Section 4.18 – Loan monitoring and default management.



#### **4.17 Adequate property insurance**

Prior to loan funds being advanced, written confirmation must be received that adequate insurance over the property to be mortgaged is in place and that the interest of RF Eclipse is noted as mortgagee on the relevant policies. Insurance coverage is monitored on a regular basis.

If the borrower fails to provide evidence that the policy has been renewed or RF Eclipse receives advice that the policy has been cancelled, RF Eclipse will obtain insurance.

Borrowers are required to maintain property insurance but not required to take out mortgage insurance.

For a Construction Loan, the borrower must also provide written confirmation that adequate construction insurance has been obtained by the borrower's builder and that the interest of RF Eclipse is noted as mortgagee.

#### **4.18 Loan monitoring and default management**

The performance of all loans is actively and regularly monitored with respect to timely payment of interest and adherence to loan covenants. RF Eclipse has the responsibility for monitoring any loans in arrears or in default and provides weekly reports to the Credit Committee which monitors and reviews all default loans.

In the event that a borrower fails to make an interest or principal payment on the due date, the following actions will be taken:

- where a scheduled payment or repayment has not been received within seven days after the due date, the account is considered to be overdue and the borrower will be contacted to arrange collection of the arrears;
- where a scheduled payment has not been received for 30 days, the account is considered to be in default and enforcement steps will be taken. All legal enforcement proceedings will be handled by a solicitor appointed to the legal panel for the Fund;
- RF Eclipse will monitor the progress of the enforcement proceedings and any other action taken in connection with the default; and
- as part of the enforcement proceedings, RF Eclipse may consider appointing a receiver, insolvency practitioner or other professional.

RF Eclipse employs discretion in deciding the action to be taken, the timetable and whether the payment of interest at the higher rate is to apply to a default situation.

RF Eclipse will inform the Syndicate Members of the circumstances of the default and the default management.

#### **4.19 Enforcement of Mortgage Investments**

When an enforcement right of a Mortgage Investment becomes exercisable by the Syndicate Members, such as enforcement of the security and sale of the Security Property, the Syndicate Members are entitled to exercise that right subject to the general power of management that has been conferred on RF Eclipse by each Syndicate Member.

RF Eclipse may call a meeting of all Syndicate Members before it exercises a right or power of enforcement and those Syndicate Members may direct RF Eclipse by special resolution to exercise its power in a particular manner.

If the Syndicate Members do direct RF Eclipse to exercise a power in a particular way, RF Eclipse may require to be indemnified against any losses, costs, expenses, claims or liabilities which RF Eclipse may incur following that discretion.

As each Syndicate is separate from any other Syndicate, the default of one Mortgage Investment is borne by the relevant Syndicate Members and is not shared by the Members of any other Syndicate.

After the sale of the Security Property, RF Eclipse has no obligation to fund or pursue further recovery action. We will liaise with the Syndicate Members to determine whether they would like to contribute on a voluntary basis to the costs of further recovery action. If further recovery action results in a recovery of funds, this will be distributed based on the Syndicate Member's contribution.

#### 4.20 Priority of Debts

When a loan is partially repaid or, following a borrower's default, RF Eclipse has sold the Security Property and recovered all or part of the Syndicate Members capital investment, the following order of priority applies to payment of money received in accordance with RF Eclipse's obligations at law:

- first, towards payment of liabilities having priority at law to the Mortgage Investment, for example Council rates, GST obligations and liquidator's fees (if applicable);
- secondly, in payment of RF Eclipse's fees, charges and other expenses incurred in the proper performance of its duties;
- thirdly, in payment of the funds invested by the Syndicate Members; and
- fourthly, in payment of any interest at the lower rate and thereafter at the higher rate (if applicable).

You should be aware that GST may be payable by RF Eclipse on the sale of a Security Property and this may reduce the funds available for distribution to Syndicate Members.

If you have chosen to invest in a second mortgage, all amounts owing in respect of the first mortgage or any prior ranking interest must be paid in full before Syndicate Members will receive payment of any funds invested under the second mortgage.

#### 4.21 Loans in arrears and in default

Defaults may be interest arrears for non-payment of monthly interest for a period of more than 30 days or principal default due to non-payment of principal on the maturity date.

As at 15 November 2019, the Fund had:

- 70 Mortgage Investments;
- three loans in interest arrears for more than 30 days. These loans represent 3.79% of the value of the investor funds invested and 4.29% of the total number of Mortgage Investments in the Fund; and

- four loans in principal default for more than 30 days. These loans represent 4.12% of the value of investor funds invested and 5.71% of the total number of Mortgage Investments in the Fund. The three loans that are in interest arrears are also in principal default and are included in the total number of loans in principal default. The other loan that is in principal default is not in interest arrears.

Loans default information is updated for the Fund semi-annually and disclosed in the RG 45 benchmark and disclosure principles report for the Fund at [www.rfecclipse.com](http://www.rfecclipse.com).

#### 4.22 Credit contract loans

The Fund does not make loans that are in the nature of credit contracts regulated by the National Credit Code.

#### 4.23 Labour standards or environmental, social or ethical considerations

RF Eclipse generally does not take into account labour standards or environmental, social or ethical considerations when buying, retaining or selling mortgage investments. However, to the extent that it believes those matters may affect the value or performance of a mortgage investment, they may be considered.

RF Eclipse does not have a predetermined view as to what constitutes a labour standard or environmental, social or ethical consideration, as these will be determined on a case by case basis.

### B. Other assets of the Fund

#### 4.24 Cash

The Fund will always have cash as part of its assets. The level of cash held will reflect a number of factors including:

- the funds received under this PDS and not as yet invested into Mortgage Investments, being the Holding Monies;
- receipt of income and repayments that have not been distributed; and
- the anticipated expenses, liabilities and cash needs of the Fund.





## 5. Risk

### 5.1 What are the risks of investing?

A degree of risk applies to all types of investments.

Risk can mean different things to different people. It can mean:

- the risk of not achieving the expected return on your investment;
- the risk of not achieving any return at all over the period of the investment; and
- the risk of losing some or all of your capital investment.

When making your investment decision, you should consider that investments in growth assets, such as shares and property, provide the potential for higher returns in the long-term than investments in income producing assets such as mortgages, fixed interest and cash. However, growth assets tend to produce more variability of returns in the short-term.

Diversifying your investments across different asset classes can help you to smooth your returns.

In the case of an investment in the Fund the risk considerations set out below generally apply to most investors. However, the list of risks set out in Section 5.2 – Types of risk are intended as a guide only and RF Eclipse recommends that you consider the following as ways in which you can reduce your own investment risk:

- seek professional advice to assist in setting your investment objectives and understand your financial position and particular needs. This PDS does not replace the need for financial advice;
- plan your investment strategy (in conjunction with your financial adviser) by considering at least the following:
  - how much risk you are comfortable taking and your risk tolerance;
  - how long you plan to invest for and your risk preference;
  - what level of returns you require;
  - your current financial circumstances;
  - your liquidity requirements; and
  - the extent to which the Fund fits into your overall financial plan.
- ask questions.

### 5.2 Types of risk

Investments are subject to many risks, not all of which can be predicted or foreseen. The table below lists the significant risks associated with investing in the Fund. These are of 4 basic types:

- those that relate to the lending on mortgages generally;
- general investment risks;
- those that are specific to investing through the Fund; and
- those that are specific to being a Syndicate Member in a Mortgage Investment.

Risk	Explanation
<b>General Mortgage lending risks</b>	
<b>Credit risk or borrower default risk</b>	<p>This is generally the most significant risk when investing in mortgages. It has a number of aspects and consequences.</p> <p>One aspect of credit risk is the risk that a borrower defaults on their obligations under the mortgage contract, for example, not making the required loan repayments or being unable to repay the capital at the end of the loan. This may occur for a wide range of reasons including changes in:</p> <ul style="list-style-type: none"> <li>• a borrower's circumstances;</li> <li>• the general state of the economy in Australia or other places in which the borrower does business;</li> <li>• conditions of the particular market in which the borrower's primary business operates; or</li> <li>• property market conditions.</li> </ul> <p>Default may result in the delay in repaying or the non-repayment of the loan amount by the borrower and its failure to meet interest and fees from its own resources.</p> <p>If the borrower defaults and the Security Property is sold, there may be a delay in payment of interest and/or the repayment of the capital, even if no loss is sustained.</p> <p>There is also a risk that the borrower does not repay the loan (or the interest) and the sale of the property secured by the mortgage does not realise sufficient funds to repay the loan and the borrower is unable to, or otherwise fails to, pay the shortfall.</p>
<b>Illiquid nature of the underlying security</b>	<p>The underlying security is predominantly real property, which is relatively illiquid. If the borrower defaults, there is a risk that substantial delays in recovery could occur with consequential delays in the payment of distributions and the repayment of capital invested. This delay could be increased should the borrower elect to contest the sale through the courts. Interest at the higher rate would continue to accrue during the above process but may not be paid to the Fund and may not be available for distribution to Syndicate Members.</p>
<b>Mortgage insurance risk</b>	<p>Loans made to borrowers through the Fund are not mortgage insured. This means that no mortgage insurance proceeds are available to meet any shortfall in the payment of interest or the repayment of the loan principal.</p>
<b>Litigation risk</b>	<p>If the borrower defaults, borrowers may defend successfully the enforcement proceedings taken by the Fund (either before or after the security property is sold). Courts are vested with wide discretionary powers, and these may be exercised in favour of a borrower. It should be noted that RF Eclipse is under no obligation to pursue further recovery action after the security is sold.</p>
<b>Fraud risk</b>	<p>There is a risk that borrowers may deliberately fabricate evidence to support their loan applications. Although the Fund has procedures in place to detect fraudulent applications the risk of fraud cannot be discounted.</p>

Risk	Explanation
<b>General Mortgage lending risks <i>continued</i></b>	
<b>National Consumer Credit Protection Act (NCCP Act) – Regulated loans</b>	The Fund has no present intentions to make loans that are regulated under the NCCP Act. Nevertheless, a court may for some reason hold that a loan is so regulated. In general terms, there are limits on the amount of default interest that may be charged and the actions that RF Eclipse can take in enforcing a mortgage regulated by the NCCP Act are more demanding and may take longer to implement. In addition, the terms of the loan may be changed if a borrower is having, or will have, trouble making payments by reason of financial hardship caused by illness, unemployment or other reasonable cause.
<b>External dispute resolution risk</b>	RF Eclipse is a member of ASIC approved external dispute resolution scheme Australian Financial Complaints Authority ( <b>EDR scheme</b> ), which is available to borrowers as well as Members. There is a risk that either during the course of a loan, or more typically when RF Eclipse seeks to enforce the loan, a borrower lodges a complaint with the EDR scheme that has the effect of ‘freezing’ any enforcement action that is being taken or delaying any enforcement action that may be taken, while the EDR scheme considers the complaint.
<b>General investment risks</b>	
<b>Mortgage fund risk</b>	The Fund intends to lend to persons involved in a wide variety of industries and activities. They are typically companies or individuals who operate their own business or who wish to borrow for investment purposes. The ability of these borrowers to meet mortgage interest payments and to repay the amount borrowed may be influenced by factors over which RF Eclipse has no control, such as the state of the Australian economy generally. Adverse economic conditions, such as global or Australian economic recession or depression, and enhanced credit risk or uncertainty, could adversely affect property values. Other factors such as the movement in interest rates, changes in taxation policies, the imposition of new statutory requirements, or changes in judicial interpretation and application of the law, may impact on the return that investors may receive from their investment in the Fund, or the enforceability of a Mortgage Investment, when compared with other possible investments.
<b>Interest rate risk</b>	This is the risk that the capital value or income of a security may be adversely affected when interest rates rise or fall. While the interest rate for a Mortgage Investment is a fixed rate for the duration of the Mortgage Investment, increases in interest rates in the Australian market may result in the borrower being unable to service the interest payments (due to other funding obligations it may have) or to arrange a refinance at the end of the term of the Mortgage Investment. Increases in interest rates available to investors generally may make a fixed rate investment in the Fund less attractive during the term of the investment by a Member.
<b>Environmental risk</b>	There is a risk that the real property offered as security is affected by an environmental risk that may not be identifiable at the time of the loan advance, such as land subsidence or soil contamination. An environmental risk can result in a decrease in the security property’s value or delay the sale of the property and the repayment of your investment. In some circumstances, the environmental risk may result in substantial additional costs being incurred, such as remediation of contaminated soil.

