



**Capital  
Prudential**

## Information Memorandum

# Capital Prudential Diversified Development Fund Secured Income Notes

DECEMBER 2023

IM CPDDF (IN) 4-122023









# IMPORTANT INFORMATION

This Information Memorandum (“IM” or “Information Memorandum”) dated 20 December 2023 and issued by Capital Prudential Diversified Development Fund Pty Ltd ACN 636 283 219 (a Corporate Authorised Representative of Capital Prudential Funds Management Pty Ltd (“CPFM”) (ABN 83 636 279 082, AFSL No. 524725)) as trustee (“Trustee”) of the Capital Prudential Diversified Development Fund (the “Fund”), relates to an offer (“Offer”) to apply for notes (“Secured Income Notes”) issued by the Trustee. This IM supersedes all prior brochures, information, representations, presentations, and materials.

Capital Prudential Pty Ltd (the “Fund Manager”) (ACN 634 875 273) has prepared this IM and is a Corporate Authorised Representative of CPFM and is authorised to provide advisory and dealing services in connection with the Fund to wholesale clients only. The Trustee has appointed CPFM as its agent for the purposes of arranging for the offer to issue, vary or dispose of investments in the Fund pursuant to section 911A(2) (b) of the Corporations Act. The Trustee may only issue, vary or dispose of such investments in accordance with CPFM’s offers, provided they are accepted.

CPFM consents to being named in this Information Memorandum in the manner described above and, as at the date of this Information Memorandum, has not withdrawn its consent to be named.

CPFM does not take any responsibility for the contents of this Information Memorandum or the performance of the Fund. To the greatest extent possible, CPFM does not accept any liability for any statement in this Information Memorandum.

Only the Trustee has caused or approved the issue of this IM and takes all responsibility for the preparation of this IM, the Fund and the Secured Income Notes. Investments in the Secured Income Notes will be following invitation only. This IM and the Offer to which this IM relates are only and exclusively available if you are, and by accepting this IM you are representing that you are, a person (“Wholesale Clients”) to whom this Offer does not need disclosure under section 761G of the *Corporations Act 2001* (Cth) (“Corporations Act”).

This IM is not a prospectus or product disclosure statement or other document under the Corporations Act and is not required to be and has not been lodged with the Australian Securities and Investments Commission (“ASIC”). There is no trustee for the holders of Secured Income Notes (“Investors”) or any trust deed under Chapter 2L of the Corporations Act.

This IM does not constitute an offer in any jurisdiction other than Australia or to any person outside Australia. The Offer is not available in the United States (“US”) or to US persons (as defined in the relevant US securities law) unless otherwise approved by the Trustee. No public offer of Secured Income Notes will be made.

Applicants and Investors are not entitled to cooling off rights under the Corporations Act or any other legislation. The Trustee is not obliged to accept applications for Secured Income Notes and reserves absolute discretion in limiting or refusing any application.

This IM contains an incomplete description of features of the Fund and Secured Income Notes. The terms of the Secured Income Notes are set out in the Note Deed Polls, Security Trust Deed and General Security Deed. The Note Deed Polls and Unit Trust Deed (“Transaction Documents”) are available on request from the Trustee and should be considered in conjunction with this IM. To the extent of any inconsistency between this IM and a Transaction Document, the Transaction Document will prevail.

Whilst the Trustee is liable to each Investor to repay the Face Value of the Income Notes at their Maturity, that liability is limited to recourse to the Fund property only, and no person guarantees or makes any representation about the performance of the Fund, or the Secured Income Notes or the repayment of the Secured Income Notes. The Trustee is not an Authorised Deposit – taking Institution and an investment in the Secured Income Notes is not a deposit with the Trustee or any other person. An investment in the Secured Income Notes is a liability solely of the Trustee and is not a liability of any related bodies corporate, associates, directors, officers and employees, of the Trustee or any other person.

Investment in the Secured Income Notes is subject to risks including delays in repayment and loss of income and capital invested and is suitable only for potential investors who do not require liquidity for their investments. Investors should only consider investing if they fully understand and are willing to accept the risks involved in the Fund and its investments. The section headed “Risks” in this IM describes some of the risks of investing in the Secured Income Notes.

To the maximum extent permitted by law, none of the Trustee, CPFM, the Fund Manager or any of their related parties, officers, directors, advisers or associates provides any representations or warranties in relation to this IM, the Secured Income Notes, the Fund or any Fund investment and they disclaim all responsibility in relation to this IM, the Fund and (except to the extent of the Trustee’s repayment undertaking) the Secured Income Notes. The Trustee does not make any representation or warranty as to the accuracy, completeness or truth of the contents of this IM.

The Trustee reserves the right to modify, withdraw, reject or cancel any Offer made pursuant to this IM at any time prior to accepting any application. This includes the right to close the Offer at any time, accept late applications or increase or decrease the size or timing of the Offer in its sole discretion.

Any information or representations not contained in this IM may not be relied upon as having been authorised by the Trustee and should be disregarded. Any forward-looking statements in this IM (including statements of intention, projections and expectations of investment opportunities and rates of return) are made only at the date of this IM based on current expectations and beliefs but involve risks, contingencies, uncertainties and other factors which may be beyond the control of the Trustee which may cause actual outcomes to be materially different. Assumptions underlying such statements involve judgements which may be difficult to accurately predict. Therefore, such forward looking statements included in this IM may prove to be inaccurate and should not be relied upon as indicative of future matters.

This IM is not a recommendation by the Trustee, CPFM, the Fund Manager or any other person to invest in the Secured Income Notes. Investors should read this IM and the Transaction Documents in their entirety and seek advice from their financial, tax and other professional advisers before applying for Secured Income Notes. The information provided in this IM is general information only and does not take into account the personal objectives, financial situation or needs of any persons. Investors should read this IM carefully and conduct and rely on their own investigation of the Secured Income Notes and the Fund, obtain such legal, tax and financial advice as they require and consider whether investing is suitable to their individual objectives, circumstances and needs before making an application. Investors are not to construe the contents of this IM as legal, financial or tax advice.

Information in this IM, or the terms of the Offer, the Secured Income Notes or the Fund, may change from time to time. This IM is current as at its date and none of the Trustee, CPFM and the Fund Manager has any obligation to update the contents of this IM. This IM must not be provided to any other person and may not be reproduced in any manner whatsoever and forwarding, distribution and reproduction is not authorised. Failure to comply with this directive may result in violation of laws of other jurisdictions. None of the Trustee, CPFM, the Fund Manager or any of their respective directors, officers, employees, representatives, advisers or affiliates, accepts any liability or responsibility whatsoever for any loss howsoever arising from use of this IM or its contents or otherwise arising in connection therewith.

Some capitalized words and expressions used in this IM have defined meanings. The Glossary defines these words and expressions. In this IM, the singular includes the plural and vice versa. References to times in this IM are to the time in Adelaide, South Australia, Australia unless otherwise stated. A reference to \$, A\$, dollars and cents is to Australian currency unless otherwise stated. Unless otherwise stated, all figures have been rounded to two decimal places. The diagrams used in this Information Memorandum are illustrative only and may not be shown to scale. The diagrams are based on information which is current as at the date of this IM.







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# 1. Fund Summary

The summary below represents some of the key structural terms of the Fund. Please refer to the Transaction Documents for the comprehensive terms (available upon request from the Fund Manager).

