

# FINEXIA

## Product Disclosure Statement

Finexia Childcare Income Fund  
Available to Wholesale Investors only

This Product Disclosure Statement ("PDS") is a summary of significant information about the Finexia Childcare Income Fund ("Fund"). The information in this PDS is general information only and does not take into account your personal financial situation, needs or objectives. You should obtain financial advice tailored to your personal circumstances before making any investment decision. You can access a copy of the latest version of this PDS free of charge from our website [www.finexia.com.au](http://www.finexia.com.au) or by contacting us on **1300 886 103**.



Finexia Childcare Income Fund:  
**ARSN: 658 543 625**

Responsible Entity:  
**Finexia Securities Limited**  
ABN: 61 608 667 778  
AFSL: 485760

Investment Manager:  
**Finexia Funds Management Pty Ltd**  
ABN: 97 618 503 236

**DATED: 1 December 2025**

# FINEXIA

## Childcare Income Fund

### Dear Investor,

Finexia Securities Limited (ACN 608 667 778) AFSL 485760 (Responsible Entity) is pleased to invite you to invest in the Finexia Childcare Income Fund ("Fund"). Finexia Securities is a wholly owned subsidiary of ASX listed, Finexia Financial Group Limited (ASX:FNX).

Finexia is a specialist private credit provider with a strong funds and asset management capability. The team at Finexia have many decades of experience in private credit and funds management. Our mission is to create, build and preserve value outcomes for all stakeholders through transparent, innovative and robust investment solutions.

The Fund is structured as a registered managed investment scheme with an acute focus on providing funding solutions to the Early Childhood Education and Care ("ECEC") sector in Australia. The Fund is open for investment by wholesale investors.

Under the Offer, the Responsible Entity is seeking to raise funds primarily to offer indirect exposure to the ECEC sector by lending to experienced multi-site childcare operators and sector participants. These loans will provide select operators funding to grow in a strong, decentralised industry with exceptional government support.

The Finexia group of companies ("Finexia Group") has also established Shared Beginnings Pty Ltd ("Shared Beginnings"), a dedicated asset management and recovery vehicle. Shared Beginnings represents the Finexia Group's long-term strategic initiative to ensure that Investor capital is protected and recoveries are optimised in the event of Borrower default. Shared Beginnings is embedded in the Group's structure, and ensures that Finexia delivers an end-to-end solution to its investors – from origination to deal completion, and if required, enforcement, asset recovery and workouts.

Investors in the Fund receive monthly distributions with a targeted return of the RBA Official Cash Rate plus a margin of 4.00% - 5.65% (net of fees). This PDS includes:

- An overview of the investment
- Risks associated with the investment
- The expected exit strategy and repayment of capital
- Other key information to allow investors to decide if the investment meets their investment objective and risk profile.

We look forward to investing with and assisting you to achieve your investment goals into the future.

Yours faithfully,



**Neil Sheather**  
Managing Director

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# IMPORTANT INFORMATION

## Product Disclosure Statement

The Fund offered under this Product Disclosure Statement ("PDS") is the Finexia Childcare Income Fund ARSN 658 543 625 ("Fund").

The Fund is a wholesale registered managed investment scheme under the Act. Wholesale applicants may apply to invest at any time while this PDS is on issue and the Fund is open for investment.

This PDS is dated 1st December 2025. ASIC takes no responsibility for the contents of this PDS and expresses no view regarding the merits of the investment set out in this PDS. This PDS supersedes all previous PDS issued by the Responsible Entity for the Fund.

To the extent you first made an investment in the Fund prior to the date of this PDS ("Existing Investor"), your rights are amended and now subject to the terms outlined in this PDS. Existing Investors have the opportunity to review this PDS and redeem their interests in the Fund prior to the effective date of this PDS.