Risk	Explanation
<b>Fund risks</b>	
<b>Illiquid nature of Fund</b>	The Fund operates as a non-liquid managed investment scheme. As a result, you have no right to withdraw from a Syndicate except on the termination of the Syndicate. Any factor that delays repayment of the Mortgage Investment and termination of the Syndicate may affect the liquidity for the Member.
<b>Responsible entity risk</b>	RF Eclipse is the responsible entity of the Fund. In this capacity, there is the risk that RF Eclipse may be removed as the responsible entity of the Fund or that a change of key personnel may adversely affect the way in which the Fund is managed. In addition, RF Eclipse is reliant on the effective operation of a number of computing and systems processes. It manages these risks by utilising external service providers or otherwise in accordance with its internal information technology policies and procedures.
<b>Consultancy services</b>	RF Eclipse, as responsible entity of the Fund, is dependent upon its consultants (e.g. an independent qualified valuer) to provide consultancy services of a quality and at the times required by it. The ability of the consultants to do this and the accuracy of their advice cannot be guaranteed by RF Eclipse and may be affected by factors completely outside its control.
<b>Personnel risk</b>	The success of the Fund or the relevant Syndicate depends on the ability of RF Eclipse and its key personnel to develop and implement an investment strategy that achieves the Fund's investment objectives.
<b>Operational risk</b>	<p>Operational risk includes the possibility of fraud, systems failure, regulatory requirements, documentation risk, legal issues and other unforeseen circumstances.</p> <p>These risks have been considered by RF Eclipse and are mitigated through the strict compliance with the Fund's constitution, the compliance plan and the internal risk management processes of RF Eclipse.</p>
<b>Technology and cyber-attack risks</b>	<p>RF Eclipse uses a variety of technologies to manage the Fund and to protect the Fund from malicious cyber activity such as activity directed at computer systems or the commission of traditional crimes, such as fraud and forgery, identity and data theft or the disclosure of personal information.</p> <p>A cyber-attack is an attempted or actual incident and a successful cyber-attack may result in the commission of crimes such as fraud and forgery and the significant disruption of services or data and privacy breaches.</p>
<b>Risks of being a Syndicate Member in a Mortgage Investment</b>	
<b>Valuation risk</b>	An incorrect valuation of the security property may result in the Fund lending more than can be recovered on the realisation of the security property (either by the borrower or by the Fund). There is also a risk that even if a valuation is negligent or otherwise defective, liability may be denied by the valuer's insurer.
<b>Settlement risk</b>	Upon committing your funds to invest in a Mortgage Investment, your funds are committed to the Syndicate for 60 days from the date that the funds were committed. The settlement of the loan advance may be protracted or it may not settle at all. While the funds are committed but not invested, they will continue to earn income at the rate applicable to the Fund Account and not at the rate that the Mortgage Investment provides.

Risk	Explanation
<b>Risks of being a Syndicate Member in a Mortgage Investment <i>continued</i></b>	
<b>Pre-paid and capitalised interest risk</b>	<p>Loans generally will require the interest to be paid periodically during the term of the loan. In some circumstances interest may be capitalised and a provision for interest may be built into the facility within the approved LVR. This is referred to as 'pre-paid interest'. This enables RF Eclipse to control the interest payments and ensure that they are within the approved LVR limit and is not funded from the borrower's ongoing cash flow.</p> <p>There is a risk that the proceeds achieved out of the sale of the property may not be sufficient to repay the total loan, which includes principal and interest.</p>
<b>Construction and development lending risk</b>	<p>Construction Loans include additional risks when compared to loans over existing Security Property. These additional risks can include (and are not limited to):</p> <ul style="list-style-type: none"> <li>• decline in the value of the Security Property during the construction period;</li> <li>• increased construction or rectification costs being greater than budgeted;</li> <li>• delays in the construction resulting in additional interest and other costs;</li> <li>• default or insolvency of the builder;</li> <li>• insufficient materials or expertise available to complete the construction;</li> <li>• deterioration in market conditions resulting in delay of the sale of the completed project;</li> <li>• the project not being completed; and</li> <li>• the 'as is' and 'on completion' value attributed at the beginning of the loan never being achieved.</li> </ul> <p>If the Security Property declines in value during the course of construction and exceeds the maximum LVR or the LCR exceeds the projected cost to complete, the borrower will be asked to provide additional contributions towards the cost of construction. There is the risk that the borrower will not have sufficient resources available to provide the equity required and the default will not be rectified.</p> <p>RF Eclipse endeavours to mitigate such risks by ensuring that project costs are independently assessed by a suitably qualified valuer and quantity surveyor and generally ensuring there is a contingency allowance within the Construction Loan. RF Eclipse only advances funds progressively as building works are completed and independently assessed by a suitably qualified quantity surveyor.</p>
<b>Vacant land risk</b>	<p>There are particular risks associated with loans that involve vacant land and properties that are not able to generate an income when a default occurs as there is no income being generated to offset interest accruals.</p>
<b>Inadequate insurance risk</b>	<p>There is a risk that a borrower from the Fund may fail to effect property insurance over the Security Property, or indeed may cancel such a policy once obtained, without reference to RF Eclipse. There is also a risk that the insurer may not be able to meet its financial obligations under the insurance policy.</p>
<b>Inadequate construction insurance risk</b>	<p>There is a risk that in a construction loan the borrower's builder may fail to effect adequate construction insurance for physical loss or damage to the construction and development works. To mitigate this risk, RF Eclipse instructs the quantity surveyor to review the construction insurance to ensure it is current and adequate prior to authorising the payment of a progress draw.</p>

Risk	Explanation
<b>Risks of being a Syndicate Member in a Mortgage Investment <i>continued</i></b>	
<b>Documentation risk</b>	There is a risk of deficiency in the accuracy of documentation, including the mortgage documentation, which could in certain circumstances adversely affect the recoverability of monies invested by the Syndicate Members and reduce the value of their investment. There is also the risk of unauthorised dealing with documents of title. The security documents are held by the Document Custodian, until the loan is fully repaid.
<b>Early repayment risk</b>	A borrower may request an early repayment of the Mortgage Investment and you may not receive the full benefit of the term of the Mortgage Investment stated in the Syndicate PDS. If a borrower requests an early repayment of the Mortgage Investment, a fee will be payable by the borrower to the Member. The amount of the fee and the timing of its payment will be disclosed in the Syndicate PDS.
<b>Second and Subsequent Mortgage Risk</b>	<p>An investment in a Mortgage Investment secured by a second or subsequent mortgage carries higher risks than a loan secured by a first mortgage as the first lender's rights of repayment takes priority over the second lenders. Generally a second mortgage has a higher rate of interest and reflects this risk.</p> <p>RF Eclipse seeks to mitigate the second mortgage risk by requiring the aggregate of the amounts of the first and any other equal ranking mortgage and the second mortgage to not exceed an LVR of 80%. The LVR will be disclosed in the Syndicate PDS.</p>
<b>Additional or specific risks associated with Mortgage Investments</b>	If RF Eclipse identifies a particular Mortgage Investment offered to Members carries additional or specific risks not referred to above, these will be referred to in the Syndicate PDS.

**Important Note:** The above list of risk factors is not to be taken as being comprehensive or inclusive of all of the risks that may be attributable to an investment in the Fund. These risks, as well as other risks, which have not been specifically identified, may in the future affect the financial performance of the Fund.

Consequently, there is no guarantee as to the amount or timing of the payment of capital or distributions.

RF Eclipse recommends that you speak to a licensed financial adviser before investing in the Fund.



## 6. Fees and other costs

### 6.1 Consumer advisory warning

The warning below is required by law in the form it appears below. The fees and other costs associated with investing in the Fund are described in this Section.

#### DID YOU KNOW?

**Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.**

**For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100 000 to \$80 000).**

**You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.**

**You may be able to negotiate to pay lower contribution fee and management costs where applicable. Ask the fund or your financial adviser.**

#### TO FIND OUT MORE

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

The warning aims to alert investors of the importance of value for money and the compounding value of fees and costs and their impacts over time on end benefits. The example given is not intended to represent an investment in the Fund offered through this PDS or any specific Mortgage Investment offered through any Syndicate PDS. This is particularly so, given that distributions to investors can never be more than the interest rate applicable to their selected Mortgage Investment. In addition, there are no contribution fees for the Fund. For an additional description of the fees and costs charged by the Fund, please read the section below.

### 6.2 Fees and other costs

This Section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole.

Taxes are set out in another part of this document. Please refer to Section 8.11– Taxation.

You should read all the information about fees and costs, because it is important to understand their impact on your investment.

#### RF Eclipse Select Credit Fund

Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of the Fund</b>		
<b>Establishment fee</b> The fee to open your investment.	Nil	Not applicable



Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of the Fund <i>continued</i></b>		
<b>Contribution fee</b> The fee on each amount contributed to your investment.	Nil	Not applicable
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	Nil	Not applicable
<b>Exit fee</b> The fee to close your investment.	Nil	Not applicable
<b>Management Costs</b>		
<b>Holding Monies management fee</b> The fee on funds held in the Fund Account before they are invested in a Mortgage Investment or funds that are returned to the Fund Account following repayment of a Mortgage Investment	0.15% per annum ‡ <b>Note 1</b>	This fee is payable from the Fund Account at the end of each month and is deducted from the interest earned on the Holding Monies.  This fee will be charged only for the period while Holding Monies are held in the Fund Account.
<b>Mortgage Investment management fee</b> The fee on monies while invested in a Mortgage Investment	0.55% per annum ‡ <b>Note 2</b>	This fee is deducted from the interest received by the Member, on a monthly basis and in the manner as provided in the Syndicate PDS.  The fee will be disclosed in the Syndicate PDS.
<b>Mortgage interest account fee</b>	Nil	Not applicable
<b>Other expenses and reimbursements</b>	Nil <b>Note 3</b>	Not applicable
<b>Indirect costs – transferors</b>	Other management costs – fees, costs and expenses paid by the transferor to transfer an interest in the Fund to another Member. These costs may vary. <b>Note 4</b>	This fee is payable by the transferor Member to RF Eclipse before the transfer is registered by RF Eclipse.



Type of fee or cost	Amount	How and when paid
<b>Management Costs</b>		
<b>Indirect costs – borrowers</b>	Other management costs – fees, costs and expenses paid by the borrower to RF Eclipse. These vary from loan to loan and are set out in the relevant Syndicate PDS. <b>Note 5</b>	This cost is paid by the borrower at the times provided in the loan documentation.
<b>Service Fees</b>		
<b>Switching fee</b>	Nil	Not applicable
The fee for changing investment options	<b>Note 5, Note 6</b>	

‡ All fees are shown as inclusive of GST, less any input tax credits, including reduced input tax credits.

- Note 1 The Holding Monies management fee is subject to variation and takes into account the current prevailing interest rates in the market. As at the date of this PDS, RF Eclipse charges a Holding Monies management fee of 0.15% per annum<sup>‡</sup>
- Note 2 This fee may be waived in whole or in part, see Section 6.7 – Can fees change?.
- Note 3 RF Eclipse meets all of the day to day operating expenses of the Fund from its own resources. Abnormal expenses, such as litigation expenses, are reimbursable from the Fund or the relevant Syndicate, as the case may be. Future abnormal costs are not able to be estimated as at the date of this PDS. For further information, see Section 6.6 - Additional explanation of fees and costs.
- Note 4 Indirect costs cover the amounts that RF Eclipse receives by way of fees and charges from transferors that it retains for its own benefit. For information as to a transfer of an interest in a Mortgage Investment, see Section 6.3 - Transfer fees and charges payable by transferor.
- Note 5 Indirect costs cover the amounts that RF Eclipse receives by way of fees and charges from borrowers that it retains for its own benefit. For further information, see Section 6.4 - Fees and charges payable by the borrower.
- Note 6 See Section 6.6 - Additional explanation of fees and costs for further information as to the fees that RF Eclipse may charge.

### 6.3 Transfer fees and charges payable by the transferor

This Section shows fees and other costs that you may be charged if you request to transfer all or part of your interest in a Mortgage Investment.

Type of fee or cost	Amount	How and when paid
<b>Fees when you transfer an interest in a Mortgage Investment</b>		
<b>Transfer fee</b>	1.10% of the value of the Mortgage Investment transferred if the investment is less than \$50,000 and thereafter a flat fee of \$550.00 inclusive of GST ‡	This fee is payable by the transferor Member before the transfer is registered by RF Eclipse.
The fee to transfer your interest in a Mortgage Investment to another Member.		

Type of fee or cost	Amount	How and when paid
<b>Fees when you transfer an interest in a Mortgage Investment <i>continued</i></b>		
<b>Valuation cost</b> The cost to obtain a current valuation report of the Security Property to facilitate the transfer by a Member of their interest in the Mortgage Investment to another Member in the Syndicate Mortgage Investment.	The cost of the valuation will vary depending on the location and value of the Security Property. A reasonable estimate of the cost of the valuation would be between \$880 and \$5,500 (inclusive of GST). This amount is an estimate only.	This cost is payable by the transferor Member and is payable before the transfer is registered.