<b>Fund Name</b>	Capital Prudential Diversified Development Fund
<b>Trustee and Issuer</b>	<p>Capital Prudential Diversified Development Fund Pty Ltd ACN 636 283 219 as trustee for the Capital Prudential Diversified Development Fund.</p> <p>The Trustee is a wholly owned indirect subsidiary of Capital Prudential Pty Ltd ACN 634 875 273</p>
<b>Security Trustee</b>	CP Note Security Holder Pty Ltd ACN 658 854 221, a wholly owned subsidiary of Capital Prudential Pty Ltd ACN 634 875 273.
<b>Unitholder and Fund Manager</b>	<p>Capital Prudential Pty Ltd ACN 634 875 273</p> <p>The Fund Manager performs investment, management and administration functions in relation to the Fund.</p>
<b>Fund Legal Structure</b>	<p>The Fund is an unregistered managed investment scheme structured as a unit trust established by the Trustee pursuant to the Trust Deed.</p> <p>The Fund Manager is the registered holder of all of the issued units in the Fund.</p>
<b>Fund Size</b>	The Fund's size will vary over its life and further Secured Income Notes may be issued at the discretion of the Trustee.
<b>Fund Auditor</b>	KPMG
<b>Fund Registry</b>	One Registry Services Pty Limited
<b>Fund Lawyers</b>	Thomson Geer
<b>Capital Structure</b>	<p>The Fund's capital structure comprises:</p> <ul style="list-style-type: none"><li>• Secured Income Notes;</li><li>• Capital Notes, meaning fully paid, perpetual, registered, unsecured, subordinated convertible note obligations of the Fund's Trustee; and</li><li>• Unitholder Interests, which includes carrying value of the issued units, the balance of the unitholder loans to the Fund, outstanding distributions payable to the unitholders (as determined in accordance with the Fund's valuation policy) and outstanding fees payable to the unitholders for services provided to the Fund.</li></ul> <p>In the event of the winding up of the Fund, Secured Income Notes rank equal to all other Secured Income Notes and before any Unitholder Interests.</p> <p>The Fund establishes wholly or majority owned subsidiaries for each of its developments ("DevCos"). Each DevCo obtains lender finance as part of funding its development, secured by first ranking mortgage over the relevant development property or properties.</p>

## 2. Secured Income Note Terms

The Secured Income Notes offer a unique investment opportunity in providing investors access to the attractive returns available from real estate developments in the Fund, delivered as a fixed income stream whilst preserving capital.

The summary below represents some of the key terms of the Secured Income Notes. Please refer to the Transaction Documents for the comprehensive Secured Income Notes terms (available upon request from the Fund Manager).

<b>Issue Amount</b>	<p>The Trustee continuously issues new Secured Income Notes in line with its ongoing funding requirements. Further issues of Secured Income Notes may occur (and at interest rates and on such terms as the Trustee determines) whether or not the full amount sought from any issue of Secured Income Notes is raised.</p>
<b>Secured Income Notes Structure</b>	<p>The Secured Income Notes:</p> <ul style="list-style-type: none"><li>• Are fixed income notes issued by the Trustee;</li><li>• Are fully paid, registered, secured, senior debt obligations of the Trustee; and</li><li>• Are limited recourse to the Fund property and the Trustee's liability to Investors is limited to its indemnity from the Fund.</li></ul>
<b>Interest</b>	<p><b>Interest Rate</b></p> <p>The interest rate for the Secured Income Notes under the Offer will be the rate notified in writing when offered to the Investor prior to their investment.</p> <p>The rate notified in writing for a particular offer applies for the Secured Income Notes to be issued on the Issue Date for that offer.</p> <p>The interest rate for a particular offer may differ from the interest rate for any Secured Income Notes previously or subsequently offered and issued (including any that may be issued by the Trustee on reinvestment by an Investor of their interest or repayments) and will be as determined by the Trustee for that offer and issue and may be less or more.</p> <p><b>Interest Payment</b></p> <p>The Interest will be calculated monthly in arrears on a simple interest basis and paid quarterly.</p> <p>Interest payments will be transferred to Investors' bank accounts between 5 and 10 Business Days following the end of each quarter.</p> <p>For the avoidance of doubt, any unpaid, accrued interest will be paid on the Maturity Date.</p> <p><b>Interest Re-investment</b></p> <p>Investors may elect to re-invest their interest returns in further Secured Income Notes or receive cash payments quarterly.</p> <p>The Application Form requires Investors to nominate how they elect to receive or reinvest their Interest Payments, but Investors may change their election during the term of the Secured Income Note (with effect from the next Interest Payment immediately following the election).</p>

## Term

### Note Terms

The Trustee has the ability to issue Secured Income Notes to Investors for terms at the Trustee's discretion.

The term of each Investor's Secured Income Notes will be the term offered to each Investor by the Trustee or, if earlier, the Early Maturity Event Date.

### Early Redemption by the Trustee

The Trustee has the ability to redeem Secured Income Notes at any time after six months from their issue.

### Early Redemption by Investor

Investors may request a redemption of their Secured Income Notes at any time. The Trustee will use its reasonable endeavours to meet redemption requests subject to the Fund's liquidity. However, the Trustee is not required to meet early redemption requests.

Early redemption requests will be prioritised on a first come basis without regard to when the Secured Income Notes were issued.

The Trustee may manage redemption requests by any of:

- Reducing surplus liquidity;
- Utilising proceeds from the sale of investments in the ordinary course of business;
- Issuing additional Secured Income Notes to new investors; and
- Reducing the amount of new investments made by the Fund, or as otherwise determined by the Trustee.

For the avoidance of doubt, any unpaid, accrued interest will be paid on the first Business Day after the date of redemption.

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## Issue Date

The date on which a Secured Income Note is issued to the Investor as recorded in the Register.

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## Maturity

Each Secured Income Note will mature on the maturity date specified in the Register, being the expiration of the term for which that Secured Income Note was issued or if earlier, the Early Maturity Event Date. The Face Value of the Secured Income Note is payable at the Maturity Date. The Investor may elect to reinvest on new terms by providing instructions via <research.net/r/Capital-Prudential-First-AML-Application-Form> at least three Business Days prior to maturity.

For the avoidance of doubt, if no such instructions are received, the Face Value and accrued Interest will be repaid.

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## Issue Price

Secured Income Notes will have an issue price of \$1.00 per note. This is their Face Value that is repayable at the Maturity Date or on earlier redemption of the Secured Income Notes.

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<b>Minimum Investment</b>	\$100,000 per Investor (The Trustee has the discretion to accept smaller amounts)
<b>Minimum Additional Investment</b>	\$50,000 (The Trustee has the discretion to accept smaller amounts)
<b>Eligible Investors</b>	Wholesale Clients only.
<b>Transfer</b>	Secured Income Notes are transferable to other Eligible Investors by absolute assignment of the debt obligation  An Investor may only transfer their Secured Income Notes to another person (who must be an Eligible Investor) with the Trustee's consent.
<b>Acceptance of Applications</b>	The Trustee reserves the right to accept or reject applications in its sole discretion and need not give a reason. The Trustee is under no obligation to issue any Secured Income Notes to any particular Applicant, or at all.  The Trustee reserves the right to allocate to any Applicant fewer Secured Income Notes than the number for which they have applied.  If the Offer of Secured Income Notes does not proceed or an application is not accepted, no interest will be paid on application monies repaid to the Applicant.
<b>Ranking</b>	In the event of the winding up of the Fund, Secured Income Notes rank: <ul style="list-style-type: none"> <li>• behind any senior debt of the Fund (being any debt afforded priority (whether contractually, at law or otherwise) now or in the future);</li> <li>• equal to all other Secured Income Notes;</li> <li>• before any unsecured and subordinated debtors of the Fund (including Capital Notes); and</li> <li>• before any Unitholder Interests.</li> </ul>
<b>Minimum Unitholder Interests</b>	The Issuer will not issue Secured Income Notes for any period during which the value of the aggregate Unitholder Interests is less than 10% of the value of the consolidated assets of the Fund (as determined in accordance with the Fund's Valuation Policy).
<b>Reporting to Investors</b>	Investors will receive: <ul style="list-style-type: none"> <li>• Quarterly Interest Distribution Statements;</li> <li>• Quarterly Performance Updates in respect of the Issuer;</li> <li>• Annual Year End Holding and Value Statements;</li> <li>• Annual Taxation Statements; and</li> <li>• Annual Audited Financial Statements for the Fund. (The Fund's Financial Year ends on 30 June each year).</li> </ul>



## 3. Executive Summary

The Fund exclusively funds property developments of its wholly or majority owned subsidiaries which purchase, build and sell qualifying commercial, industrial, retail and residential property.