## Important Regulatory Notice – Wholesale Only Offer

This PDS is provided to Wholesale Investors only (as defined under sections 761G and 761GA of the Corporations Act 2001 (Cth)). It must not be distributed to or relied on by retail investors. The Responsible Entity relies on the Wholesale Investor exemption and does not make this Offer available to the general public. Recipients must rely on their own due diligence and professional advice in evaluating this investment.

## No Investment Advice

This is an important document that needs your attention. The information contained in this PDS is not financial product advice. The information contained in this PDS is general information only and does not consider your investment objectives, financial situation, and particular needs. It is therefore important that you read this PDS in full before deciding whether to invest in the Fund and take into consideration your investment objectives, financial situation, and particular needs. You should also seek your own financial advice from a licensed adviser before investing.

## Responsible Entity and Issuer of this PDS

Finexia Securities Ltd (ACN 608 667 778, AFSL 485760) in its capacity as Responsible Entity of the Fund ("Responsible Entity" or "Finexia") is the issuer of this PDS and the investment offered pursuant to this PDS. No other member of the Finexia Group makes any statement or representation in this document.

In this PDS, 'we', 'us' and 'our' refer to Finexia and 'you' and 'your' refer to individual investors, both as potential investors reviewing this PDS and as existing investors with a holding in the Fund, as the context requires.



## Investment Manager

The Responsible Entity has appointed wholly owned subsidiary and related party, Finexia Funds Management Pty Ltd (ABN 97 618 503 236) to act as Investment Manager of the Fund ("Investment Manager").

## Custodian and Custodian Disclaimer

The Responsible Entity has appointed Perpetual Corporate Trust Limited (ABN 99 000 341 533) as the custodian of the Fund ("Custodian"). The Custodian's role is limited to holding the assets of the Fund as agent of the Responsible Entity. The Custodian has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests. The Custodian has no liability or responsibility to you for any act done or omission made in accordance with the terms of the Custody Agreement. The Custodian makes no statement in this PDS and has not authorised or caused the issue of it.

## Eligibility

This document can only be used by Wholesale Investors receiving it (electronically or otherwise) in Australia. Units in the Fund are not intended to be offered or issued to US Persons as defined under Regulations of the US federal securities laws.

This PDS has been prepared to comply with the requirements of Australian law and is only being made to Wholesale Investors in Australia. This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Offer under this PDS, or to otherwise permit an offering of Units, in any jurisdiction outside Australia.

Distribution of this PDS in jurisdictions outside of Australia (whether electronically or otherwise) may be restricted by law. Persons who receive this PDS outside of Australia are required to observe any such restrictions. Failure to comply with such restrictions may find you in violation of applicable securities laws. This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

Any person subscribing for Units in the Fund shall by virtue of such subscription be deemed to represent that they are not in a jurisdiction which does not permit the making of an offer or invitation as detailed in this PDS and are not acting for the account or benefit of a person within such jurisdiction.

The Responsible Entity, nor any of its respective directors, officers, employees, consultants, agents, partners, or advisers accept any liability or responsibility to determine whether a person is able to participate in the offer for Units in the Fund.

An investment in the Fund is open only to wholesale clients. Wholesale clients are not eligible to participate in the dispute resolution process made available by the Australian Financial Complaints Authority (AFCA).

Other than as permitted by law, investments in the Fund will only be accepted on receipt of an Application Form.

## Wholesale Client Eligibility

This Offer is only available to Wholesale Investors as defined in sections 761G and 761GA of the Corporations Act 2001 (Cth), including:

- ✓ Professional investors (e.g. AFSL holders, institutional funds)
- ✓ Sophisticated investors (by Responsible Entity discretion)
- ✓ High net worth individuals or entities with net assets of \$2.5 million or gross income of \$250,000 p.a. (verified via accountant certificate)

A summary of wholesale categories and evidence requirements is included in the Application Form. The Responsible Entity reserves the right to determine eligibility and may accept or reject applications at its discretion.