‡ All fees are shown as inclusive of GST, less any input tax credits, including reduced input tax credits.

#### 6.4 Fees and charges payable by the borrower

RF Eclipse is entitled to a fee equal to any fee or charges charged to a borrower in connection with a Mortgage Investment. The amount that is charged in relation to a Mortgage Investment is set out in the Syndicate PDS. The table below sets out the types of fees and charges that may be received by RF Eclipse from the borrower.

Type of fee or cost	Amount	How and when paid
<b>Fees payable by the borrower</b>		
<b>Establishment fee</b> Fee payable by a borrower to RF Eclipse whether or not the loan proceeds.	A maximum of 2.00% ‡ of the amount of the loan for negotiating and establishing loans. The amount of the fee and the basis of calculation are stated in the Syndicate PDS.	This fee is payable by the borrower in the manner as provided in the facility agreement and the Syndicate PDS and may be paid to RF Eclipse on settlement of the loan advance or by equal monthly instalments for the duration of the Mortgage Investment.
<b>Line fee</b> Fee payable by the borrower to RF Eclipse in a Construction Loan.	0.1% to 1.75% ‡ of the amount of the loan.	This fee is payable by the borrower in the manner as provided in the facility agreement and the Syndicate PDS and may be paid to RF Eclipse on settlement of the loan advance or by equal monthly instalments for the duration of the Mortgage Investment.
<b>Renewal establishment fee</b> Fee payable by the borrower where RF Eclipse agrees to the borrower's application to renew the loan.	A maximum of 2.00% ‡ of the amount of the loan.	This fee is payable by the borrower in the manner as provided in the facility agreement and the Syndicate PDS and may be paid to RF Eclipse on the renewal of the loan or by equal monthly instalments for the duration of the Mortgage Investment.

Type of fee or cost	Amount	How and when paid
<b>Fees payable by the borrower <i>continued</i></b>		
<b>Early repayment fee paid to the Member</b>  Fee payable by the borrower to the Member for early repayment of the Mortgage Investment if the borrower repays the Mortgage Investment more than 30 days before the maturity date. The fee is generally equivalent to at least one month's interest and up to three month's interest at the prompt payment (lower) interest rate.	The amount of the fee and the basis of the calculation are stated in the Syndicate PDS.  <b>Note 1</b>	This fee is paid by the borrower in the manner as provided in the Syndicate PDS and is paid to the Member on the final distribution of monies from the Syndicate.
<b>Additional interest payment on default or late payment paid to Member</b>  Fee payable by the borrower to the Member for non-payment of the interest on the due date or non-payment of the Mortgage Investment on the maturity date.	The amount is typically calculated at the (higher) rate of 4.00% above the prompt payment interest rate. The amount of the fee and the basis of calculation are stated in the Syndicate PDS.	This fee is paid by the borrower in the manner as provided in the Syndicate PDS and is paid to the Member when the additional interest payment has been received from the borrower.
<b>Late interest administration fee</b>  Fee payable by the borrower to RF Eclipse for non-payment of the interest on the due date.	\$220 (inclusive of GST) for every late payment of interest	This fee is paid by the borrower to RF Eclipse when received, or on repayment of the Mortgage Investment.
<b>Monthly default management fee paid to RF Eclipse</b>  The fee payable by the borrower to RF Eclipse to manage a default loan for non-payment of the interest on the due date or non-payment of the Mortgage Investment on the maturity date. For Mortgage Investments where there is substantial additional works involved, an hourly charge of \$265 (including GST) may apply.	\$1,650 (inclusive of GST)	This fee is paid by the borrower to RF Eclipse when the default has been satisfied either on payment of outstanding interest or repayment of the Mortgage Investment.

Type of fee or cost	Amount	How and when paid
<b>Fees payable by the borrower <i>continued</i></b>		
<b>Other fees</b> From time to time borrowers may also be charged <i>other</i> fees and administrative costs, such as loan variation fees, arrears management fees, legal fees, revaluation fees, discharge fees, duplicate statement fees, consents to lease or subsequent mortgage and dishonour fees.	As negotiated with the borrower.	These fees are payable by the borrower to RF Eclipse from time to time if and when applicable.
<b>Service fees</b>		
<b>Trail commission paid to the broker</b> A mortgage broker may be entitled to receive an ongoing trail commission from RF Eclipse for borrowers referred to the Fund. The maximum payable is 0.25% including GST.	Trail commission fees vary from broker to broker but are usually calculated as a percentage of the loan amount.	This fee is paid by RF Eclipse to the broker from the gross interest rate charged by the Syndicate to the Borrower. The fee is deducted from interest proceeds prior to distribution to Members.

‡ All fees are shown as inclusive of GST, less any input tax credits, including reduced input tax credits.

Note 1      If the borrower repays the Mortgage Investment less than 30 days before the maturity date, the borrower must pay interest at the prompt payment interest rate up to and including the maturity date, which will be paid to the Member on the final distribution of monies from the Syndicate.

#### **Important Note:**

The fees and charges payable by the borrower in a Mortgage Investment and the fees and expenses of RF Eclipse will be set out in the Syndicate PDS.

## 6.5 Example of annual fees and costs for the Fund

The following table gives an example of how fees and costs in the Fund can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Example RF Eclipse Select Credit Fund		
Mortgage Fund Amount		Balance of \$50,000 with contributions of \$5,000 during year
Contribution fee	Nil	Nil
PLUS Management costs	1.94%  <b>Note 1</b>	And, for every \$50,000 you have in the Fund you will be charged: <b>\$970</b> each year <b>Note 2</b>
EQUALS Costs of the Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees of from: <b>\$970 to \$1,067</b> What it costs will depend on the investment option you choose and the fees you negotiate with your fund <b>Note 2</b>

Note 1 For further information, see Section 6.6.4 – Indirect Costs.

Note 2 The amount charged will depend on a number of factors, including the period in which Member's monies are invested in a Mortgage Investment or are held in the Fund Account and the amount charged by the Fund in respect of any particular Mortgage Investment. These charges will be disclosed in the Syndicate PDS. Members should also note while the example refers to the amount that you will be 'charged' during a year, as explained in the table of Fees and other costs in Section 6.2 – Fees and other costs, it is the borrower who is required to pay the 'indirect costs'.

The example does not apply to any particular Member or Mortgage Investment. As each Mortgage Investment is different, the Syndicate PDS will contain a breakdown of the Management costs for that loan.

## **6.6 Additional explanation of fees and costs**

### **6.6.1 Management costs**

RF Eclipse must disclose the management costs of the Fund, that is, any amount for administering the Fund, the other expenses and reimbursements in relation to the managed investment scheme and indirect costs. Management costs do not include transactional and operational costs or costs that an Applicant would incur if he or she invested directly in the asset, in this case the Mortgage Investment. Management costs include the annual fee that is payable and any other expenses and reimbursements met from the assets of the Fund. RF Eclipse is also entitled to charge an amount of not more than 16.5% (inclusive of GST, less any input tax credits, including reduced input tax credits) of the interest, if any, earned and credited to the Fund Account. As at the date of this PDS, RF Eclipse does not charge this fee.

### **6.6.2 Expenses payable by RF Eclipse**

RF Eclipse meets all of the expenses of the Fund from its own resources unless any particular expense is specifically referred to in the Syndicate PDS as being payable by the Syndicate Members. If a commission is payable to a financial adviser on investment referrals, it is paid separately by RF Eclipse from its own resources. All expenses incurred by RF Eclipse in connection with a Mortgage Investment, including those incurred in the enforcement of a mortgage, are payable or reimbursable out of the proceeds of the realisation of the Mortgage Investment.

### **6.6.3 Expenses payable to RF Eclipse in the event of a Mortgage Investment default**

If there is a default under a Mortgage Investment in which the Syndicate Members have an interest and there is insufficient money paid from the sale of the mortgage security or on the refinance of the mortgage, then any costs associated with the default or incurred by RF Eclipse (such as but not limited to valuation fees, agents commission, taxes, rates and charges or other imposts of government and regulatory authorities, debt collection fees, legal costs, borrower complaints handling, court proceedings and filing fees, process service fees, arbitration fees, mediation fees and all other costs and disbursements incurred in connection with the default

management, sale and administration of the security and mortgage and the proper performance of the duties and functions of RF Eclipse while the Mortgage Investment was in default) are to be paid prior to payment of interest and principal to Syndicate Members.

### **6.6.4 Indirect costs**

Indirect costs are any amount that RF Eclipse knows, reasonably ought to know or, where this is not the case, may reasonably estimate will directly or indirectly reduce the return on the product that is paid from, or the amount or value of, the income of or property attributable to the investment, or an 'interposed vehicle' in or through which the property attributable to the investment is invested. These cover amounts that RF Eclipse receives by way of fees and charges from borrowers that it retains for its own benefit. RF Eclipse will tell you about these, in respect of any particular Mortgage Investment in the Syndicate PDS.

For the purpose of disclosing the indirect costs component of the management costs in the 'Example of annual fees and costs' in Section 6.5, RF Eclipse has calculated the fees and charges it received during the last financial year and has shown these as a percentage of the Fund's net asset value during that year. The indirect costs for that year were 1.85% of the average aggregate net value of the Fund property and the Mortgage Investments. For that year the management fees represented 0.09% of the average aggregate net value of the Fund property and the Mortgage Investments. The aggregate, being 1.94%, represents the indirect cost ratio (ICR) of the Fund.

Applicants should note that the indirect costs (and the ICR) for the Fund as a whole may be significantly different from those in respect of any one or more Mortgage Investments. You are therefore advised to consider the disclosure of fees and costs, including the management costs charged or chargeable in respect of a Mortgage Investment, in the Syndicate PDS before investing.

## 6.7 Can fees change?

All fees can change. The reasons for this might include changing economic conditions and changes in regulation. You will be given not less than 30 days' written notice of any proposed increase. RF Eclipse cannot charge more than the Fund's constitution allows. If RF Eclipse wishes to raise fees above the amounts allowed for in the Fund's constitution, it would need the approval of Members. RF Eclipse may also defer or waive any of its fees, in whole or in part.

If RF Eclipse elects to cease the waiver or deferral of fees, or to increase any fees to the maximum provided in the constitution, such changes will not affect any fees charged in respect of a Syndicate Member, as stated in the Syndicate PDS. For other Members, RF Eclipse will give not less than 30 days' notice before it makes any such change.

## 6.8 Adviser payments

### ***Payments to financial advisers and intermediaries***

The laws commonly known as the Future of Financial Advice (**FoFA**) legislation contains provisions that regulate and, in some circumstances, prohibit payments to financial advisers and intermediaries by product issuers. Any arrangements made by RF Eclipse to make payments such as commissions to financial advisers and intermediaries, will be entered into in compliance with the FoFA legislation or will comply with the FoFA provisions for the payment of existing arrangements to be paid at a future time. Any such payment is paid by RF Eclipse from its own funds and not by the Member.

### ***Payments to your financial adviser***

Your adviser may charge you fees and costs for providing you with initial and ongoing advice in connection with your investment in the Fund or in

a particular Mortgage Investment. These fees and costs are payable separately by the Member and are not paid out of the Fund. Advice fees apply on an individually negotiated basis, so you should speak to your financial adviser about any advice fee that applies. Details of the fees and costs charged by your financial adviser, as well as the manner in which an advice fee will be paid by you, will be in the financial services guide and statement of advice which your financial adviser will give you. Always discuss fees with your financial adviser.

## 6.9 Goods and Services Tax

Unless otherwise stated, all fees and charges are shown inclusive of GST less any input tax credits, including reduced input tax credits (**RITC**). The management costs are based on the GST rate (currently 10%) and available RITC however this estimate may vary from time to time depending on a variety of factors including the types of fees and costs paid and any changes to the GST rate and the RITC available. For further information, see Section 8.12 – Goods and Services Tax.

## 6.10 Maximum fees

The current fees charged are set out in Section 6.2 – Fees and other costs. Under the constitution of the Fund the maximum (plus GST if applicable) RF Eclipse is entitled to charge is as follows:

### **Holding Monies management fee:**

Up to 1.10% per annum of the holding monies accepted by RF Eclipse and held in the Fund Account (inclusive of GST, less any input tax credits, including RITC).

### **Mortgage investment management fee:**

Up to 1.10% per annum of the monies in a Mortgage Investment (inclusive of GST, less any input tax credits, including RITC).