### The Fund:

- Exclusively funds the property developments of its wholly or majority owned subsidiaries (DevCos); and
- Is not a lender to external parties.

### The Fund's DevCos:

- Purchase, develop and sell properties across a range of sectors including commercial, industrial, retail and residential;
- Only purchase sites after due diligence has been completed and they have been “de-risked” in line with the Fund’s Risk Management Framework;
- Own each property being developed, and directly develops, as the property owner, and then sells each property.

## 4. Fund Manager

Founded in 2019, the Fund Manager (Capital Prudential Pty Ltd) is a specialist fund management, asset management and advisory firm.

The Fund Manager’s core focus is on creating investment opportunities in property development while providing a complete capital solution to a portfolio of partnered mid-scale property developers across boutique residential, specialty commercial and industrial property development sectors in Australia.

With diverse backgrounds across securitisation, treasury, accounting, law, corporate banking and real estate, the Fund Manager’s highly credentialed team have the specialist skills required in finance, legal, property and portfolio management to expertly de-risk its developments and has a proven track record in generating attractive returns through real estate development.

The Fund Manager uses its own balance sheet to secure and de-risk development sites for the Fund.

Through the team’s established Development Manager network, the Fund Manager:

- Secures sites via initial deposits or option fees;
- Conducts environmental risk assessment and due diligence;
- Engages independent valuer to manage the valuation process;
- Engages architects, engineers, traffic and acoustic consultants as necessary;
- Obtains planning and development approvals; and
- Secures legally binding, long-term lease agreements for commercial property, and qualifying levels of pre-sales for residential property.









## 5. Directors

Directors of Capital Prudential Diversified Development Fund Pty Ltd



**Samuel Moore**  
B. Comm, LLB, Harvard AMP,  
Barrister and Solicitor in Australia,  
England and Wales  
**Managing Director**

Sam is an experienced international finance professional and lawyer.

Sam is currently also a Non-Executive Director of the South Australian Housing Authority.

Sam previously held Board and Senior Management positions at Rural Bank Limited and Bendigo and Adelaide Bank Ltd where over 13 years he held positions across all aspects of banking including structured finance, capital raisings, mergers and acquisitions, credit, lending, operations and products.

Sam has previously been a Director of Homesafe Solutions a specialist fund manager in the retirement sector and a Non-Executive Director of the Social Impact Investment Network of South Australia.

Prior to this Sam spent 10 years as a lawyer both in Australia and Europe specialising in international cross border structured finance transactions.



**Jarrad Haynes**  
BBus (Property), DCM, GAICD  
**Executive Director, Property**

Jarrad is an experienced property developer and construction professional.

Jarrad is currently Executive Director responsible for all aspects of development.

Jarrad was previously Executive Director of national commercial property developer, Accord Property, as well as funds management subsidiary, Accord Property Funds Management.

Prior to this he was the National Operations Manager – Building Projects for ASX listed Programmed Ltd, where he managed a delivery team of 200 staff across Australia and New Zealand, and previously worked as a Valuer with the South Australian Department of Planning, Transport and Infrastructure (DPTI).





### **Philip Riquier**

**BB us (Finance), MBA, FCPA, FAICD, FFIN, Chartered Banker**

#### **Non-Executive Director**

Philip is an experienced ASX 100 banking executive and professional independent company director.

Philip is currently a Non-Executive Director of Credit Union SA Ltd, MyVenue Pty Ltd and LHI Retirement Services Inc.

Philip was previously a Group Executive of Bendigo & Adelaide Bank Ltd where over a 25 year career he was responsible for numerous divisions including, National Property Development Finance, Structured Finance, Aged Care and Retirement Development, Medical, Managed Funds, Credit Risk and Asset Management. Philip also held the position of Chief Credit Officer and Chaired the Bank's Credit Committee.

Philip has also previously been a Non-Executive Director of Lutheran Super and a Director of the Risk Management Association of Australia.



### **Tim Foster**

**BA, FC A**

#### **Chief Financial Officer**

Tim is a Chartered Accountant with deep CFO property experience gained over the last 23 years as CFO of Stockland, an ASX listed Top 30 diversified property group, and as the CFO of Qatari Diar, the US\$35B global property development arm of the Qatar Sovereign Wealth Fund. This is combined with Tim's significant CFO experience in financial services at Credit Union SA, Challenger, BankWest and Commonwealth Bank subsidiary, Colonial First State.

Tim has served extensively on Boards and Board committees (including Audit and Compliance Committees) of substantial subsidiaries, JVs and funds, providing strong financial, risk management and compliance oversight with complementary strategic input to ensure the success of the relevant company or fund.



## 6. Investment Strategy

**The Fund targets investments in mid-scale specialty commercial, industrial and boutique residential developments in Australia:**

- Specialised commercial developments that have been pre-leased to creditworthy counterparties. The Fund only invests in the purchase of the site if a legally binding long-term agreement for lease is in place that will commence following Practical Completion.

The Fund's preferred commercial developments include Medical Centres, Service Stations, Aged Care Facilities, Child Care Centres and Specialty Retail; and

- Minor and major infill residential developments in Australia. The Fund targets investment in residential developments for the most liquid sales price bands for a given geography, differentiating across product types as a risk mitigant, and may

require pre-sales in accordance with its investment criteria. The Fund does not invest in high rise apartments or broadacre land subdivisions.

Property is developed with the intention to sell versus buy and hold. Accordingly, the strategy is highly focused on mitigating building risk, fixing building prices, minimising development time and maximising sales price reliability for each development.

All prospective developments must be fully assessed using the Fund's proprietary feasibility model and approved by the Fund's Board of Directors as meeting its target investment criteria prior to being accepted into the Fund. At Capital Prudential, we call this process 'de-risking'. A summary of the 'de-risking' process is illustrated in the diagram on the opposite page. The board maintains discretion to determine the investment criteria, and may change the investment criteria from time to time.

**Key features of the target investment criteria include:**

<b>Commercial</b>	<ul style="list-style-type: none"> <li>• Qualifying Agreement for Lease or Pre-sale Contract</li> <li>• Tenant meets credit risk assessment criteria</li> <li>• Planning approvals being held and/or complying developments</li> <li>• Environmental assessment</li> </ul>
<b>Residential</b>	<ul style="list-style-type: none"> <li>• In-fill residential developments only</li> <li>• No urban fringe or broadacre sub-divisions</li> <li>• No High-Rise Apartments</li> <li>• Max Dwellings Height: 4 Storey</li> <li>• Planning approvals held and/or complying developments</li> </ul>





## Capital Prudential Feasibility Assessment and De-Risking Process

### Capital Prudential Pty Ltd

(Pre-settlement expenses are funded via its own balance sheet)

### Feasibility Assessment

Internal Propriety Feasibility Model completed on a project-by-project basis to ensure forecast Development Profit exceeds internal threshold

De-Risking Process



#### Secure site

- ✓ Conditional purchase subject to feasibility assessment and Board approval
- ✓ Initial deposit or option fee paid



#### Environmental

- ✓ Environmental risk assessment and due diligence



#### Planning approvals

- ✓ Lodge applications and obtain planning and development approvals



#### Valuation process

- ✓ Engage independent valuer to manage the valuation process



#### Lease and sales

- ✓ Secure legally binding, long-term lease agreements for commercial property
- ✓ Secure required levels of pre-sales for residential property



#### Engage providers

- ✓ Architects, engineers, traffic consultants, acoustic consultants
- ✓ Environmental engineers
- ✓ Other required services



### Capital Prudential Diversified Development Fund

(Special Purpose Vehicle majority owned and controlled by CPDDF)

CP Risk and controls framework

### Construction and Development



### Development Profit

The Fund conducts its development business through the Fund Manager either directly or through engaging high quality Development Managers to project manage each development on behalf of the Fund DevCos in accordance with the Fund's detailed Risk Management Framework.

This Framework places numerous restrictions on the developments and standardises the development process.