## Disclaimer

An investment in Units in the Fund is not an investment in, or a deposit with or other liability of, the Responsible Entity and is subject to investment and other risks such as possible delay in repayment and loss of income and capital invested. None of the Responsible Entity, the Investment Manager, the Loan Manager, the Custodian or any of their respective directors, officers or associates gives any guarantee or assurance as to the performance of the Fund or the underlying assets of the Fund or the repayment of capital from the Fund or any particular rate of capital or income return from the Fund.

### No Representations Other Than Contained In This PDS

You should only rely on the information in this PDS when deciding whether to invest in the Fund. No person is authorised to give any information or to make any representation in connection with the Fund that is not contained in this PDS. Any information or representation not contained in this PDS may not be relied upon as having been authorised by the Responsible Entity in connection with the Fund.

This PDS is available in electronic format and can be accessed via our website [www.finexia.com.au](http://www.finexia.com.au). If you receive it electronically, please ensure that you have received the entire PDS and the Application Form. If you are unsure whether the electronic document you have received is complete, please contact us on **1300 886 103**. A printed copy is available free of charge.



## Updated Information

Information in this PDS may change from time to time. Information that has changed in relation to the Fund that is not materially adverse but which the Responsible Entity wishes to provide to investors, will be made available on the Responsible Entity's website. A printed copy of any updated information will be available from the Responsible Entity free of charge upon request by calling Finexia. The Responsible Entity may issue a supplementary PDS or SPDS to supplement any relevant information not contained in this PDS, in accordance with its obligations under the Act. Any supplementary PDS or SPDS and updated information should be read together with this PDS or SPDS. A copy of any supplementary PDS or SPDS and other information regarding the Fund will be made available on the Fund's website and a printed copy will be available from the Responsible Entity free of charge upon request.

## Defined Terms

Definitions of certain terms used in this PDS appear in the Glossary on page 37. References to currency are to Australian currency unless otherwise specified, and references to times are Australian Eastern Standard Time (AEST) unless otherwise specified.

## Obtaining Further Information Before Deciding

Visit our website [www.finexia.com.au/ChildcareFund/](http://www.finexia.com.au/ChildcareFund/) regularly for further information about the Fund, including continuous disclosure and Fund updates.

This PDS supersedes all previous PDS's issued for the Fund. No investments will be accepted based on this document once it is replaced by a later PDS. Investors who invested in the Fund under a previous PDS should read this PDS in full to ensure that this Fund continues to meet their investment objectives.

# KEY FEATURES OF THE FUND

This Product Disclosure Statement (PDS) is issued by Finexia Securities Limited (ABN: 608 667 778, AFSL: 485760) under the Finexia Childcare Income Fund (ARSN 658 543 625).

The PDS relates specifically to the Fund known as The Finexia Childcare Income Fund. The Fund aims to provide investors with a stable and secure income by offering indirect exposure to the Early Childhood Education and Care (ECEC) Childcare sector in Australia via the provision of credit (secured loans to specific qualified childcare operators and sector participants).

The Fund will raise money from investors. Thereafter, with that capital, the Investment Manager will primarily invest in or purchase equitable interests in loans arranged or originated by the Loan Manager provided to various experienced qualified Borrowers in the ECEC sector.

Ultimately, loans will be made to a variety of Borrowers, with agreements and covenants (as appropriate) in place, including supporting security. Loans will be supported by full recourse over the Borrower, relying on loan agreements and the related security.

In addition, the Fund will have the flexibility to:

- ✓ invest in liquid or cash-like investments, which may include listed securities or other short-term investments that can generally be quickly converted into cash;
- ✓ acquire existing loans that meets the Fund's investment criteria through an equitable assignment from third parties;
- ✓ acquire notes, convertible notes and interests in notes that align with the Fund's investment objectives; and
- ✓ From time to time, acquire equity or equity-like investments in childcare centres if a Borrower has not met its benchmarks or performance targets. In these cases, the Fund may either hold the equity or equity-like investment directly, or do so indirectly via Shared Beginnings.