## 7. Investment Process

### 7.1 Disclosure Documents

This PDS is the first part of a two part disclosure process and you will subsequently be provided with a separate document called a **Syndicate Product Disclosure Statement (Syndicate PDS)**. The Syndicate PDS supplements the information contained in this PDS and will provide you with information about the specific Mortgage Investment so you can become a Syndicate Member.

### 7.2 Participation in the Fund

To participate in the Fund, you must:

- first apply to become a Member of the Fund; and
- then become a Syndicate Member.

### 7.3 Making an initial investment

#### Initial investment amount

The minimum initial investment amount is \$10,000. However, RF Eclipse may decide to accept lower minimum initial investment amounts at its absolute discretion.

All individual or joint investors in the Fund must be at least 18 years of age.

#### How to make your initial investment

You can invest in the Fund by completing 3 steps:

##### Step 1

Carefully read the PDS and make sure you understand its contents. Consider asking questions and get advice specific to your own circumstances and financial situation.



##### Step 2

Complete the application form in accordance with the instructions in the application form.



##### Step 3

Send RF Eclipse your:

- completed application form;
- required customer identity verification documents (as detailed in the application form); and
- application monies via cheque or direct deposit (refer to the application form).

If there is anything that you do not understand ask your financial adviser or contact Investor Relations by calling on 02 9954 2211.



#### 7.4 Acceptance of application

Upon acceptance of your application you will become a Member of the Fund and your application monies are transferred from the Application Monies Account to the Fund Account and become known as Holding Monies.

Any interest earned on the Holding Monies will be distributed to you. For further information see Section 7.7 – Investment of Holding Monies and Section 7.17 – Income and distributions.

If there is a delay in acceptance of your application for any reason, your application monies will be held on trust until the application has been processed. Interest will not be paid to applicants in respect of their application monies regardless of whether their application monies are returned.

If your application is not accepted, RF Eclipse will return the relevant part of your application monies as soon as is practicable.

#### 7.5 Making additional investments

The minimum additional investment amount is \$5,000. However, RF Eclipse may decide to accept lower minimum additional investment amounts at its absolute discretion.

You can make additional investments by sending RF Eclipse your:

- completed and signed additional investment form that is available from the website [www.rfecclipse.com](http://www.rfecclipse.com) or by contacting Investor Relations on 02 9954 2211; and
- additional investment monies via cheque or direct deposit (refer to the additional investment form).

If you wish to make additional investments into the Fund, please keep a copy of this PDS and any information that updates it for future reference.

A copy of the current PDS and any supplementary PDS are available free of charge by visiting the website [www.rfecclipse.com](http://www.rfecclipse.com) or by calling Investor Relations on 02 9954 2211.

#### 7.6 Incomplete or rejected applications

To ensure that your application is processed efficiently, you need to complete all Sections of the application form and provide all required customer identity verification documents required under the AML/CTF Customer Identification

Program (refer to Section 8.7 – AML/CTF Program).

If your application form is not complete and your request is not able to be proceeded with, RF Eclipse may:

- attempt to contact you and/or your financial adviser; or
- hold your application monies until the required information is received.

Moneys may be held for a maximum period of 30 days commencing on the day the funds are received. After this period your funds will be returned to the source of payment via direct credit to your account or by cheque, as the case may be. If any interest has been earned on the funds these will be credited to the Fund and not paid to you.

RF Eclipse may accept or reject any application to become a Member of the Fund and is not required to give any reason or grounds for such a refusal.

#### 7.7 Investment of Holding Monies

If your Holding Monies are not immediately applied to a Mortgage Investment, RF Eclipse may invest the Holding Monies as authorised by the constitution to earn interest. Any interest earned on the Holding Monies will be distributed to you less RF Eclipse's Holding Monies management fee and any bank account keeping fees. For further information see Section 6.2 – Fees and other costs.

#### 7.8 Allocation of Member monies to a Syndicate

After being accepted as a Member of the Fund, you may become a Syndicate Member by selecting a Mortgage Investment.

Based on your investment preference and length of time your investment monies have been in trust, you will be offered an opportunity to become a Syndicate Member in a Mortgage Investment. The details of the Mortgage Investment will be contained in the Syndicate PDS.

Prior to offering you an opportunity to become a Syndicate Member, RF Eclipse will consider as part of its allocation process if the Syndicate meets your investment preferences and the length of time your monies have been held in trust.

## 7.9 Details of Syndicate PDS

Each Syndicate PDS is issued as a supplement to this PDS and will provide you with information about the specific Mortgage Investment such as:

- borrower, mortgagor and guarantor details;
- the amount of the Mortgage Investment to the borrower;
- details of the Security Property and any additional security;
- valuation of the Security Property and Loan to Valuation Ratio;
- duration of Mortgage Investment;
- rate of interest payable by the borrower;
- amount of income payable to you;
- fees and charges payable to RF Eclipse; and
- any specific features or additional risks that may apply to the Mortgage Investment.

## 7.10 How to become a Syndicate Member

A Syndicate PDS will be forwarded to you in accordance with your communications preference.

To become a Syndicate Member:

### Step 1

Carefully read the Syndicate PDS and make sure you understand its contents. Consider asking questions and get advice specific to your own circumstances and financial situation.

### Step 2

Send RF Eclipse your:

- completed Syndicate PDS Acceptance Form;
- updated customer identity verification documents (if required); and
- application monies via cheque or direct deposit (if required).

You will have five Business Days from the date you are taken to have received the Syndicate PDS to accept the terms of the Mortgage Investment and become a Syndicate Member.

On settlement of the Mortgage Investment, you will receive an investment confirmation. For further information see Section 7.22 – Monitoring your investment.

## 7.11 Syndicate Members

Each Mortgage Investment of the Fund is held by the Syndicate Members who hold the legal and beneficial interest as tenants in common. The Mortgage Investment is an asset of the Syndicate Members and is not an asset of the Fund.

Each Mortgage Investment is separate from all other Mortgage Investments in the Fund. If a Mortgage Investment is in default, it is not shared by all Members but only those Members in the Syndicate which is in default.

## 7.12 Availability of Syndicates

There may be times where there are no Syndicates available and RF Eclipse has no obligation to ensure the availability of any Syndicate.

## 7.13 Becoming a Syndicate Member to fund a Construction Loan

You may apply to become a Syndicate Member to fund a Construction Loan where the full amount of the loan is funded by the Syndicate Members at the commencement of the Mortgage Investment. The full amount of the cost to construct is held in a separate bank account that is opened at the commencement of the Mortgage Investment. All progress payments will be released to the borrower, or to the borrower's builder, in progress draws from this separate bank account.

If during the course of construction, the Mortgage Investment is in default, whether by the default of the borrower or the occurrence of an event of default (such as decline in value of Security Property or unauthorised variations to the project), no further progress draws will be advanced until the borrower rectifies the default. If the default is not rectified, an enforcement right becomes exercisable.

If the Mortgage Investment is in default, no additional Members will be accepted to the Syndicate.

The Syndicate PDS will provide the information set out in Section 7.9 – Details in a Syndicate PDS, together with additional information relevant to the Construction Loan such as:

- details of proposed development;
- valuation of the Security Property and Loan to Valuation Ratio and Loan to Cost Ratio; and
- any additional risks associated with the Mortgage Investment.

#### **7.14 Extension or variation of Mortgage Investment term**

A borrower may request an extension or variation of the term of the Mortgage Investment. Upon the borrower satisfying the Credit Committee's requirements for the extension or variation, RF Eclipse will forward another Syndicate PDS to you for your consideration and acceptance. There will be no obligation on you to accept the renewed or varied loan. If you do not wish to accept, your money will be placed in the Fund Account or as directed by you, subject to the location of a Substitute Syndicate Member or the repayment of Mortgage Investment by the borrower.

If the Credit Committee does not agree to the borrower's request to extend the term, the borrower will be required to repay the Mortgage Investment on the maturity date.

RF Eclipse may at its discretion, elect to extend a loan past its maturity date if it is believed to be in the Syndicate Members' best interests. This extension may be required to provide borrowers with extra time to complete the renewal process, finalise the refinance or repayment of the loan or to finalise the sale of the Security Property. In the circumstances of a Construction Loan the extra time may be required to complete the registration of the plan of subdivision and settlement of the pre-sold securities. We will write to you informing you of these instances.

RF Eclipse will also use its discretion whether or not to apply the higher rate of interest after considering the best interests of the Syndicate Members.

#### **7.15 Termination of a Syndicate**

Other than with the Syndicate Members' consent, a Syndicate is terminated and each Syndicate Member ceases to be a member of that Syndicate on the repayment of the Mortgage Investment and

the distribution of the net proceeds to the Syndicate Members.

On the termination of the Syndicate, you will be repaid your share of the net proceeds of the Mortgage Investment according to your proportionate share in the Syndicate.

Following repayment, your monies will be placed in the Fund Account to be allocated to another Syndicate, if available. The Holding Monies will earn interest which will be distributed to you (less any applicable fees). For further information, see Section 7.7 – Investment of Holding Monies and Section 7.17 - Income and distributions.

You may request the return of the Holding Monies. For further information, see Section 7.19 – How to make a withdrawal.

#### **7.16 Cooling off rights**

Due to the duration of the Mortgage Investments, the Fund operates as a non-liquid managed investment scheme. As a result, there is no cooling off period.

#### **7.17 Income and distributions**

Members may receive distributions from their investment from different sources and at different times.

##### **Income from investment of Holding Monies**

If your Holding Monies are accepted to the Fund and not immediately applied to a Mortgage Investment, RF Eclipse may invest the Holding Monies as authorised by the Fund's constitution to earn interest.

The interest rate changes from time to time in line with changes in official interest rates and you should contact RF Eclipse to obtain the current rate.

Any interest earned on your Holding Monies is distributed monthly, usually on or about the tenth calendar day of the month.

##### **Income from investment in Mortgage Investment**

Interest is payable by the borrower at the rate disclosed in the Syndicate PDS. The Syndicate PDS will disclose the higher rate of interest that will apply if the loan is in default or in arrears, together with the lower rate of interest that will apply for prompt payment of interest. The date for

payment by the borrower is usually on the first calendar date of each month or otherwise as stated in the Syndicate PDS.

The interest is paid to the Fund monthly (or quarterly on approval) in arrears. When the interest is paid, it is credited to the Mortgage Interest Account and RF Eclipse then pays the interest to the Member at the rate provided in the Syndicate PDS.

Any interest received in a Mortgage Investment is distributed as provided in the Syndicate PDS, usually monthly on or about the tenth calendar day of the month.

In some circumstances, RF Eclipse may arrange for a borrower to prepay interest so as to reduce the credit risk of the loan. This will be identified in the Syndicate PDS and RF Eclipse will distribute the interest to the Member's account as provided in the Syndicate PDS.

#### **Additional interest collected**

Syndicate Members will also receive additional interest collected by RF Eclipse on default or late payment of interest and/or non-payment of the principal sum on the maturity date. The additional interest is usually at a rate of 4.0% above the prompt payment interest rate and is detailed in the Syndicate PDS.

Syndicate Members may also receive additional interest for early termination or repayment of the Mortgage Investment.

Additional interest payments may be received from the borrower during the term or collected on repayment of the Mortgage Investment.

Any additional interest received will be distributed as soon as possible after being received.

#### **Payment of income distributions**

Income distributions will be paid directly to your nominated account.

### **7.18 Withdrawing your investment**

You may request the return of any Holding Monies that have not been committed to a Mortgage Investment. When you accept the terms of a Mortgage Investment, your funds are committed to the Mortgage Investment for 60 days from the date of acceptance. If after 60 days the Mortgage Investment has not settled, you may request your funds:

- continue to be allocated to the Mortgage Investment;
- be allocated to another Mortgage Investment; or
- be withdrawn from the Fund.

When loan funds have been advanced in a Mortgage Investment, you may not withdraw your investment from that Syndicate until the Mortgage Investment has been repaid, the proceeds are available for distribution and the Syndicate is terminated.

RF Eclipse may, at its discretion, consider a request from a Syndicate member who needs, through unforeseen and exceptional circumstances, to withdraw part or the whole of their investment prior to the Mortgage Investment maturity date but only where a Substitute Syndicate Member can be located. RF Eclipse may charge a transfer fee. For further information, see Section 7.21 – Transfer of an interest in a Mortgage Investment and Section 6.3 – Transfer fees.

### **7.19 How to make a withdrawal**

Any request for a withdrawal of any Holding Monies that have not been committed to a Syndicate is made by submitting a written withdrawal request form in the form as required by RF Eclipse. You can obtain the withdrawal request form by downloading it from [www.rfecclipse.com](http://www.rfecclipse.com) or by calling Investor Relations on 02 9954 2211 during business hours.

In order to process the request, RF Eclipse may request you provide additional information or documentation as may be necessary under the relevant law. Withdrawal payments will be made to your nominated bank account within 10 Business Days after the withdrawal request form has been processed by RF Eclipse.