**Key features include:**

<p><b>Development Managers</b></p>	<p>Each external Development Manager is comprehensively assessed by the Fund Manager in relation to their qualifications, training, experience, market knowledge and financial position prior to accreditation.</p>
<p><b>Development Management Agreement</b></p>	<p>Each external Development Manager enters into a Development Management Agreement under which they manage each development on behalf of the Fund including but not limited to:</p> <ul style="list-style-type: none"> <li>• Design development with the Fund's accredited architects;</li> <li>• Coordinating all professional services including: Architecture, Quantity Surveyor, Structural and Services Engineers, Environmental Consultant, Planning Consultant, Traffic Engineers and other relevant consultants;</li> <li>• Lodging the application for Development Plan Consent and oversee Development Approval process;</li> <li>• Tendering to a pre-qualified list of builders to select a reputable builder;</li> <li>• Site preparation coordination;</li> <li>• Project management;</li> <li>• Progress inspections;</li> <li>• Arranging Practical Completion sign-off;</li> <li>• Arrangement of Certificates of Occupancy;</li> <li>• Marketing and sale of the completed property; and</li> <li>• Negotiate and execute Agreement for Lease and Lease documentation.</li> </ul>
<p><b>Eligible Assets</b></p>	<p>The Fund may invest directly or indirectly in:</p> <ul style="list-style-type: none"> <li>• Cash deposited with an Australian Bank or cash equivalents; and</li> <li>• Real-estate and related development works.</li> </ul>
<p><b>Portfolio Diversification</b></p>	<p>Investors in the Fund benefit from a widely diversified portfolio across:</p> <ul style="list-style-type: none"> <li>• Geographic Areas;</li> <li>• Council Areas;</li> <li>• Development Managers;</li> <li>• Building type and style;</li> <li>• Builders;</li> <li>• Completion times;</li> <li>• Value ranges;</li> <li>• Sectors; and,</li> <li>• Tenant profiles.</li> </ul>

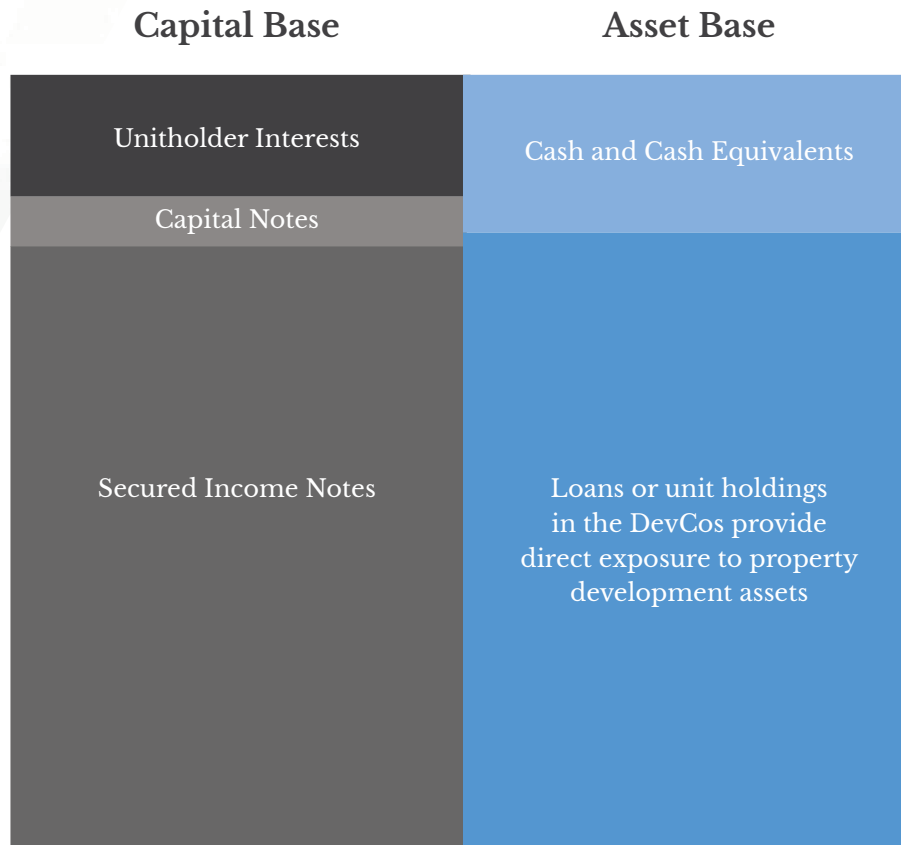


<b>Professional Consultants</b>	The Fund Manager has established a network of Valuers, Quantity Surveyors, Engineers, Architects and other consultants for use by each Development Manager to ensure the Fund's standard terms of engagement and quality control standards are maintained.
<b>Builder Credit and Quality Risk</b>	The Fund Manager independently assesses the credit risk, financial position, experience and quality standards for each builder prior to accepting them on to the panel of accredited builders.
<b>Standardised Contracts</b>	Contractual risk with builders and other professional advisers is deliberately managed through the use of Standardised Contracts and liability risk coverage for all services including Fixed Price and Time Building Contracts supported by Bank Guarantees and / or payment retentions and warranty liability or other security acceptable to the Fund.
<b>Separate Subsidiary for each Development</b>	The Fund establishes a special purpose vehicle to own and develop each property (DevCo). Initially each DevCo is a wholly or majority owned and controlled separate trustee company and unit trust (a sub-unit trust).
<b>Control of Joint Ventures</b>	<p>The Fund may choose to manage its exposure to a particular development by undertaking the project jointly with another party. In these circumstances the following arrangements will apply to ensure at all times the Trustee is always able to exercise control:</p> <ul style="list-style-type: none"> <li>• The Trustee will be the controlling parent entity for each sub-unit trust and each sub-unit trust will be represented in the consolidated financial accounts of the Fund;</li> <li>• The Fund will be the majority unit holder within each sub-unit trust; and</li> <li>• The Directors of the Trustee will be the majority directors of each sub-trustee company.</li> </ul>



# 7. Capital Structure

## Capital Prudential Diversified Development Fund Capital Structure



As shown above, the consolidated capital base is comprised of Unitholder Interests, Capital Notes and Secured Income Notes.

Unitholder interests are equity or equity-like securities which act as first loss protection in the event of underperformance or liquidation. Unitholder Interests consists of all Unitholder interests in the consolidated assets of the Fund including the carrying value of the issued units, the balance of unitholder loans to the Fund, outstanding distributions payable to the Unitholders (as determined in accordance with the Fund’s Valuation Policy) and outstanding fees payable to the Unitholders for services provided to the Fund. The Issuer will not issue Secured Income Notes for any period during which the value of the aggregate Unitholder Interests is less than 10% of the value of

the consolidated assets of the Trust (as determined in accordance with the Fund’s Valuation Policy).

The Capital Notes are fully paid, perpetual, registered, unsecured, subordinated convertible note obligations of the Fund’s Trustee.

On a winding up, Secured Income Notes rank before both Unitholder Interests and Capital Notes investors. The Secured Income Notes are secured, pursuant to a Security Trust Deed and General Security Deed, by first ranking security interest and charge over all of the Fund’s assets, which includes both the units held in all DevCos and outstanding inter-company loans, noting that the DevCos may be moderately geared with senior funding secured via a first mortgage over the development property.





## 8. Risks

All investments are subject to various forms of risk. Not all risks are foreseeable and some risks and their consequences are outside the control of the Trustee. The Secured Income Notes to be issued by the Trustee are no exception.

There are a number of risks associated with the Fund and its investments and accordingly an investment in Secured Income Notes. The Trustee and the Fund Manager have strategies in place to actively manage potential risks which may affect the Fund, however these measures may not always be successful. If any of the risks eventuate, they may result in the Fund being unable to pay interest, principal or other amounts in connection with the Secured Income Notes.

Before deciding whether to invest in the Secured Income Notes, you should consider your attitude towards the following risks, and other potential risks

and whether an investment in the Secured Income Notes is suitable for you given your individual objectives, financial situation, needs or circumstances. An investment in the Secured Income Notes is illiquid and therefore should not be considered a short-term investment. The following list is not exhaustive and Investors should read this Information Memorandum in full and seek appropriate advice from their professional advisers.