The Fund's entitlement to income, however, is derived primarily from interest payments on the loans provided to Borrowers. The investors typically do not receive any portion of fees charged to Borrowers, as these are retained by the loan Originator(s).

From time to time, a Borrower may default on its loan. If that occurs, the Fund will refer the Loan to Shared Beginnings, the Finexia Group's dedicated Childcare asset management and recovery vehicle. Shared Beginnings will enforce any security the Fund holds and either take ownership or possession of the relevant business. Shared Beginnings will then seek to operate and stabilise the businesses to ensure maximum recovery for the Fund and its investors. As a result, from time to time, the Fund may have exposure to the performance of assets being managed by Shared Beginnings.

The information in the table below provides a snapshot of the Fund as at the date of this PDS. Please read the PDS and seek any professional advice you need before deciding to invest.

Item	Description
Targeted Return	The Fund seeks to provide investors with a return calculated as a targeted margin over the reference rate. The Fund utilises the RBA Official Cash Rate as the reference rate. The current targeted margin range is 4.00% - 5.65% over the RBA Cash Rate (net of fees). Investors should note that this is a targeted return only, and not guaranteed. The actual return can fluctuate depending on risks and market conditions. From time to time, distributions and returns may be suspended or may be zero.
Distributions	Where applicable, distributions are generally paid on the third Friday after each month-end. If the Friday is a public holiday, it will be paid on the next business day.
Investment Manager	Finexia Funds Management Pty Ltd (ABN 97 618 503 236). The Investment Manager will run the investment committee and determine whether or not the Fund will enter into or participate in certain loans. The Investment Manager will also manage Investor liaison and the Unit registry.
Loan Manager	Finexia Credit Pty Ltd (ABN 32 623 557 808). The Loan Manager is responsible for sourcing, originating, liaising with Borrowers and managing loans, including collecting payments from Borrowers, arrears management and any recovery actions. The Loan Manager also operates the credit committee, monitors outstanding loans and their performance and maintains the watchlist (if required).
Custodian	Perpetual Corporate Trust Limited (ACN 000 341 533), an independent specialist custodian, will act as Custodian of the Fund. A wholly owned subsidiary of ASX listed firm Perpetual Limited (ASX:PPT).
Responsible Entity	Finexia Securities Limited (ACN 608 667 778, AFSL 485760), the Responsible Entity of the Finexia Childcare Income Fund (ARSN 658 543 625).
This Offer	This Offer is for Ordinary Units in the Fund. These units entitle the holder to participate in the assets and income of the Fund.
Investment Objective	The investment objective of the Fund is to provide indirect exposure to the Early Childhood Education and Care (ECEC) sector in Australia and monthly income with a Targeted return of 4.00-5.65% p.a. above the RBA Cash Rate net of fees (Target Return). The Target Return is not a forecast and is not guaranteed. There can be no assurance that the investment objective of the Fund nor the Target Return will be achieved. Investors must consider the risks involved with the investment as set out in this PDS.
Investment Strategy	<p>To offer indirect exposure to the Early Childhood Education and Care (ECEC) sector in Australia by investing in secured commercial loan facilities provided to skilled, experienced childcare centre operators and sector participants. The loans provided or acquired by the Fund, will principally be used by the Borrower to purchase, refurbish or establish childcare centres throughout Australia. Freehold childcare centre loans will be considered should they meet the criteria. The Fund may also invest in liquid or cash-like alternative investments to maintain liquidity of the Fund or acquire notes, convertible notes or interests in notes. These investments may not relate to the childcare sector, and are intended as an incidental investment strategy solely for assisting with the Fund's liquidity if required in the Investment Manager's discretion.</p> <p>From time to time, a member of the Finexia Group, including the Loan Manager, may either subscribe for Units in the Fund (including a special class of Units), or make a loan to the Fund, to facilitate liquidity for redemptions. Any related party transactions by the Fund will comply with the requirements of the Constitution and the Corporations Act, be on arm's length commercial terms and will either rank pari passu with ordinary Units, or rank behind ordinary Units in the event of the Fund winding up.</p>
Wholesale Structuring Arrangements	<p>The Fund may offer side-letter arrangements or direct co-investment structures to Wholesale Investors, including:</p> <ul style="list-style-type: none"> <li>■ Participation in specific loans or tranches;</li> <li>■ Customised exit rights or maturity options; and</li> <li>■ Allocation rights in specific sub-portfolios.</li> </ul> <p>These arrangements are negotiated on a case-by-case basis, must comply with the Fund's Constitution and fiduciary obligations, and will be disclosed where required by law. They will not adversely affect the rights of other Unitholders.</p>