Please note that we do not permit, and will not pay, withdrawals to third party bank accounts.

### **7.20 Return of Member monies**

RF Eclipse may return your Holding Monies to you. This may be done without prior notice and in RF Eclipse's absolute discretion. RF Eclipse is not required to give any reason for the return and the returned amount will be deposited into your nominated bank account.

### 7.21 Transfer of an interest in a Mortgage Investment

With the approval of RF Eclipse, you may transfer your interest in a Mortgage Investment to another Member. A transfer of any interest is not effective until RF Eclipse registers it in the register of Fund interests. RF Eclipse may refuse to register a transfer of a Member's interest in a Syndicate without giving any reason for refusal.

RF Eclipse may charge a transfer fee. For further information, see Section 6.3 – Transfer fees.

You may also transfer your Holding Monies to another Member before it is committed to a Syndicate. RF Eclipse does not charge a fee to transfer Holding Monies to another Member.

A transfer request must be in writing and in the form required by RF Eclipse.

If a Mortgage Investment is in default, you will not be able to transfer an interest to another Member.

### 7.22 Monitoring your investment

You will be sent regular information about your investment, including:

- confirmation of the acceptance of your initial and additional investments;
- confirmation that a withdrawal request has been processed;
- confirmation when income distributions have been made;
- a monthly interest payment statement; and
- an annual taxation statement.

At any time, you may request a transaction statement that shows either all transactions since your last regular statement or all transactions for a specific period.

It is recommended that you check all statements and transaction confirmations carefully. If there are any discrepancies, please contact Investor Relations on 02 9954 2211.

An annual report for the Fund is available from the website at [www.rfecclipse.com](http://www.rfecclipse.com). You can request a paper copy of any annual report free of charge at any time.

### 7.23 Mortgage Investment information

As a Syndicate Member in a Mortgage Investment you will also be sent information about the Mortgage Investment, including:

- confirmation when the loan funds have been advanced in a Mortgage Investment;
- confirmation when the term of a Mortgage Investment has been varied or extended;
- particulars of any default, breach or other relevant fact that a Syndicate Member would reasonably be expected to be informed about; and
- details of any action RF Eclipse takes, as agent of the Syndicate, in enforcing the terms of the Mortgage and, if necessary, the sale of the Security Property.

You may request an update by calling Investor Relations on 02 9954 2211.

### 7.24 Continuous Disclosure

As the Fund is a disclosing entity, RF Eclipse is subject to regular reporting and continuous disclosure obligations under the Corporations Act 2001 and ASIC's good practice guidance in satisfying its continuous disclosure obligations via website notices. Information and continuous disclosure notices for the Fund will be available by going to [www.rfecclipse.com](http://www.rfecclipse.com) or by calling Investor Relations on 02 9954 2211 during business hours.

It is also required to lodge half-yearly financial reports with ASIC. It is important you check RF Eclipse's website regularly for important information about the Fund.

### 7.25 Investor contact with RF Eclipse

Investor Relations: 02 9954 2211

Hours of operation: 8.30am – 5.00pm  
Monday to Friday  
(Australian Eastern Standard Time)

Send communications to: [investor@rfecclipse.com](mailto:investor@rfecclipse.com)  
or  
RF Eclipse Limited  
PO Box R1297  
ROYAL EXCHANGE  
NSW 1225





## 8. Communicating with you and additional information

### 8.1 Keeping the Fund informed

Our records about you are important. Please inform RF Eclipse in writing of any changes to the personal details that you have given. This may be a new postal address, a change of name or new account details for distribution or withdrawal payments. When requesting a change of personal details please provide:

- your account number;
- the full name in which your investment is held;
- the changes you are requesting;
- a contact name and daytime telephone number; and
- appropriate signatories on the request.

Some changes also require additional documentation (such as a change of name request). Please note that your nominated account can only be changed if an original, signed, written request is received. You will be sent written confirmation of any changes that you request be made to your personal details.

### 8.2 Privacy and personal information

The application form accompanying this PDS requires you to provide personal information. RF Eclipse, and any service providers to RF Eclipse or the Fund may collect, hold and use your personal information in order to assess your application, service your needs as a client or investor, provide facilities and services to you, RF Eclipse or the Fund and for other purposes permitted under the Privacy Act 1998 (Cth) (**Privacy Act**). The Privacy Act regulates, among other things, the collection, storage, quality, use and disclosure of personal information. RF Eclipse is committed to protecting the privacy of its Members. RF Eclipse, in its capacity as the responsible entity of the Fund, has a Privacy Policy and a copy is available from RF Eclipse and is on its website at [www.rfecclipse.com](http://www.rfecclipse.com).

Your personal information may also be used by RF Eclipse to administer, monitor and evaluate products and services, gather, aggregate and report statistical information, assist you with any queries and take measures to detect and prevent fraud and other illegal activity. RF Eclipse may also be allowed or obliged to disclose information by law and to report on risk management matters.

Taxation, company law and AML/CTF Law also require some of the information to be collected in connection with your application. If you do not provide the information requested or provide RF Eclipse with incomplete or inaccurate information, your application may not be able to be processed efficiently, or at all.

The application form also requires you to acknowledge that RF Eclipse may disclose to any other service provider to the Fund, to any regulatory body in any applicable jurisdiction to which RF Eclipse is or may be subject, copies of the Applicant's application/documents and any information concerning the Applicant in their respective possession, whether provided by the Applicant to RF Eclipse or otherwise, including details of that Applicant's existing investments in the Fund, historical and pending investments in the Fund and any such disclosure will not be treated as a breach of any restriction upon the disclosure of information imposed on any such person by law or otherwise.

### Disclosing your personal information

Under various laws and regulatory requirements RF Eclipse may have to pass on your information (or parts of it) to government agencies who may lawfully request it, such as the Australian Taxation Office and the Australian Transaction and Reports Analysis Centre. Information may also be disclosed to external parties on your behalf, such as your financial adviser, unless you have instructed RF Eclipse in writing to do otherwise. RF Eclipse may also disclose your personal information to its service providers (lawyers and others) to enable the printing, distribution and administration of your investment.

## Accessing and correcting your personal information

You are entitled to access, correct and update all personal information which RF Eclipse holds about you. The information held may be obtained by contacting RF Eclipse using its contact details in the Corporate Directory of this PDS. If you have concerns about the completeness or accuracy of the information RF Eclipse has about you or would like to amend your personal information held by RF Eclipse (or its service providers) please contact Investor Relations on 02 9954 2211 or write to us. Please advise RF Eclipse of any changes to such information you have provided. If you have any complaint as to the way in which RF Eclipse complies with the Privacy Act you should contact Investor Relations on 02 9954 2211 or write to us.

### 8.3 Communications policy

The following forms of communication are acceptable for submitting applications, transfers or other requests (such as change of address) to:

- By writing      RF Eclipse Limited  
Level 54, Governor Phillip Tower  
1 Farrer Place  
SYDNEY NSW 2000
- PO Box R1297  
ROYAL EXCHANGE NSW 1225
- By email      [investor@rfeclipse.com](mailto:investor@rfeclipse.com)
- By facsimile      02 9954 2222

We will acknowledge receipt of any application, withdrawal request or transfer request. In the event an acknowledgement is not received within five Business Days, you should assume that the request has not been received and contact us.

By signing the Application Form, you agree that neither RF Eclipse nor the Fund will be responsible for any mis-delivery or non-receipt of any instruction sent to RF Eclipse or the Fund. In the case of mis-receipt or corruption of any message, the Applicant will be required to re-send the documents.

For any application, transfer, withdrawal, change of investment type selection or change of other details you must use the form of document provided by RF Eclipse, unless this requirement is waived by RF Eclipse.

RF Eclipse and/or the Fund reserve the right to ask for the production of original documents or other information to authenticate the communication.

### 8.4 Facsimile or email instructions

If you are providing any request or instruction to RF Eclipse via facsimile or by email (including applications, transfer, withdrawal requests, change of investment type selection or change of other details) it is important to be aware that RF Eclipse:

- will only process your facsimile instruction or a scanned document sent by email if it is received in full and has been signed by authorised signatories;
- is not responsible for any loss or delay that results from a facsimile transmission or email not being received by RF Eclipse;
- will not accept a facsimile receipt confirmation from the sender's facsimile machine as evidence of receipt of the facsimile; and
- does not take responsibility for any fraudulently or incorrectly completed facsimile or email instructions, and will not compensate you for any losses relating to facsimiles or emails unless required by law. For example, you bear the risk that a facsimile or email may be sent by someone who knows your account details.

Please note that any application or withdrawal request sent via email must attach a duly signed document.

You should understand that a person without your authority could telephone RF Eclipse or send them an email or facsimile and, by pretending to be you, transfer or withdraw funds from your account for their own benefit. In using the telephone/ email and/or facsimile facility, you agree that RF Eclipse is not responsible to you for any fraudulently completed communications and that we will not compensate you for any losses.

You agree that should such a fraud take place you release and indemnify us against any liabilities whatsoever arising from RF Eclipse acting on any communication received by phone or facsimile in respect of your investment.



RF Eclipse will only act on completed communications in a form acceptable to RF Eclipse. You must advise RF Eclipse via an original, signed, written request if you wish to change any of your previously nominated account details.

Should you not wish to use these facilities, RF Eclipse must receive an original written request to cancel them. Cancellation will be effective from the end of the second business day after receipt of this request.

RF Eclipse may cancel or vary the terms of communication services by giving not less than 14 days' written notice to you.

By sending RF Eclipse an email, facsimile or making a phone withdrawal you signify your acceptance of these conditions.

### 8.5 Email communications

The default option for receiving all of your communications will be by email. If you provide RF Eclipse with your email address in the Application Form, you agree that we can send you information about the Fund and your communications by email (unless we are legally required to provide it to you in some other manner). It is very important that you keep your email details up to date and notify us of any change. You may change these details at any time by contacting RF Eclipse and completing the necessary change of details form.

You will always have the right to opt out of receiving communications by email. If you do not provide us with an email address all your communications will be sent by post.

### 8.6 Complaints

RF Eclipse is committed to delivering Members an optimal level of service and welcomes feedback for service improvement. RF Eclipse will address your complaint quickly, fairly and in the strictest confidence. Your complaint will be recorded in RF Eclipse's complaints register.

If you have a complaint about the service provided by us, you should contact RF Eclipse's Complaints Handling Officer on 02 9954 2211 or by email at [complaints@rfeclipse.com](mailto:complaints@rfeclipse.com) or send the complaint in writing to:

**Complaints Handling Officer**  
**RF Eclipse Limited**  
**Level 54, Governor Phillip Tower**  
**1 Farrer Place**  
**SYDNEY NSW 2000**

If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority (**AFCA**) of which we are a member. AFCA provides fair and independent financial services complaint resolution that is free to consumers.

AFCA has authority to hear certain complaints. Contact AFCA to confirm if they can assist you.

Time limits may apply to complain to AFCA and so you should act promptly or otherwise consult the AFCA website to find out if or when the time limit relevant to your circumstances expires.

You can contact AFCA:

By phone: 1800 931 678 (free call)

By email: [info@afca.org.au](mailto:info@afca.org.au)

By writing: Australian Financial Complaints Authority  
GPO Box 3,  
Melbourne VIC 3001

By visiting: [www.afca.org.au](http://www.afca.org.au)

You may also contact ASIC by telephone on 1300 300 630.

### 8.7 AML/CTF Program

The Responsible Entity is required to comply with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (**AML/CTF Law**). This means that the Responsible Entity will require you to provide personal information and documentation in relation to your identity, and that of any beneficial owners, when you invest in the Fund. The Responsible Entity may need to obtain additional information and documentation from you to process your application or subsequent transactions or at other times during your investment. The obtaining of information will be pursuant to the AML/CTF Program that has been adopted for the purpose of customer identification. The Responsible Entity may need to identify:

- transferees of interests in the Fund or a Syndicate. The Responsible Entity will not register a transfer until all relevant information has been received and your or your transferee's identity or that of its beneficial owners has been satisfactorily verified;
- your estate. If you die while you are the owner of an interest in the Fund or a Syndicate, the Responsible Entity may

need to identify your legal personal representative prior to transferring ownership or making any payments; and

- anyone acting on your behalf, including under your power of attorney.

In some circumstances, the Responsible Entity may need to re-verify this information and may request additional information.

By applying to invest in the Fund, you acknowledge that the Responsible Entity may decide to delay or refuse any request or transaction, if it is concerned that the request or transaction may breach any obligation of, or cause the Responsible Entity to commit or participate in an offence under, any AML/CTF Law, and the Responsible Entity or any of its related bodies corporate, affiliates, associates or officers will incur no liability to you if it does so.