The value of the Secured Income Notes depends upon, amongst other things, the ability of the Fund to fulfil its obligations under the Secured Income Notes. The Fund will make each investment through a separate vehicle initially a sub-trust (collectively referred to below as the Fund). A summary of some of the risks that affect the Fund’s business, operations and financial condition is set out below.

### Risks Relating to the Trustee as Issuer

The value of the Secured Income Notes depends upon, amongst other things, the ability of the Fund to fulfil its obligations under the Secured Income Notes. The Fund will make each investment through a separate special purpose vehicle (collectively referred to below as the Fund). A summary of some of the risks that affect the Fund’s business, operations and financial condition is set out below.

<b>Market Conditions</b>	Financial markets are subject to volatility which can negatively affect liquidity, widen credit spreads and decrease availability of funding. Instability in international markets may impact the Fund’s access to capital or senior debt.
<b>Interest Rates</b>	The Fund’s business will be geared and this will increase the impact of both upward and downward movements in interest rates on the Fund’s performance. Furthermore, when any new note is issued, the interest rate may be higher. This may result in higher expenses for the Fund.
<b>Note Duration</b>	The Fund is expected to continue for longer than the duration of the Secured Income Notes and although the assets in the Fund are expected to have a shorter duration than the Secured Income Notes there will be mismatches between when the assets exit the Fund, and when the Income Note are due to be repaid. Although every effort will be made to refinance or repay Secured Income Notes as they come due, there is no guarantee that the Fund will be able to do so.

<b>Liquidity</b>	<p>The Fund is exposed to the risk that, due to mismatches in cashflows, it is unable to meet its financial commitments when they fall due. Liquidity is necessary to the Fund's business. Liquidity could be negatively impacted by an inability to access credit markets, an inability to realise assets or unforeseen cash outflows. In difficult credit markets, the Fund may have to find alternate funding sources or fund its operations at higher interest rates.</p>
<b>Counterparty Default</b>	<p>The Fund is exposed to the risk of financial loss as a result of failure by a counterparty to meet its contractual obligations. Credit risk arises from lending, investment and trading activities.</p>
<b>Legal, Regulatory</b>	<p>The Fund could be negatively affected by changes in legal, regulatory and compliance requirements. Failure to comply with legal and regulatory requirements or government policies may adversely affect the Fund, its ability to continue to operate and its reputation in the market.</p>
<b>Documentation</b>	<p>The Fund is exposed to the risk of insufficient documentation of contractual relationships rendering them unenforceable or their terms not as intended.</p>
<b>Operations</b>	<p>The Fund may incur financial loss, adverse regulatory consequences or reputational damage due to a variety of operational risks, including technology risk, inadequate or failed internal or external processes, people or systems, fraud, counterparty performance under outsourcing arrangements, business continuity planning, data integrity risk, cyber security risk, managing conflicts of interest, key person risk or external events. The Fund is reliant on the ability to hire and retain appropriately qualified staff. The availability of adequate insurance cover is important in order to mitigate the risks across the Fund's business.</p>
<b>Tax</b>	<p>The Fund's operations could expose the Fund to unforeseen potential tax liabilities that could have an adverse impact on the Fund's results of operations and the Fund's reputation.</p> <p>In addition, future tax developments or changes to tax laws may also have an adverse effect on the Fund.</p>
<b>Competition</b>	<p>The Fund is exposed to competition from local and international businesses, which compete for participation in the markets and sectors in which the Fund operates. The effect of competition may adversely impact the earnings and assets of the Fund.</p>
<b>Other</b>	<p>The Fund's profitability is also subject to a number of other risks including political risk, risk of litigation and any associated contingent liabilities and risks from external events.</p>

## Real Estate Investment Risks

The Fund involves investing in and developing commercial and residential real estate. The following risks relate to investments in and developments of real property, which may have an impact on the performance of the Fund and its ability to pay principal, interest and other amounts in connection with the Secured Income Notes.

<b>Valuation</b>	The ongoing value of the Fund's assets are influenced by changes in property market conditions (e.g. supply, demand, capitalisation rates and rentals). There is no guarantee that assets will generate a capital gain when sold, or that the value of an asset will not fall in response to incorrect assumptions or changes in market conditions.
<b>Property Market</b>	Property markets are subject to volatility, and may be impacted by factors outside of the Fund's control (including economic conditions, world events, technological advances etc). These changes can all directly or indirectly create an environment that influences the value of the Fund.
<b>Construction Industry</b>	The Fund's development activities are reliant on the availability and viability of trades and materials. Increased costs payable to builders, contractors and other tradespeople may not always be recoverable on sale or lease, which may negatively affect the Fund's profit margins. Lack of availability or delays in sourcing materials and labour also increase development and holding costs, which may also negatively affect the Fund's profit margins. The construction industry is currently experiencing significant rates of insolvencies and despite the Fund's risk management processes, insolvency of builders, contractors and other persons engaged on developments pose financial risks to the Fund.
<b>Counterparty</b>	There is a risk that counterparties to contracts relating to the operation and management of the Fund and assets may default on their obligations, resulting in an adverse impact to the Fund.
<b>Due Diligence</b>	Due diligence investigations will be undertaken prior to an investment being made by the Fund. Despite this, information provided in due diligence and relied upon by the Fund may turn out to be incorrect, deceptive, misleading or fraudulent. Some types of risks, such as latent defects, may not be identifiable by due diligence investigations conducted. This could negatively impact the value of the asset compared to the price paid by the Fund, particularly where unanticipated expenditure is required.
<b>Development</b>	<p>The Fund will invest in assets which are still being developed. Unforeseen circumstances may cause delays in completion of developments and/or increased construction costs.</p> <p>These developments may be subject to risks such as planning approval, delays in completion or increased construction costs.</p> <p>The Trustee will endeavour to mitigate this risk via appropriate development risk policies.</p>
<b>Insurance</b>	Assets of the Fund may be subject to natural disasters or other events that result in physical damage or destruction to the asset, third party property, or members of the public. Some such events may be uninsurable, or insurance may be prohibitively expensive. If an event occurs which is not insured then any loss would be incurred by the Fund.
<b>Stamp Duty and Land Tax</b>	The holder of a real estate asset may be required to pay stamp duty and land tax. Laws and duties vary between different states of Australia, and the relevant obligation will depend on where an asset is located. Any stamp duty and land tax payable in relation to a Fund asset would be incurred by the Fund.



## Note Investment Risks

These risks relate to an investment in the Secured Income Notes.

<b>Default</b>	<p>There is a risk that the Fund, as the issuer of the Secured Income Notes, does not pay interest, principal or other amounts at maturity. That is, an investment in a Note is exposed to the credit worthiness of the Fund.</p>
<b>Subordination</b>	<p>In the event of a winding up of the Fund, there is a risk that you may lose some or all of your investment in the Secured Income Notes and any interest payments that are due and unpaid at that time if there are insufficient assets to satisfy creditors (including claims of unsubordinated creditors) of the Fund whose claims rank ahead of, or equally with, the Secured Income Notes.</p>
<b>Illiquid</b>	<p>An investment in the Secured Income Notes is illiquid. It should be viewed as a hold to maturity investment. An Investor may only transfer their Secured Income Notes to another person with the Trustee's consent. There is no secondary market for Secured Income Notes and no market is expected to develop in the future. Investors may not be able to sell their Secured Income Notes easily for face value or at prices that will provide them with a yield comparable to similar investments that have an established secondary market.</p>
<b>Further Securities</b>	<p>The Secured Income Notes do not in any way restrict the Fund from issuing further debt or other obligations or securities that:</p> <ul style="list-style-type: none"><li>• Rank for the payment of principal or interest (including on the winding up of the Fund) after, equally with, or ahead of the Secured Income Notes and whether or not secured;</li><li>• Have the same or different maturities as the Secured Income Notes;</li><li>• Have the same or different dividend, interest or distribution rates as the Secured Income Notes; or</li><li>• Have the same or different terms and conditions as the Secured Income Notes.</li></ul> <p>An investment in Secured Income Notes carries no right to participate in any future issue of securities by the Fund. No prediction can be made as to the effect, if any, which the future issue of securities by the Fund may have on the market price or liquidity of the Secured Income Notes or the Fund's financial position or performance.</p>
<b>Interest Rates</b>	<p>Investment in the Secured Income Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of such Secured Income Notes.</p>

## General Investment Risk

An investment in the Secured Income Notes is subject to general investment risk which can negatively affect the return to Investors.