## Item

## Description

### Assets of the Fund

The assets of the Fund will include:

- Bank accounts and any cash in the bank account.
- Liquid or other cash-like investments.
- Loan agreements between the Fund and Borrowers.
- Any security or collateral provided by Borrowers in connection with a loan.
- Any listed or unlisted securities held by the Fund.
- Receivables and interest in receivables.
- Notes and interests in notes, including convertible notes and hybrids.

### Collateral and Security Supporting Loans

The Fund will provide, or acquire, loans to qualified childcare sector participants (Borrowers). Generally, the Fund will take or benefit from supporting security such as:

- Mortgage of lease over leasehold property, which if located in:
  - (i) each State or Territory of Australia other than Victoria, the mortgage itself is or will be registered; or
  - (ii) Victoria, a caveat is registered;
- Mortgage over freehold real property, where the centre is freehold childcare centre Landlord Consent or Right of entry deed from the lessor (where applicable);
- General Security Agreement (GSA) over Borrowing entity;
- Personal guarantee from director(s), the key sponsor and/or Head Entity, as appropriate.

Investors should note that supporting security is determined by the Loan Manager on a case-by-case basis and may differ from Borrower to Borrower.

The Loan Manager will comply with its Credit Policy in determining the loans funded and collateral/security requirements for those loans. This includes determining which loans are offered to the Fund.

The Investment Manager determines which loans the Fund invests in, or acquires.

### Fund Withdrawals

The Fund aims to hold a combination of both liquid and illiquid assets. Holdings of Liquid assets, such as cash and short-term, cash-like investments, that can generally be quickly converted into cash including listed & unlisted securities, notes and interests in notes, aims to provide the Fund with flexibility to meet redemption requests from investors. However, a significant portion of the Fund's assets are illiquid, being secured loans to childcare operators. As such, the Responsible Entity will assess and approve redemption requests at its sole discretion taking into account its availability of funds. While the Fund aims to maintain enough liquidity to accommodate withdrawals, if the Fund is illiquid, then redemptions will be unavailable until such time as the Responsible Entity makes a withdrawal offer available to all Unitholders in accordance with the Corporations Act.

Investors should be aware that while the Fund aims to maintain enough liquid assets to meet potential withdrawal demands, there is no guarantee that the Fund will be liquid. If the Fund is illiquid, redemption requests will be suspended until such time as the Fund is either liquid, or makes a withdrawal offer to all Unitholders.

### Fund Diversification

An investment in the Fund provides less diversification when compared to other 'pooled' style investments. The Fund's core assets are primarily exposed to one sector, that being, the Australian Early Childhood Education and Care (ECEC) sector via loans to Borrowers for childcare centre operations, properties and developments.

To manage liquidity, the Fund may also invest in liquid or cash-like alternative investments, such as listed & unlisted securities and notes. While such investments provide flexibility in managing liquidity, the overall diversification of the income of the Fund remains concentrated within the ECEC sector.

### Unit Issue Price

At the date of this PDS Unit price is \$1.00 per Unit. The unit price reflects the Net Asset Value (NAV) per Unit and will fluctuate with the value of the underlying assets.