By applying to invest in the Fund, you also warrant:

- you are not aware and have no reason to suspect that the application monies used to fund your investment in the Fund have been or will be derived from or related to any money laundering, terrorism financing or other illegal activity; and
- the proceeds of your investment in the Fund will not be used to finance any illegal activities.

RF Eclipse may verify your identity using information held by a Credit Reporting Body (CRB). To do this, we may disclose personal information such as your name, date of birth and address to the CRB to obtain an assessment as to whether that personal information matches information held by the CRB. The CRB may give us a report on that assessment and to do so may use personal information about you and other individuals on their files.

## **8.8 Foreign Account Tax Compliance Act and Common Reporting Standard**

Each investor agrees to provide, and it is a condition of being a Member, certain information that the Responsible Entity requires in order for it to comply with any applicable law, including and United States (US) Foreign Account Tax Compliance Act (FATCA).

FATCA is tax legislation that enables the US Internal Revenue Service (IRS) to identify and collect tax from US persons, or non-US entities controlled by one or more US persons, that invest

in assets outside the US. If you are a US person or a non-US entity controlled by one or more US persons for FATCA purposes, you should note that the Fund will comply with its FATCA obligations. Under these obligations, the Fund will have to disclose information about investors who are US persons, or non-US entities controlled by one or more US persons, to the Australian Taxation Office (ATO). The ATO may then pass this information on to the IRS. In order for the Fund to comply with these obligations, RF Eclipse will also request that you provide certain information about yourself, including your US Taxpayer Identification Number (TIN) if applicable.

The OECD Common Reporting Standard for Automatic Exchange of Financial Account information (CRS) is a similar global regime aimed at collecting and reporting on an investor's tax status. Under the CRS, RF Eclipse may need to collect financial account information of investors that are a tax resident of a foreign country and report this to the ATO annually. The ATO may then pass this information on to the participating foreign tax authorities relevant to those investors.

## **8.9 Politically exposed persons (PEPs)**

To comply with AML/CTF law, RF Eclipse requires you to disclose whether you are or have an association with a politically exposed person (PEP). A PEP is an individual who holds a prominent public position or function in a Government body or an international organisation in Australia or overseas, such as a Head of State, or Head of a Country or Government, or a Government Minister, or equivalent senior politician. A PEP can also be an immediate family member of a person referred to above, including spouse, de facto, partner, child and a child's spouse or a parent. A close associate of a PEP, i.e. any individual who is known to have joint beneficial ownership of a legal arrangement or entity is also considered to be a PEP. Where you identify as, or have an association with a PEP, we may request additional information from you.

## **8.10 Beneficial owners**

To comply with AML/CTF law RF Eclipse also requires you to disclose beneficial owners of Applicants such as a company, trust or partnership. 'Beneficial owner' means an individual who ultimately owns or controls, directly or indirectly, the Applicant investor. 'Owns' means ownership, either directly or indirectly, of

25% or more of the Applicant. The beneficial owners of a corporation include, but are not limited to, any person who holds 25% of the voting shares of the corporation. 'Control' means having the power or capacity to make decisions about the entity's finances and operations. It includes control as a result of, or by means of, a trust, agreements, arrangements, understandings, policies and practices, whether or not having legal or equitable force and whether or not based on legal or equitable rights. There may be more than one beneficial owner of an Applicant entity.

### 8.11 Taxation

The information in the following summary is intended to be of a general nature only and should only serve as a guide to the tax considerations that may arise. The summary applies only to Australian tax resident investors in respect of their investment in the Fund and a Mortgage Investment through the Fund. Different tax considerations may arise for non-resident investors and they should seek their own advice.

Investment, and dealing with investments, has tax implications that can be complicated and will ultimately be dependent on each individual investor's particular circumstances. You should seek independent professional advice that takes into account your personal circumstances before investing in the Fund or a Mortgage Investment through the Fund.

The following summary is based on the Australian taxation law and published guidance from the ATO as at the issue date of this PDS and is subject to change.

The Fund will hold your interest in the Fund Account on trust for you. In respect of any interest income derived on the Holding Monies deposited in the Fund Account, the Fund itself should not pay tax on the basis that Members are presently entitled to any interest income for each income year. You may be subject to tax on your share of any interest income distributed to you by the Fund.

By making a Mortgage Investment through the Fund, you will legally and beneficially own an interest in the underlying Mortgage Investment, together with other Syndicate Members. In this way, for Australian tax purposes, Mortgage Investments will be treated as a loan that is made directly by you and the other Syndicate Members. Further, the income received by you will be in the form of interest received directly from the Mortgage Investment. The rules in relation to the

taxation of beneficiaries in a trust should not be applicable to the Mortgage Investment.

Mortgage Investment loans will qualify as financial arrangements for the purposes of the Taxation of Financial Arrangement (TOFA) provisions in the Australian income tax law. The TOFA provisions apply on a mandatory basis to taxpayers that meet certain thresholds or in respect of certain qualifying securities. A taxpayer may also elect to have the TOFA provisions apply.

Broadly, if you are subject to the TOFA provisions, or elect for them to apply to you, the TOFA provisions recognise certain gains and losses on financial arrangements on an accruals basis, which may result in a taxing point prior to the receipt of investment income or the realisation of the investment.

If you are not subject to the TOFA provisions, and you have also not elected for this regime to apply in your circumstances, then you should be subject to tax on the interest on each Mortgage Investment loan when it is received by you. In this respect, the accruals taxation provisions in the Australia income tax law should not apply to you, provided that the only return on the Mortgage Investment loan will be in the form of periodic interest payments and there is no inherent discount or premium on the investment.

On termination of the Mortgage Investment, you should receive any accrued interest and a repayment of the outstanding loan principal. If you make any gain on the termination of a Mortgage Investment, it may be assessable to you at the time of termination. If you make any loss on termination of a Mortgage Investment, it may be allowable to you as a deduction at the time of termination. However, there are certain circumstances when a loss on termination of a Mortgage Investment is not allowable as a deduction, but rather gives rise to a capital loss. You should seek your own professional tax advice to determine the appropriate tax treatment of any gains or losses on termination of the Mortgage Investment.

You may also make gains or losses where you transfer your interest in a Mortgage Investment to another Member. You should seek professional tax advice to determine the treatment of any gains or losses that arise on the transfer of Mortgage Investments.

Stamp duty may also apply on the transfer of the Mortgage Investments in certain circumstances.

### **8.12 Goods and Services Tax (GST)**

The Fund is registered for GST.

Fees and expenses in respect of acquisitions by the Fund will generally be subject to GST. Given the nature of the Fund's activities, the Fund will generally not be entitled to claim input tax credits for the full amount of the GST incurred. However, a reduced input tax credit may be available for the GST paid on prescribed expenses incurred by the Fund.

No GST obligations arise for investors on the application, withdrawal or transfer of interests in the Fund. Distributions made by the Fund will also not be subject to GST.

Unless otherwise stated, fees and charges quoted in this PDS are inclusive of GST.

### **8.13 Social Security**

Investing in the Fund may affect your entitlement to social security benefits. If you require specific advice, please contact Centrelink, Veterans Affairs or your professional adviser.

### **8.14 Tax File Number (TFN) or Australian Business Number (ABN) notification**

It is not compulsory for you to quote your TFN or ABN. However, unless an exemption applies, failure by an investor to quote a TFN or an ABN may result in tax being withheld on distributions paid to the investor at the highest marginal tax rate plus applicable levies.

By quoting their TFN or ABN on its application form for the Fund, the investor authorises the Fund to apply it in respect of all the investor's investment with the Fund, including disclosing it to the ATO. Collection of TFN or ABN information is authorised, and its use and disclosure is strictly regulated by the tax laws and under privacy legislation.



## 9. Fund management

### 9.1 The Responsible Entity and its personnel

RF Eclipse is a contributory mortgage scheme manager and has operated in the area of unlisted registered mortgage schemes since the establishment of the Fund in 1999. RF Eclipse brings to its role many years of experience and expertise to meet the compliance and operational requirements that apply to a contributory mortgage managed investment scheme.

RF Eclipse management personnel have extensive experience in credit investment analysis and funds management.

RF Eclipse was acquired as a wholly-owned subsidiary in June 2016 by RF Group.

### 9.2 RF Group

RF Eclipse is the retail credit division of RF Group, a specialist alternative asset manager with global capabilities in real estate, private equity and credit.

RF Group was established by Andrew Roberts in 2007, following the sale of Multiplex Group to Brookfield Asset Management. Multiplex was an integrated real estate and construction firm, with construction, investment, funds management, asset management and facilities management operations across the globe.

### 9.3 The Board

The Board is comprised of:

#### **Dr Bob Edgar**

*Independent Non-executive Chairman*

Dr Bob Edgar was appointed Independent Non-executive Chairman on 22 December 2017.

Bob retired as Deputy Chief Executive Officer of the ANZ Banking Group in 2009. In a 25 year career at ANZ, he also held the positions of Chief Operating Officer, Managing Director, Institutional Financial Services and Chief Economist. He is a Non-executive Director of Transurban Limited, Djerriwarrh Investments Limited and Linfox Armaguard Pty Limited.

Bob serves as the Chair of the Hudson Institute of Medical Research and was a former Chair and a Non-executive Director of Federation Centres Limited. He was previously a Non-executive Director of Asciano Limited, Nufarm Limited and three Asian banks connected with ANZ.

#### **Mr James McNally**

*Independent Non-executive Director*

Mr James McNally was appointed Independent Non-executive Director on 13 December 2017.

James was a former executive and founding director of ALE Property Group, an ASX listed hotel property trust with funds under management of A\$1.1 billion across 86 properties located in Australia.

He has over 24 years' experience in the funds management industry, having worked in both property trust administration and compliance roles for Perpetual Trustees Australia Limited and MIA Services Pty Limited, a company that specialises in compliance services to the funds management industry

#### **Mr George Kostas**

*Executive Director, RF Group CEO, Credit Committee Member*

Mr George Kostas was appointed a Director of RF Eclipse in June 2016 and is a Member of the Credit Committee.

In his role as RF Group Chief Executive Officer, George is responsible for all investments undertaken by the Roberts Family and the operational performance of the various businesses it owns. That includes asset management company RF Group, Roberts Constructions, Australian construction company Roberts Pizzarotti and specialist real estate fund manager and investor RF Corval. Prior to this, George was chief executive of the largest privately held real estate group in the Middle East North Africa (MENA) region, the US\$10 billion Majid Al Futtaim Properties.

George held executive roles with Brookfield Multiplex over 14 years in finance, treasury, strategy, mergers and acquisitions, residential property, construction and development and completed his tenure with Brookfield Multiplex in 2013 as a member of the global executive team, and Managing Director of the construction and development arm in the Australasian region.

## 9.4 Senior management

### Mr Michael Vella

*Chief Executive Officer*

Mr Michael Vella was appointed Chief Executive Officer on 21 March 2018. Michael joined RF Eclipse as General Manager, Lending and Credit in August 2017.

He has over 35 years' experience in property, funds management, debt financing, commercial lending, insolvency and debt recovery at ANZ Bank, AMAL Asset Management, Mirvac Group and PPB Advisory.

Michael is a former director at PPB Advisory, a restructuring advisory and consulting firm.

### Mr Chris Rees

*Chairman, Credit Committee*

Mr Chris Rees joined RF Eclipse in October 2016 and has 30 years of banking and finance experience with ANZ Bank including the role of National Head of Property and Construction Finance.

He is an adviser to and director of various companies within the TrustCapital Advisors Group, a fund manager specializing in commercial office property in Australia with A\$1.0 billion under management.

### Mr John Moore

*Member, Credit Committee*

Mr John Moore joined RF Eclipse in July 2019 and has over 45 years of banking and finance experience with both Australian and international banks.

John was previously Head of Commercial Property Finance at Advance Bank. He was then with ING Bank Australia for 19 years where he was Executive Director for Commercial Property Finance, Real Estate Finance and Utilities, Infrastructure and Project Finance.

### Mr Malcolm Graham

*Member, Credit Committee*

Mr Malcolm Graham joined RF Eclipse in September 2019 and has over 45 years of banking and finance experience. Malcolm previously held senior executive lending roles within the Commonwealth Bank's Corporate and Business Banking structures and senior executive credit roles with non-bank commercial property financiers including ING Funds Management and Uniting Financial Services.

Malcolm was previously non-executive director of Gateway Bank where he held roles including Chairman and Deputy Chair during his 27 year board tenure.





## 10. Fund documents

### 10.1 Fund documents

The Fund is a registered managed investment scheme that is an unlisted Australian managed investment scheme and is governed by a constitution.