The performance of any investment may be impacted by many factors, including consumer and business confidence, inflation, interest rates, taxation, change in law, and change in government.

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### Legal and Regulatory

The investment activities of certain investors are or may be subject to legal investment laws and regulations, or review or regulation by certain authorities. Each prospective Investor should consult their legal advisers to determine whether and to what extent the Secured Income Notes are legal investments for it, the Secured Income Notes can be used as collateral for various types of borrowing, and other restrictions apply to its purchase or pledge of any Secured Income Notes.

Changes in law (including tax and stamp duty law) or changes in the interpretation of existing laws, regulations or government policy could have an unexpected or adverse impact on market conditions generally or specifically affect the activities, business, practices or performance of the Fund or the terms and conditions of the Secured Income Notes.

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### Tax

No advice is given in respect of the taxation treatment of Investors in connection with an investment in any Secured Income Notes or rights in respect of them.

Prospective Investors of Secured Income Notes should consult their professional advisers on the tax implications of an investment in the Secured Income Notes for their particular circumstances.

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## 9. Taxation

The following tax analysis is applicable for Investors who are:

- Individuals or complying superannuation funds;
- Australian residents; and
- Holding their Secured Income Notes on capital account (e.g. not as trading stock).

The Fund will be an Australian resident trust for Australian tax purposes.

The Fund is not expected to be deemed to be a public trading trust or corporate unit trust and so will not be taxed as if it were a company.

Income returns to Investors from the Fund will be wholly assessable for tax. There will be no tax deferral element to these returns.

Investors will be provided with an annual financial statement showing details of investment returns made to them in the previous financial year to assist with the preparation of income tax returns.

If an Investor transfers or withdraws their Secured Income Notes, they will likely be treated as having disposed of their investment (or part thereof). This may result in a capital gain subject to CGT.

The acquisition and redemption of Secured Income Notes should not be subject to GST. Income returns made by the Fund should also not give rise to any GST consequences.

Where the Investor elects not to provide a Tax File Number or an Australian Business Number, the Trustee will withhold tax on the Investor's income distributions at the highest marginal tax rate plus the Medicare Levy.

The information above is of a general nature only, and does not consider personal circumstances of each Investor. Investors are advised to seek their own professional advice in relation to individual financial and taxation matters relating to an investment in the Secured Income Notes.







## 10. How to Invest

### Eligible Investors – Wholesale Clients Only

An investment in the Secured Income Notes is only available to Wholesale Clients. To be eligible to invest, you must satisfy at least one of the following criteria:

- (a) apply for Secured Income Notes with an aggregate value of at least \$500,000;
- (b) have net assets of at least \$2,500,000 so long as the Secured Income Notes will not be used in connection with a business, in which case please provide an Accountant's Certificate upon request;
- (c) have gross income for each of the last two financial years of at least \$250,000 per year so long as the Secured Income Notes will not be used in connection with a business, in which case please provide an Accountant's Certificate upon request; or
- (d) be a "professional investor" as defined in section 9 of the Corporations Act, in which case please complete the Wholesale Clients Acknowledgement upon request.

### Applications

Applications must be made through the Application Form and FATCA/ CRS Self Certification Form via the following link:

**APPLY NOW**

[research.net/r/Capital-Prudential-First-AML-Application-Form](https://research.net/r/Capital-Prudential-First-AML-Application-Form)

All relevant sections of the Application Form must be completed. If you have any queries with the Application Form, FATCA/CRS Form or verification process, please contact our partners, First AML at [cdd@firstaml.com](mailto:cdd@firstaml.com) or phone +61 2 8310 4492.

The completed Application Form and relevant certificate will be lodged on your behalf with the Fund's registry, One Registry Services. The Application amount must be lodged with One Registry Services by the Offer Close Date.

### Acceptance of Applications

The Trustee reserves the right to accept or reject Applications in its sole discretion. The Trustee is under no obligation to issue any Secured Income Notes to investors, or at all.

The Trustee reserves the right to reject any Application or to allocate to any Applicant fewer Secured Income Notes than the number for which they have applied.

In the event that an Application is rejected or not accepted in full, the Trustee will inform the Investor.

If the Offer does not proceed or your Application is not accepted, no interest will be paid on Application monies. If an Application is rejected in whole or in part, the Trustee will repay the surplus Application amount as soon as possible.

### Anti-Money Laundering and Counter Terrorism Financing – Identification documents

To comply with the *Anti-money Laundering and Counter-terrorism Financing Act 2006* (Cth) and associated rules ("AML/CTF Act"), we must collect certain information about each Investor, supported by relevant identification documentation. We have appointed First AML as agent to complete these regulatory and compliance checks on our behalf.

We cannot accept an Application to invest in the Secured Income Notes until we are satisfied that the identity of the Investor has been verified in accordance with the AML/CTF Act. The processing of Applications may be delayed until the requested information is received in a satisfactory form and the identity of the Investor is verified.

We, or First AML on our behalf, may contact you to request additional information for identification or verification purposes from time to time.

If you have any questions about the verification process, please contact First AML at [cdd@firstaml.com](mailto:cdd@firstaml.com) or phone +61 2 8310 4492.

### Reporting Obligations Under the AML/ CTF Act

Under the AML/CTF Act, the Trustee is required to submit regulatory reports to Australian Transaction Reports and Analysis Centre ("AUSTRAC").

This may include the disclosure of your personal information. The Trustee may not be able to inform you when this occurs.

### Minimum Application Amount

The minimum investment amount is \$100,000 per Investor with additional minimum application amounts of \$50,000 thereafter. Lesser amounts may be accepted at the Trustee's sole discretion. Payments will be held in the ORS Applications Account until the accepted application investment amount is received.

### Tax File Numbers

Please complete the part of the FATCA/CRS Self-Certification Form that deals with your Tax File Number ("TFN"). Collection of TFNs is authorised by tax law and the *Privacy Act 1988* (Cth). You do not legally have to provide us with your TFN and a failure to do so will not affect the success of your Application. However, a failure to provide a TFN or details of an exemption may result in tax plus the Medicare Levy being withheld from your distributions at the highest individual marginal tax rate.

### No Cooling Off Period

There is no cooling off period. Once an Application Form has been received and accepted by the Trustee, it cannot be withdrawn and Secured Income Notes will only be redeemed and repaid in accordance with their terms.

### Payment

#### If paying by cheque it must be payable to:

ORS Application Account – Capital Prudential

#### If paying by electronic funds transfer:

<b>Bank:</b>	St George Bank
<b>Account Name:</b>	ORS Application Account – Capital Prudential
<b>Account No.:</b>	555 447 658
<b>BSB:</b>	332 027
<b>Payment Reference:</b>	Investor surname/ company or trust name

#### If paying by swift transfer:

<b>St George Bank Swift Code:</b>	SGBLAU2S
<b>Payee:</b>	ORS – Capital Prudential
<b>Payee Address:</b>	PO Box R1479 Royal Exchange NSW 1225

### Investor Enquiries

This Information Memorandum is important and should be read in its entirety together with the available Transaction Documents. If you are in doubt, you should seek your own independent financial, legal, taxation or other professional advice.

If you have any questions relating to this Information Memorandum or this Offer, please contact the Trustee at [investment@capitalprudential.com.au](mailto:investment@capitalprudential.com.au) or telephone on **1800 966 021**

# 11. Additional Information



## The Trust Deed

The Trustee's legal relationship with you is governed by the Fund's Trust Deed together with this Information Memorandum and certain financial services laws.