## Investment Amounts

Minimum Investment	\$50,000
Minimum Additional Investment	\$5,000

## Important Dates

Offer Open	The date of this PDS.
Offer Close	There is no Offer Closing date as the Fund is an 'open ended' Fund that remains open for investment.

## Other Fund Information

**Fund Borrowings**

The Fund does not currently have any borrowings. The Fund may consider engaging wholesale funding partners which will aid in managing the liquidity and treasury of the Fund including timing of loan funding, repayment, capital allocation and redemptions.

**Related Party Information**

All transactions, including those with related parties, are conducted on commercial terms and conditions, on an arm's length basis. From time to time, a member of the Finexia Group, including the Loan Manager, may either subscribe for Units in the Fund (including a special class of Units), or make a loan to the Fund, to facilitate liquidity for redemptions, or to provide additional capital to facilitate asset purchases or loan funding commitments. Any related party transactions by the Fund will comply with the requirements of the Constitution and the Corporations Act, be on arm's length commercial terms and will either rank pari passu with ordinary Units, or rank behind ordinary Units in the event of the Fund winding up.

**Cooling Off**

A 'Cooling-Off' period does not apply to the Fund as it is only available to Wholesale Investors.

**Investors**

This Offer is open to Wholesale Investors only. Other investors may access the Offer indirectly via an IDPS, at the discretion of their IDPS operator.

**Management Costs**

Fees and other management costs will apply to this investment, and you should read the Fees and Other Costs section for full details. Finexia and its related parties are entitled to be paid ongoing management fees for its role in managing the Fund.

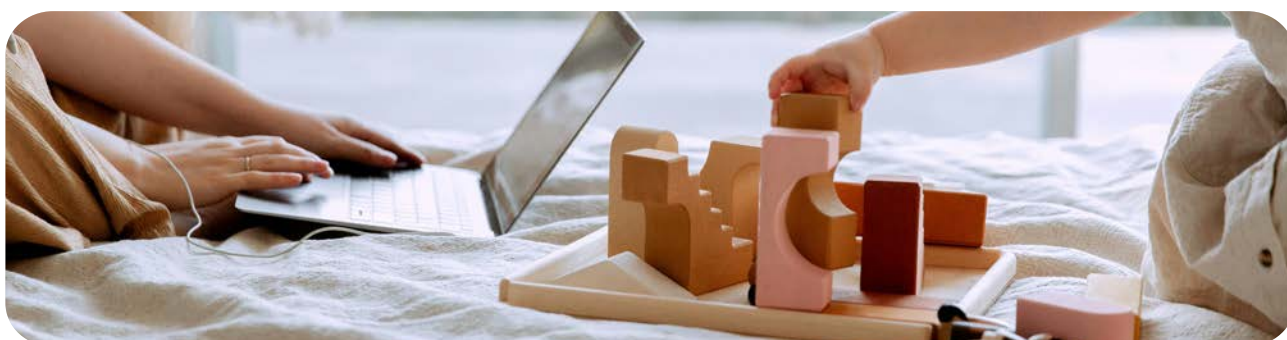
**Reporting and Investor Communications**

Investors will receive the following information regarding their Fund investment:

- Receipt of funds notification;
- Half-yearly Fund performance update;
- Annual tax statement;
- Annual periodic (transaction) statement; and
- Annual financial report (if requested).

**Access to Current Information**

You can obtain up-to-date information in relation to the Fund's performance, continuous disclosure material and other information about the Fund or Finexia at [www.finexia.com.au](http://www.finexia.com.au). This includes any updates on this PDS.





## ABOUT THE FUND

The Fund offered under this Product Disclosure Statement (PDS) is the Finexia Childcare Income Fund ARSN 658 543 625 (Fund).

The Fund is a wholesale registered managed investment scheme under the Act. Wholesale applicants may apply to invest at any time while this PDS is on issue and the Fund is open for investment.

This PDS is dated 1st December 2025. ASIC takes no responsibility for the contents of this PDS and expresses no view regarding the merits of the investment set out in this PDS. This PDS supersedes all previous PDS issued by the Responsible Entity for the Fund.