The Fund's constitution, together with the Corporations Act 2001 and some other laws, governs the way in which the Fund operates and the rights and responsibilities and duties of the responsible entity and Members.

The constitution contains the rules relating to a number of issues including:

- your rights as a Member of the Fund and of a Syndicate;
- applications for interests and withdrawal of interests in the Fund;
- the making, management, enforcement and realisation of Mortgage Investments;
- the investment powers of the responsible entity;
- the responsible entity's right to claim indemnity from the Fund and charge fees and expenses to the Fund; and
- the termination of the Fund.

The constitution is a legally enforceable document and is lodged with ASIC as part of the Fund's registered documents. You or your adviser wishing to gain full knowledge of its contents should inspect it.

You can inspect a copy of the constitution at RF Eclipse's office or simply request a copy and RF Eclipse will provide you with a copy free of charge.

RF Eclipse as the responsible entity of the Fund may alter the constitution if it reasonably considers the amendments will not adversely affect Member's rights. Otherwise it must obtain Member approval at a meeting of members.

RF Eclipse may retire or be required to retire as responsible entity (if members vote for its removal).

### 10.2 Termination

The constitution of the Fund, together with the Corporations Act 2001, governs how and when the Fund may be terminated. RF Eclipse may terminate the Fund at any time if it considers it to be in the interest of the Members. On termination, RF Eclipse must realise any Mortgage Investment and pay the proceeds of the realisation to the Members of the relevant Syndicate.

### 10.3 Member meetings

The conduct of Member's meetings and Members' rights to requisition, attend and vote at those meetings are subject to the Corporations Act 2001 and (to the extent applicable) the Fund's constitution.

### 10.4 Powers of RF Eclipse

Subject to any express limitation in the constitution, RF Eclipse as the responsible entity of the Fund, has all the powers in respect of the Fund and the assets, including using the assets and credit of the Fund as if it were the absolute and beneficial owner of the Fund and the assets. While RF Eclipse has not exercised this power and has no current intention to do so, RF Eclipse in its capacity as responsible entity has power to borrow (whether on security or not) and to incur all types of obligations and liabilities. RF Eclipse may also authorise any person to act as its agent or delegate.

All discretion and power vested in RF Eclipse is absolute and uncontrolled, subject to any legal restrictions. In addition to any right of RF Eclipse under the general law to refuse disclosure of any document or matter, RF Eclipse is not required to disclose to any person or Member documents relating to its deliberations or the exercise of any power or discretion, or the non-exercise of such power or discretion, other than where this is required by the constitution, the Corporations Act 2001 or at general law.

A related body corporate of RF Eclipse and any person being a director or shareholder of RF Eclipse or a related body corporate may be directly or indirectly interested in the exercise of powers and discretions under the constitution without affecting the validity of the exercise of such powers or discretions.



## 10.5 Liability of RF Eclipse

Subject to its complying with and acting in accordance with its obligations under the constitution and the Corporations Act 2001, if RF Eclipse properly performs its duties and acts in good faith and without negligence, RF Eclipse is not liable in contract, tort or otherwise to Members for any loss suffered in any way relating to the Fund or a Syndicate, including for any loss or damage to the assets or the Fund or to any person caused by:

- the exercise of any discretion or power conferred by the constitution or by law on RF Eclipse or any failure to exercise the discretion or power; or
- any disclosure by RF Eclipse of any document, matter or thing to the Fund or any Member.

RF Eclipse is otherwise liable only to the extent of the value of assets vested in it or received by it under the constitution. The liability of RF Eclipse to any person, other than a Member, including any contracts entered into as responsible entity of the Fund or in relation to the assets, is limited to RF Eclipse's ability to be indemnified from the assets.

## 10.6 Indemnity of RF Eclipse

RF Eclipse properly performing its duties and acting in good faith is entitled to be indemnified out of the assets or, where appropriate, the proceeds of the realization of a particular Mortgage Investment in respect of all liabilities, costs and expenses incurred by RF Eclipse in relation to the operation of the Fund or the management or enforcement of the particular Mortgage Investment. The right of RF Eclipse to be indemnified is limited to the assets and does not extend to enable RF Eclipse to recover from any Syndicate Member or other person beneficially entitled to any interest of the particular Mortgage Investment and loss or liability incurred by RF Eclipse.

## 10.7 Related parties and conflicts of interest

While the Fund's constitution does not prohibit loans being made to parties related to RF Eclipse, it is the current policy that no such loan will be made. However, as indicated above, RF Eclipse and persons associated with them, from its or their own resources, may invest in the Fund and become a Syndicate Member. Any such investment must be made, and maintained, on

identical terms to the investment made by the other investors in the Fund.

In accordance with good governance principles and its obligations under its AFS Licence, RF Eclipse identifies and manages any perceived or potential conflict of interest that may arise in the manner identified in the management of conflicts of interest policy. That policy and the related procedures require, among other things:

- the identification of any actual or potential conflicts and the reporting of these to RF Eclipse's compliance officer and the board;
- the establishment and maintenance of a register of conflicts and related parties;
- the consideration of the register by the Risk and Compliance Committee on a quarterly basis; and
- the requirement that RF Eclipse effect and maintain professional indemnity insurance.

RF Eclipse has adopted a related party transactions policy that sets out the requirements that related party dealings be on not less than 'arm's length terms' or that an exemption applies to the transaction or that the dealings be approved by the Members of the Fund giving the benefit to the related party or otherwise comply with the Corporations Act 2001.

A company within the RF Group, RF Capital Pty Limited ATF RF Capital Trust (**Service Provider**) has agreed to provide certain services to RF Eclipse relating to the administration, management and operation of the Fund. RF Eclipse has agreed to pay the Service Provider a service fee for the provision of these services which includes, but is not limited to, provision of staff, equipment and rent. The service fee is payable by RF Eclipse from its own fees and is not payable by the Fund or by any investor. While the agreement provides for no set fee, the total amount of the fees charged by the Service Provider will at no time exceed the total amount of fees paid to RF Eclipse from the Fund.

The Service Provider is associated with the owners of RF Eclipse, and thus the arrangement entered into is a related party transaction. The agreement was entered into on arm's length terms and otherwise in accordance with the provisions of the Corporations Act 2001 and RF Eclipse's Related Party Transactions Policy. No approval was sought from Members of the Fund (and no such approval was required) before it was entered into.

The risks associated with related party transactions in the nature of such an arrangement with the Service Provider include the quality of the services provided and the monitoring and review of those services. These are covered by the terms of the agreement and the provision of the services is reviewed on an annual basis in accordance with the Outsourcing Policy adopted by RF Eclipse.

#### **10.8 The Fund Custodian**

The constitution authorises RF Eclipse to appoint an external independent agent as custodian to hold all or part of the Fund's assets on behalf of the Fund and the Members. At the date of this PDS, an external independent agent has not been appointed as a custodian. If an external independent agent is appointed as custodian, the details of the custodian will be notified to Members. That custodian would hold the Fund Account as agent of RF Eclipse and the Mortgage Investments as the nominee of the Syndicate Members.

#### **10.9 The Document Custodian**

RF Eclipse has appointed Perpetual Corporate Trust Limited (**Perpetual**) to provide custodial services for the safe keeping and secure storage of the mortgage and security documentation.

##### **The Document Custodian's disclaimer**

Perpetual's role is limited to safekeeping documents in relation to the assets of the Fund as agent for RF Eclipse. Perpetual has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests and has no liability or responsibility to you for any act done or omission made in accordance with the terms of the Custody Agreement.

#### **10.10 Compliance plan and Risk and Compliance Committee**

The Responsible Entity has lodged the Fund's compliance plan with ASIC.

The Fund's compliance plan sets out how RF Eclipse will ensure compliance with both the Corporations Act 2001 and the Fund's constitution.

The Board has appointed a Risk and Compliance sub-committee of the Board, the role of which includes monitoring compliance with the compliance plan. The Board also require it to regularly assess the adequacy of the compliance plan and report any breaches of the Corporations Act 2001 or the Fund's constitution to the Responsible Entity.

#### **10.11 Financial year**

Each financial year of the Fund ends on 30 June.

#### **10.12 Audit and Auditors**

The Fund and the compliance plan are required to be audited annually.

PKF(NS) Audit & Assurance ABN 91 850 861 839 are appointed as the auditor of the Fund and as the compliance plan auditor of the Fund.

#### **10.13 Changing service providers**

The service providers to the Fund may be changed and added to at any time without notice to Members.



## 11. Glossary

Acceptance Form	The form accompanying the Syndicate PDS to accept the terms of the Mortgage Investment.
Additional Investment Application Form	The Application Form for a Member to invest additional Application Monies in the Fund.
Applicant	Person(s) or corporate entity that applies to become a Member.
Application Form	The application form attached to this PDS or the electronic equivalent on our website <a href="http://www.rfeclipse.com">www.rfeclipse.com</a>
Application Monies Account	The bank account into which application monies are deposited before the approval of an application to become a Member.
compliance plan	The compliance plan sets out the measures that RF Eclipse applies in operating the Fund to ensure compliance with the Law and the Fund's constitution.
construction and development	Construction and development projects include multi-residential dwelling construction, land sub-division and construction of commercial and industrial properties.
Construction Loans	A Mortgage Investment to fund a construction and development project.
Credit Committee	Constituted as a sub-committee of the Board to review, assess and approve loan applications and oversee management of all lending activities.
Credit Policy	The Credit Policy sets out the principles on which the Credit Committee determines who the Fund will lend money to and its approach to confining risk by its evaluation of each proposed Mortgage Investment.
default	This means that the borrower is not currently making the required payments under the loan agreement.
directors	Directors of RF Eclipse, unless it is otherwise apparent from the context.
disclosure principles	Information about the Fund required by ASIC in order to improve the disclosure of information about unlisted mortgage schemes.
distributions	All distributions of monthly returns to Syndicate Members made solely from the income received from borrowers.
EDR	External dispute resolution scheme as approved by ASIC. This is currently the Australian Financial Complaints Authority.
Fund	The registered managed investment scheme known as RF Eclipse Select Credit Fund ARSN 090 994 326 as described in this PDS.
Fund Account	The bank account in which Holding Monies are held.
Holding Monies	All monies excluding application monies that are held in the Fund Account.

in arrears	A loan is 'in arrears' if the borrower is not currently making the required payments under the loan agreement.
RF Eclipse, we, us	RF Eclipse Limited ABN 54 089 265 270 holder of Australian Financial Services Licence No. 238546 and the Responsible Entity of the Fund.
LTC	The 'loan to cost' ratio, calculated as the amount of the loan to the cost to build the project as percentage of the cost to complete the development.
LVR	The 'loan to valuation' ratio, calculated as the total amount approved for a loan as percentage of the value of the Security Property.
Member	A person or other legal entity that applies to be and is accepted as a legal member of the Fund, insofar as their investment activities are concerned.
Mortgage	The charge on the Security Property granted by the borrower on entering into a Mortgage Investment to secure the payment by the borrower of the Mortgage Investment. The Mortgage will be registered in the name of RF Eclipse as nominee for the Syndicate Members.
Mortgage Investment	Each individual mortgage secured loan facility.
PDS	This Product Disclosure Statement which describes the operation of the Fund. This PDS contains the Application Form which is required to be fully completed for registration as a Member in the Fund.
Risk and Compliance Committee	Constituted as a sub-committee of the Board to ensure RF Eclipse complies with the requirements of the Corporations Act 2001, the constitution and the Fund's compliance plan.
RF Capital or RF Group	RF Capital Pty Limited ACN 608 892 806 and any entities that control, are controlled by or are under common ownership or control of RF Capital Pty Limited.
Security Property	The land the fixtures or structures built upon the land that is the security for the Mortgage Investment and charged by the Mortgage.
Syndicate	Made up of Members who elect to invest in a Mortgage Investment through the Syndicate PDS.
Syndicate PDS	A supplementary product disclosure statement which contain information relevant to the specific Mortgage Investment.
Substitute Syndicate Member	If you do not agree to an extension or variation of a Mortgage Investment, or you request to withdraw your investment early, a 'Substitute Syndicate Member' has to be found to take your place in the Syndicate. RF Eclipse is under no obligation to agree to approve your request for an early withdrawal.
Syndicate Members or Member of a Syndicate	Member(s) who have an interest in a Mortgage Investment by way of investment through a Syndicate PDS.
Valuation Policy	The Valuation Policy sets out the principles, policies and guidelines for valuating Security Property.