Some provisions of the Trust Deed are discussed elsewhere in this Information Memorandum, and others include:

- The nature of Units of the Fund;
- The Trustee's powers and how and when they can be exercised;
- When and how the Trustee can retire or be removed; and
- When the Fund terminates.

The Trustee will send you a copy of the Trust Deed free of charge on request.

## The Trustee's Duties

The Trustee is the trustee of the Fund. The Trustee has entered into the Trust Deed in its capacity as trustee of the Fund and not in its personal capacity. All obligations which might otherwise be implied or imposed on the Trustee by law or equity are expressly excluded to the extent permitted by law.

The Trustee will not be personally liable in equity, contract, tort or otherwise to investors for any loss suffered in any way relating to the Fund unless it is proven to have acted in conscious fraudulent bad faith.

The Trustee is entitled to be indemnified out of the assets of the Fund in accordance with the Trust Deed. The Trustee's liability to any person other than an investor in respect of the Fund is limited to its actual indemnification from the assets for that liability.

The Trustee may take and may act (or not act as relevant) on any advice, information and documents which it has no reason to doubt as to authenticity, accuracy or genuineness.

In the absence of separate agreement with an investor, the Trustee's recourse and any creditor is limited to the Fund assets.

## Management Agreement

The Management Agreement between the Trustee and the Fund Manager sets out the terms under which the Fund Manager provides investment management services to the Trustee relating to the Fund, which include:

- The identification and acquisition of assets consistent with the Fund's investment mandate;
- Keeping all assets under review and monitoring their performance; and
- Using reasonable endeavours to achieve the investment objectives for the Fund.

The Management Agreement contains provisions dealing with matters such as the duties and powers of the Fund Manager, and termination and indemnification provisions.

## Valuation Policy

The Fund Manager values developments in accordance with the Capital Prudential Diversified Development Fund Valuation Policy to determine the Fund's consolidated asset value. The Valuation Policy does not cover valuations for the preparation of financial statements as detailed in either Australian Accounting Standards (AASB) or International Financial Reporting Standards (IFRS).

The Valuation Policy has been developed in consideration of certain industry standards including:

- (a) ASIC/APRA Unit pricing: Guide to good practice (RG94);
- (b) Financial Services Council Standard No.9: Valuation of Fund Assets and Liabilities (FSC Standard No. 9);
- (c) Financial Services Council Guidance Note No.26: Asset Valuation and Unit Pricing for Infrequently Valued Assets (FSC Guidance Note No. 26); and
- (d) Accounting Professional & Ethical Standard (APES) 225: Valuation Services

And has taken guidance from relevant accounting standards including:

- (a) Australian Accounting Standards, International Financial Reporting Standards, including AASB 140: Investment Property and IFRS: IAS 40; and



- (b) International Valuation Standard for Valuation of Investment Properties Under Construction (IVS 233).

#### **Non GAAP Valuation Measurement**

The Fund undertakes the development of commercial and residential property developments for the purpose of sale on completion.

Under the current Australian Accounting Standards the Funds' activities are outside AASB 140 – Investment Property which provides the accounting treatment for investment properties that are being constructed or developed for future use as investment property and related disclosure requirements and allow entities to measure its investment properties at fair value.

Because the Fund is developing property for sale in the ordinary course of business it is obliged to adopt AASB-102.

Inventories which requires the Fund to recognise all property developments at the lower of cost or net realisable value regardless of whether the properties are a vacant site awaiting development or are a fully completed residential or commercial building.

However, the Fund has adopted this Valuation Policy to provide a basis for the calculation of the value of each property throughout its development based on Independent Valuations and Independent Quantity Surveyor reports of outstanding costs to complete of each project; because the Directors believe that such non-GAAP financial measures provide the Directors and other users with additional meaningful financial information that should be considered when assessing the Fund's ongoing performance.

The Directors regularly use such non-GAAP financial measures internally to understand, manage and evaluate the Fund's business and make operating decisions. Such non-GAAP measures are among factors the Directors use in planning for and forecasting future periods and are required disclosures to the Fund's Bankers.

The Fund values its consolidated assets on a monthly basis in accordance with this Valuation Policy, which primarily relies on external independent valuations and independent quantity surveyor confirmations of costs to complete for commercial and outstanding progress claims for residential.

#### **Purpose**

The valuation of property is a key determinant in the calculation of the Fund's consolidated asset value. The primary purpose of deriving a Fund's consolidated asset value is to: provide asset valuation reporting to investors and banks, monitor compliance with bank facility financial covenants, ensure the Fund has appropriate debt to asset ratios, calculate Unitholder Interests and determine the Trustee's and the Fund Manager's entitlements and other entitlements under the documents relating to the Fund. A consistent valuation methodology enables an accurate reflection of the Fund's consolidated asset values and returns to assist in investment management decisions and performance calculations.

#### **Principles**

This Valuation Policy seeks to ensure that:

- (a) valuations are calculated and applied consistently and equitably;
- (b) valuations include all assets of the Fund at the point of valuation;
- (c) valuations are unbiased, independent and are not subject to undue influence;
- (d) valuation processes are documented and transparent to ensure they are independently verifiable;
- (e) the methodologies used are appropriate for the nature of the assets;
- (f) the formulae and methods used are reviewed at appropriate periods; and
- (g) the Trustee satisfies its regulatory obligations.

## Definition of Market Value

The following definition of market value below has been adopted by the International Standards Valuation Council (IVSC) and endorsed by the Australian Property Institute and adopted by the Fund Manager to determine market value:

*“Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”*

The fundamental principle of a valuation is to produce a “Fair Value” of the investments. As set out in the international accounting standard for Fair Value measurement (IFRS 13), Fair Value is *“the price that would be received to sell an asset... in an orderly transaction between market participants at the measurement date.”*

This price should reflect *“an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.”*

The fair value should be measured *“using the assumptions that market participants would use when pricing the asset or liability”* and for non- financial assets should reflect the *“highest and best use”* of each asset.

The adopted definition of market value is consistent with the principle of fair value and takes into account the *“Highest and Best Use”* of the asset, which is defined by the International Valuation Standards Committee as *“Highest and Best Use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible”*.

## Regular Valuations

The Directors will determine the fair value of each development as at each balance date. The Directors’ determination of fair value will be supported by either an Independent Valuation or a Management Desktop Review, according to the following requirements:

(a) an Independent Valuation will be obtained on each development on an *“as is”* and *“as if complete basis”*;

- (b) The carrying value of developments will be valued at the lower of the acquisition cost or the most recent Independent Valuation on an *as is* basis until a planning approval is obtained. After planning approval is obtained, each development Property will be valued at the most recent Independent Valuation on an *as if complete* basis less the expected cost to complete (including contingency) the development;
- (c) Where a property has been sold under “split contract” or “house and land package” arrangements, future income receivable from the contracted builder will be included in the fair value of the development at the contracted amount less contingency;
- (d) where an Independent Valuation is not obtained, a Management Desktop Review supported by an independent appraisal will be carried out on each Property as at each balance date, subject to the Board’s discretion.

## Board Discretions

The Board maintains discretion to determine the fair value of any development subject to the Corporations Act, Australian Accounting Standards and the law.

The Board may:

- (a) request an Independent Valuation, Management Desktop Review or Independent Confirmation at any time;
- (b) accept or not accept an Independent Valuation or Management Desktop Review;
- (c) subject to regulatory requirements, depart from this Valuation Policy where special circumstance exist such that departure is in the best interests of the Investors; and
- (d) change this Valuation Policy from time to time.

## 12. Privacy



The privacy of the personal information of investors is important to the Trustee. The information requested on the Application Form and FATCA/ CRS Self Certification Form is used by the Trustee to establish and administer your investment in the Secured Income Notes, and to comply with applicable legislation. The Trustee is not able to process your Application without this information.

