

INVESTOR EDUCATION · SECURED FIRST-MORTGAGE LENDING

Understanding contributory mortgage schemes.

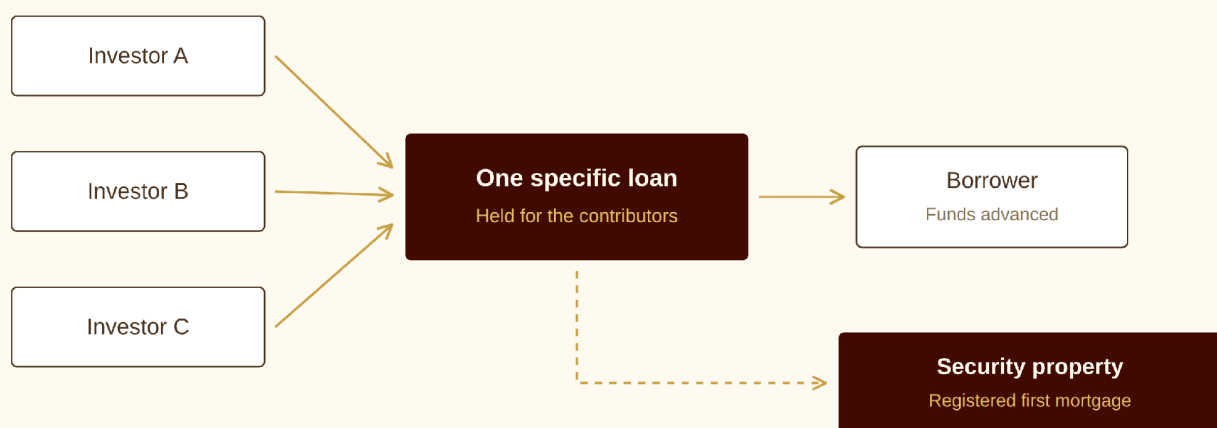
A plain-English guide to how contributory first-mortgage lending works, how it differs from a pooled fund, and the questions worth asking before committing capital.

What a Contributory Scheme Is

A contributory mortgage scheme is an investment structure in which a group of investors each contribute funds toward **one specific mortgage loan**, rather than into a blended portfolio. Each investor holds an interest in that particular loan and the security behind it — typically a **registered first mortgage over real property**. The return each investor earns comes directly from the interest the borrower pays on that loan, and capital is returned when that loan is repaid.

The key word is **contributory**: investors contribute to a nominated loan they have chosen. Before committing, each investor knows exactly which property secures their money, at what loan-to-value ratio, for what term, and at what rate. Investors can contribute different amounts but will receive the same percentage return on their investment.

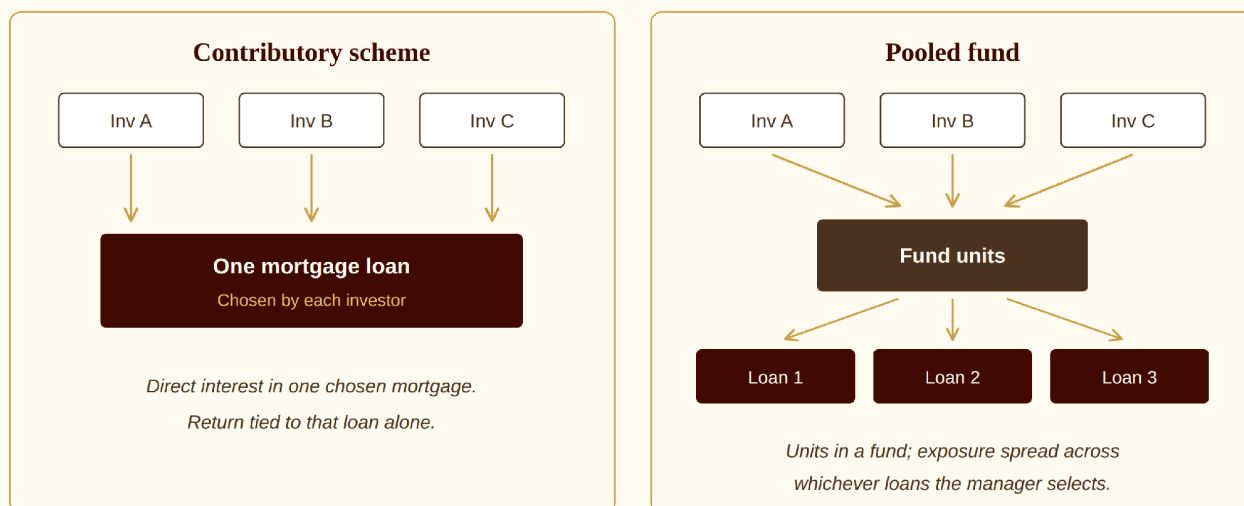
How the Money Flows



Contributions fund a single nominated loan, secured by a registered first mortgage over identified real property.

Interest flows the reverse way along the same path: the borrower pays interest on the loan, and it is distributed to contributors **in proportion to what each contributed**. If the loan is \$4m and an investor contributed \$400k, they hold a 10% interest in the loan and receive 10% of the income. When the borrower repays, usually by refinancing or selling, capital and any final interest are returned the same way, and the investment concludes.

Contributory vs Pooled — What You Actually Hold



— Transparency

Contributory investors see the actual deal - property, valuation, LVR, borrower profile and exit strategy before committing. Pooled investors see a mandate and a track record; individual loans come and go without their input.

— Choice and Control

Contributory investors select which loans they participate in and can decline any that don't suit their risk appetite. Pooled investors delegate that judgement entirely to the fund manager.

— Concentration vs Diversification

A contributory return depends on one loan performing; if the borrower defaults, recovery comes from that loan's security. Pooled investors are cushioned by diversification but also wear the underperformance of loans they'd never have chosen. Contributory investors typically build diversification by spreading across several loans over time.

— Defined Terms

Each contributory investment is a single loan with a defined term, a fixed rate and a known repayment event, rather than a fund's redemption windows.

The Life of an Investment

I SETTLEMENT

Contributions are applied to the loan, funds are advanced to the borrower, and the first mortgage is registered on title in favour of the security holder for the contributors.

II LOAN TERM

Interest accrues at the fixed rate for the defined term. Depending on the loan's structure, income is paid periodically, prepaid at drawdown, or capitalised and paid on repayment.

III REPAYMENT

The borrower repays - typically by refinancing to another lender or selling the security property. If repayment is delayed, default provisions and enforcement rights under the mortgage apply.

IV DISTRIBUTION

Capital and any final interest are distributed to contributors pro-rata to their interests, the mortgage is discharged, and the investment concludes.

A note on the regulatory framing: in Australia, mortgage schemes offered to retail investors generally need to be registered managed investment schemes operated by an Australian Financial Services licensee, with ASIC's disclosure benchmarks for unlisted mortgage schemes applying. Arrangements limited to wholesale investors sit under different settings. Nothing in this guide is legal or financial advice; the structure of any particular opportunity is set out in its Information Memorandum.

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