## 12. Corporate Directory

### Responsible Entity

RF Eclipse Limited  
ABN 54 089 265 270  
AFSL 238546  
Level 54, Governor Phillip Tower  
1 Farrer Place  
SYDNEY NSW 2000

PO Box R1297  
ROYAL EXCHANGE NSW 1225

T +61 2 9954 2211  
F +61 2 9954 2222  
E [investor@rfcapital.com](mailto:investor@rfcapital.com)

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### Statutory auditor of the Fund

PKF(NS) Audit & Assurance

### Statutory auditor of Responsible Entity

ABN 91 850 861 839  
Level 8, 1 O'Connell Street

### Statutory auditor of the Compliance Plan

SYDNEY NSW 2000

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### Legal adviser

Wily Legal and Consulting Pty Limited  
ABN 64 124 602 768  
Suite 608, Level 6  
109 Pitt Street  
SYDNEY NSW 2000

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### Tax adviser

ShineWing Australia Pty Limited  
ABN 48 005 273 496  
Level 8, 167 Macquarie Street  
SYDNEY NSW 2000

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## 13. How to invest

Please read these instructions **before** signing and lodging the application

### 13.1 Steps to invest

Please read the PDS before completing the Application Form that accompanies to your investment. If you need help completing your Application Form, please call Investor Relations on 02 9954 2211 during business hours or in accordance with the communications policy in Section 8.3.

#### Step 1: Complete your Application Form

Complete the Application Form that applies to you:

*Form 1: Application Form* - for new Applicants into the Fund

*Form 2: Additional Investment Application Form* - for Members wishing to make an additional investment.

Note: If Members wish to invest in a particular Mortgage Investment, they must use the Acceptance Form that accompanies the Syndicate PDS.



#### Step 2: Provide your other documentation

Provide the identification and verification documents listed in the Application Form. These documents are required to comply with Australian Anti-Money Laundering and Counter-Terrorism Financing law.

If you are lodging your application through a financial adviser you are not required to include the identification and verification documents with your application. Your financial adviser will complete the identification process and retain these documents.



#### Step 3: Send us your forms and Application Monies

Check that you have completed all of the forms correctly and send them to RF Eclipse with your application monies.

### 13.2 Application instructions – general Applications

Applications may only be made on the Application Form accompanying this PDS or on the Application Form supplied by RF Eclipse where the Applicant already holds a current PDS. RF Eclipse has the right to accept or reject any application in whole or in part. Within five Business Days after your initial and each additional investment, a written investment confirmation will be sent to you. You may also request investment statements from time to time.

#### Additional applications

If you are a current Member, you may wish to add to your investment.

The Additional Investment Application Form is available:

- at our website [www.rfecclipse.com](http://www.rfecclipse.com); or
- by contacting Investor Relations on 02 9954 2211 or [investor@rfecclipse.com](mailto:investor@rfecclipse.com)

To ensure you have up to date information about the Fund when making an additional investment, you should obtain a copy of any new or supplementary PDS that has been issued, which is available on the website or by requesting a copy from RF Eclipse.

Members should keep a copy of the current PDS and any supplementary PDS, as well as any reports or updated information that RF Eclipse provides to you, so that you may refer to these when deciding if to make a further investment in the Fund. You will always find the most current PDS online and material information at our website [www.rfecclipse.com](http://www.rfecclipse.com) and you should check this regularly and before making any additional investment.

### 13.3 Methods of payment

You may elect to pay your application monies by cheque or by direct deposit or electronic funds transfer (EFT) payment. Please ensure payment is made in full.

Please note that your cheque must be in Australian currency drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid or funds transfers that are unable to be processed may result in your application being rejected.

### 13.4 Lodgement

#### For new Applicants:

You may lodge your completed and signed Application Form and identify documents:

- By post: PO Box R1297  
ROYAL EXCHANGE NSW 1225
- By hand: Level 54  
Governor Phillip Tower  
1 Farrer Place  
SYDNEY NSW 2000
- By facsimile: 02 9954 2222
- By email: by scanning the documents and emailing them to [investor@rfecclipse.com](mailto:investor@rfecclipse.com) and forwarding the original certified identification documents by post.

#### Members making an additional investment:

If you are an existing Member and wish to make an additional investment, please complete an Additional Investment Application Form which is available from RF Eclipse.

You may lodge your completed and signed Additional Investment Application Form:

- By post/hand: at the address above;
- By facsimile: 02 9954 2222
- By email: by scanning the documents and emailing them to [investor@rfecclipse.com](mailto:investor@rfecclipse.com) and forwarding the original certified identification documents by post.

### 13.5 Signing the Application Form

#### Before signing the Application Form

Before signing the Application Form, you should read the PDS. Please note that in addition to the information in the Instructions for completion the Application Form:

- the Application Form must be signed by you personally, by company seal or by an attorney;
- only persons over the age of 18 years may apply. If investing for a minor, record your name and then write 'for and on behalf of' and the name of the minor;



- if signed by an attorney, the attorney declares that no notice of revocation of power of attorney has been received;
- if signed under company seal, the directors and/or secretary attest that the common seal was affixed in accordance with the company's constitution; and
- if not executed under company seal, the persons signing are authorised in accordance with the company's constitution.

You may appoint another person or entity with the legal capacity to contract as your **authorised representative** to operate and to do anything you can do with the investment.

### 13.6 Instructions for completing the Application Form

The following information is provided to assist you in completing and lodging the Application Form:

- use a blue or black ballpoint pen;
- print in BLOCK letters inside the boxes;
- answer all sections unless otherwise indicated (if a section does not apply, please indicate using 'N/A';
- ensure you sign the Application Form; and
- mail your Application Form, certified identification documents (where required) and cheque (if applicable) (see Section 13.4 - Lodgement).

Application Form	Instructions
<b>Part 1</b> Investment details	<ul style="list-style-type: none"> <li>• indicate your payment method</li> <li>• indicate the purpose of investment</li> <li>• nominate your investment preferences</li> </ul>
<b>Part 2</b> Investor details Individual, joint investors, sole traders, individual trustees	<ul style="list-style-type: none"> <li>• provide your investor details and your personal details</li> <li>• provide your certified identification documents</li> <li>• your name must match your certified identification documents</li> <li>• you may only elect one postal address for all notices and correspondence</li> <li>• you are not obligated to provide your TFN or claim an exemption however failure to provide will result in tax being withheld. For further information, see Section 8.14</li> <li>• if you have more than two individual Applicants you will need to obtain a second copy of the PDS and complete a second original Application Form</li> </ul>
<b>Part 3</b> Investor details Company corporate trustees	<ul style="list-style-type: none"> <li>• company applicants must provide a contact name</li> <li>• provide the certified identification documents for the company</li> <li>• provide the certified identification documents for each officeholder and beneficial owner</li> </ul>
<b>Part 4</b> Investor details Trust/Superannuation Fund	<ul style="list-style-type: none"> <li>• provide the certified identification documents for the Trust</li> <li>• if the trustee(s) are individuals, also complete <b>Part 1</b> and provide the required certified identification documents</li> <li>• if the trustee is a company, also complete <b>Part 3</b> and provide the required certified identifications documents</li> </ul>
<b>Part 5</b> Payment and operating authority instructions	<ul style="list-style-type: none"> <li>• provide bank account details for payment for distributions and repayment of investments</li> <li>• the account must be in the name of the Applicant</li> <li>• the account must be an Australian financial institution</li> </ul>
<b>Part 6</b> Automatic exchange of information compliance	<ul style="list-style-type: none"> <li>• must be completed</li> <li>• for further information, see Section 8.8</li> </ul>
<b>Part 7</b> Common Reporting Standards	<ul style="list-style-type: none"> <li>• must be completed</li> <li>• for further information, see Section 8.8.</li> </ul>
<b>Part 8</b> Privacy	<ul style="list-style-type: none"> <li>• indicate if you wish to receive information regarding future investment opportunities</li> </ul>
<b>Part 9</b> Investor declaration and signatures	<ul style="list-style-type: none"> <li>• read and understand the PDS and the declarations</li> <li>• once read, sign the application: <ul style="list-style-type: none"> <li>○ <b>joint applicants</b> provide your signatures and date the form</li> <li>○ <b>partnership</b> provide your signatures and date the form</li> <li>○ <b>company</b> provide the signatures of two directors (or a director and company secretary) or, if there is only one director, by that director and date the form</li> <li>○ <b>trust</b> provide the signatures of the trustees and date the form</li> <li>○ <b>estate</b> provide the signature of the executor and date the form</li> <li>○ <b>power of attorney</b> provide your signatures and date the form. Attach a certified copy of the Power of Attorney</li> </ul> </li> </ul>

### 13.7 Instructions for completing the Application Form

Only legal entities are allowed to be a Member and to hold an interest in a Syndicate. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname are required for each natural person. The name of a beneficiary or any other non-registrable name may be included as an account designation if completed as set out in the examples of correct forms given below.

Type of Applicant	Correct Name	Incorrect Name	Signatures Required
<b>Individual/joint holding</b> use full name of each Applicant, not initials	Luke John Smith Susan Mary Smith	Luke J Smith Susan M Smith	Each Applicant
<b>Company holding</b> use full company name	ZYX Pty Limited	ZYX Inc, ZYC Co, ZYX P/L	Two directors (or a director and company secretary), or if only one director, by that director
<b>Minors</b> Use full name of each Applicant, not initials. Use minor name as beneficiary	Susan Mary Smith a/c designation <Josh Smith>	Josh Smith	Each Applicant (not minor)
<b>Superannuation Funds/Trusts for individuals</b> Use trustee(s) personal name(s) Use fund/trust name as beneficiary	Susan Mary Smith a/c designation <SMS Trust> <SMS Super Fund>	SMS Super Fund	Each Trustee
<b>Superannuation funds/trusts for companies</b> Use trustee company name Use fund/trust name as beneficiary	ZYX Pty Limited <ZYX Trust> <ZYX Super Fund>	ZYX Trust ZYX Super Fund	Trustee, as per company signing requirements above

### 13.8 Anti-money laundering and counter-terrorism financing

An application will not be accepted or processed until all required information has been received to RF Eclipse's satisfaction including that all client identification procedures has been completed and any other obligations under the AML/CTF laws have been complied with. RF Eclipse may also require Applicants to provide additional information and identification documents to those listed in the Application Form, for example where a foreign bank account is used to make subscriptions and to receive repayment if investments and distribution payments. This may include, but is not limited to the following information:

- for an individual – any maiden name or former name;
- for an individual – countries of citizenship and residence;
- for an individual – occupation and employer or business activity; and
- for all types of Applicants – source of funds and beneficial ownership.

By applying to invest in the Fund, each Applicant warrants:

- they are not aware and have no reason to suspect that:

- a) the application monies used to fund their investment in the Fund have been or will be derived from or related to any money laundering, terrorism financing or other illegal activities, whether prohibited under Australian law, international law or convention or by agreement ('illegal activity'); or
- b) the proceeds of their investment in the Fund will be used to finance any illegal activities
- they, their agent, or their nominated representative will provide RF Eclipse with all additional information and assistance that may be requested in order to comply with obligations under any AML/CTF law.

### 13.9 Forms of Identification required from Applicants

The Application Form states the form of identification documents that RF Eclipse will collect from you. We will usually collect these documents before processing the application, but may request additional information at a later date. If you do not provide the documents and information, we may not be able to process your application. Alternative forms of documents may be acceptable under certain circumstances permitted by law.

Non-English documents must be accompanied by a translation prepared by an accredited translator.

It is not compulsory for Applicants to provide the information requested by us. However, if not all the requested information is provided RF Eclipse may not be able to process an Applicant's application, administer their investment or comply with any of their instructions. If you are in any doubt as to what information must be provided with the Application Form, please contact RF Eclipse. Its contact details are set out in the Corporate Directory on page 59 of this PDS.

#### Certification of documents

The certification of your documents must be completed in Australia by a person in one of the positions below and who is not related to you (i.e. a parent, spouse, de facto partner or child). When having copies of documents certified, you should show both the original document and copy to the eligible certifier. Please refer to the Application Form Part 10: Certifying a Copy of an Original Document for people who can certify documents.

The following is a guide as to the form of the certification:

Document type	Sample wording	Certification requirements
Single page	I, [full name], certify that this is a true and correct copy of the original	<ul style="list-style-type: none"> <li>• certified within the last 12 months</li> <li>• signed and dated</li> <li>• includes name, occupation and any licence number of the certifier</li> </ul>
Multiple page document (with certification on every page)	I, [full name], certify that this is a true and correct copy of the original	As above
Multiple page document (with certification on front page only)	I, [full name], certify that this page and the following 'x pages' are a true and correct copy of the original	As above

Please ensure you send a certified copy only and not the original.

It is not compulsory for you to provide certain information requested by us. However, if some of the information is not provided by you, RF Eclipse may not be able to process your application, administer your investment in the Fund or comply with any investment or instructions that you may provide.