The *Privacy Act 1998* (Cth) (“Privacy Act”) regulates collection, disclosure of and access to personal information. Other laws also require some personal information to be collected in connection with your Application. By applying to invest in the Secured Income Notes, the Investor consents to personal information being used and disclosed by the Trustee for the purposes permitted under the Privacy Act, unless the Investor has instructed the Trustee in writing to do otherwise.

If the Investor does not provide the information requested or provides the Trustee with incomplete or inaccurate information, the Investor’s application may

not be able to be processed. An Investor is entitled to access, correct and update all personal information which the Trustee holds about the Investor. This information held may be obtained by contacting the Trustee. The Investor should contact the Trustee using its contact details in the Corporate Directory if the Investor has concerns about the completeness or accuracy of the information the Trustee has about the Investor or would like to access or amend the personal information held by the Trustee (or its relevant service provider). The Trustee’s full privacy policy is available at [20221018-Capital-Prudential-Privacy-Policy.pdf](#) ([capitalprudential.com.au](http://capitalprudential.com.au)) and a hard copy can be provided free of charge upon request. That Privacy Policy further details how your personal information will be collected, stored, used and disclosed by the Trustee and the Fund Manager.

In addition, in accordance with the requirements of the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth), the Trustee may disclose the Investor’s personal information to AUSTRAC.

## 13. Disclosure of Interests

Related Parties	Entity	Relationship
The following entities are related parties of the Fund Manager	Capital Prudential Funds Management Pty Ltd (CPFM)	CPFM is a wholly owned subsidiary of the Fund Manager.
	Capital Prudential Diversified Development Fund Pty Ltd (trustee)	The Trustee is a wholly owned subsidiary of CPFM.
	CP Note Security Holder Pty Ltd (Security trustee)	The Security Trustee is a wholly owned subsidiary of the Fund Manager
	Capital Prudential Diversified Development Fund	The Fund Manager is the sole unit holder of the Fund.



## 14. Fees and Expenses



The following fees and expenses are paid by the Fund to related parties of the Trustee

The interest rate for the Secured Income Notes under the Offer will be the rate notified in writing when offered to the Investor prior to their investment.

The interest rate payable to Investors is not reduced by any fees or expenses.

The Fund is responsible for payment of its own establishment and operating expenses including those incurred for services for: Pre-Settlement Expenses, Registry, Audit, Fund Raising Costs, Legal and Regulatory Compliance, Fund Management, Trustee, Accounting and Reporting.

The Fund (via its special purpose vehicles which own and develop each property) is responsible for all development expenses including those incurred for services for: Development Management, Development Approval and Project Management.

Where the Fund Manager and/or its related parties have provided the services or loans to the Fund or its subsidiaries, they may be entitled to fees or interest on negotiated commercial terms. The amounts of these fees vary by property transaction size and type. For example they may be paid (or reimbursed, as the case may be):

- Costs relating to identifying, securing and de-risking each property;
- Fees for de-risking each property if the property is acquired by the Fund;
- Services fees;
- Capital / debt management fees;
- Rebates; and
- Valuation uplift fees.

Where any director provides personal guarantees for borrowings, the Fund may pay a fee to such director and in such cases the Fund provides an indemnity to directors for any losses suffered by the directors including in respect of any personal guarantees the directors provide in relation to the Fund.

## 15. Other Matters

The Information Memorandum (as updated, supplemented or replaced from time to time) governs your investment, together with the Trust Deed.

If a new Information Memorandum is issued, a copy will be available to you upon request. You should read

it carefully. Copies are always available on request from the Trustee.

Unless otherwise stated, all figures are in Australian dollars and are inclusive of the net impact of GST (that is, taking into account any reduced input tax credits).

# Glossary

Capitalised terms used throughout this Information Memorandum are defined in this Section.

Key Term	Description
<b>Applicant</b>	A person who submits an Application Form.
<b>Application Form</b>	An application form that is available from the Trustee.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Business Day</b>	A day (other than a Saturday or Sunday) on which banks are open for general business in Sydney and Adelaide.
<b>CGT</b>	Capital Gains Tax.
<b>Corporations Act</b>	The <i>Corporations Act 2001</i> (Cth).
<b>CPFM</b>	Capital Prudential Funds Management Pty Ltd ACN 636 279 082 AFSL No. 524725
<b>DevCo</b>	Means a wholly or majority owned special purpose vehicles, consisting of a trustee company and unit trust, used to own and develop each property investment.
<b>Development Manager</b>	Each developer appointed by the Trustee to act as a Development Manager, noting that the Fund Manager may act as Development Manager.
<b>Early Maturity Event Date</b>	The date on which any of the following occurs: <ul style="list-style-type: none"> <li>• The Trustee determines to redeem early all or a proportion of the Secured Income Notes on issue;</li> <li>• Winding up of the Fund; or,</li> <li>• An insolvency event in respect of the Fund.</li> </ul>
<b>Face Value</b>	The face value of each Secured Income Note which is \$1.00.
<b>FATCA/CRS Self-Certification Form</b>	A form relating to the US Foreign Account Tax Compliance Act and OECD Common Reporting Standard that is available from the Trustee.
<b>Fund</b>	Capital Prudential Diversified Development Fund unit trust established by the Trust Deed.
<b>Fund Manager</b>	Capital Prudential Pty Ltd ACN 634 875 273.
<b>GST</b>	Goods and Services Tax as defined in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
<b>Information Memorandum or IM</b>	This information memorandum.
<b>Interest Payable</b>	On this first issue of Secured Income Notes, means interest payable on Secured Income Notes at the annual rate offered to the Investor calculated monthly and payable Quarterly in arrears from the date of issue of the Secured Income Notes until redemption or repayment of the Face Value of the Secured Income Notes . The interest rate for subsequent issues of Secured Income Notes will be the rate disclosed by the Trustee prior to the issue of those Secured Income Notes.
<b>Issue Date</b>	The date on which Secured Income Notes are issued to the Investor as recorded in the Register.
<b>Investor</b>	A holder of a Secured Income Note in the Fund.

## Glossary *continued*

Key Term	Description
<b>Management Agreement</b>	The management agreement between the Fund Manager and the Trustee for services provided by the Fund Manager to the Fund.
<b>Maturity Date</b>	The date for repayment of the Face Value for a Secured Income Note as specified in the Register, being the expiration of the term for which that Secured Income Note was issued or, if earlier, the Early Maturity Event Date.
<b>Offer</b>	The invitation to apply for Secured Income Notes under this Information Memorandum.
<b>Person</b>	Includes any legal entity.
<b>Secured Income Notes</b>	A note issued by the Trustee (being an undertaking by the Trustee to repay as a debt the Face Value of the note and to pay interest) on the terms in the Note Deed Poll.
<b>Transaction Documents</b>	The Trust Deed and the Secured Income Notes Deed.
<b>Trust Deed</b>	The trust deed for the Fund executed by the Trustee and dated 24 September 2019, as amended from time to time.
<b>Trustee</b>	Capital Prudential Diversified Development Fund Pty Ltd ACN 636 283 219 as trustee of the Fund.
<b>Wholesale Clients</b>	An investor to whom disclosure in respect of the Secured Income Notes is not required under section 761G of the Corporations Act.
<b>You</b>	An investor or prospective investor in Secured Income Notes.





# Corporate Directory

<b>Trustee</b>	<b>Capital Prudential Diversified Development Fund Pty Ltd</b> Level 1, 19 Beulah Road, Norwood SA 5067 PO Box 4079 Norwood South SA 5067
<b>Fund Manager</b>	<b>Capital Prudential Pty Ltd</b> Level 1, 19 Beulah Road, Norwood SA 5067 PO Box 4079 Norwood South SA 5067
<b>Auditor</b>	<b>KPMG</b> 151 Pirie Street, Adelaide SA 5000
<b>AML/CTF Compliance Partner</b>	<b>First AML</b> 6.03/45 Clarence Street, Sydney NSW 2000
<b>Registry</b>	<b>One Registry Services Pty Ltd</b> PO Box R1479 Royal Exchange NSW 1225
<b>Lawyers</b>	<b>Thomson Geer</b> Level 7, 19 Gouger St, Adelaide SA 5000