To the extent you first made an investment in the Fund prior to the date of this PDS (Existing Investor), your rights are amended and now subject to the terms outlined in this PDS. Existing Investors have the opportunity to review this PDS and redeem their interests in the Fund prior to the effective date of this PDS.

### Investment Overview

This opportunity is structured to offer investors indirect exposure to the Early Childhood Education and Care (ECEC) sector in Australia. The investment relates to the provision of secured credit (loans), by way of the Responsible Entity and or the Investment Manager sourcing, originating loans or acquiring loans for childcare operators and sector participants to purchase, renovate, establish or open new childcare centres. Freehold childcare centres will be considered should it meet the Investment Manager's investment criteria.

Existing multi-site operators and sector participants are targeted as potential Borrowers. Targeting multi-site operators aims to provide supporting income through the opening and trade-up phases of any new centre.

The Fund is structured to offer exposure to the childcare sector and as such the investment outcomes, including the rate of return, duration of investment and capital security of funds invested are highly exposed to this sector of the Australian economy.

### Finexia Childcare Pty Ltd (ACN 602 805 194)

Finexia Childcare Pty Ltd is a wholly owned subsidiary of Finexia Financial Group Limited. It operates as the Lender of Record for the loans. Following approval by the investment committee of the Fund Manager, the Fund makes loans to Finexia Childcare, which in turn, makes loans directly to the Borrowers and manages the security arrangements over the secured property subject to the Loan Manager's Credit Committee approval.

### Shared Beginnings Pty Ltd (ACN 686 827 654)

Shared Beginnings Pty Ltd has been established as a dedicated recovery and asset management vehicle within the Finexia Group. From time to time, the Fund may have exposure to the activities of Shared Beginnings if a Borrower is in default and Shared Beginnings seeks to either recover the loan, or acquire the underlying asset to enable a workout strategy. This initiative has been taken by the Finexia Group in order to better protect its Investors' investments and to provide an in-house, dedicated solution for when loans underperform.

### Wholesale Investor Flexibility

The Responsible Entity may negotiate individual arrangements with Wholesale Investors, including:

- ✓ Differential fee arrangements
- ✓ Special liquidity terms or redemptions windows
- ✓ Side letter agreements
- ✓ Co-investment or syndicated loan participations
- ✓ Tailored reporting (e.g. portfolio-level insights, IRR metrics)

These arrangements are documented separately and must not adversely impact the rights of other Unitholders. The Responsible Entity retains full discretion to accept, reject, or vary such arrangements.

### Fund Income and Distribution Payments

The Fund is targeting a return of 4.00%-5.65% per annum (net of fees) above the RBA Cash Rate. Income is distributed to investors monthly in arrears in the form of cash or reinvested as additional Units (at each Investor's election). Distributions are paid to your nominated Australian bank account.

### No Guarantee

There is no guarantee of the repayment of capital or income to any investors. There is a risk that you may lose some or all of the funds that you invest.

# HOW TO INVEST

## Finexia Childcare Income Fund

The Finexia Childcare Income Fund is an investment opportunity. To be able to invest in this Offer, you must complete the Investor application form for the Finexia Childcare Income Fund. The Fund is a Unitised structure with investors being issued Units in the Fund. Below is a schematic detailing the Fund's structure and investment process.

There are three steps to make an investment:

- 1** Read this PDS and consider the offer.
- 2** Complete and lodge the Application Form for Units attached to this PDS.
- 3** Deposit application monies.

### Step 1 Read the PDS and Consider the Offer

You should read this PDS in full, before deciding whether to invest in this Offer. Pay particular attention to the risks set out in the Risks Section page 24 and other information concerning the investment, the Fund, and its assets. The risks need to be considered with your particular investment objectives, financial situation, and needs. You should seek your own financial advice from a licensed adviser before investing.

### Step 2 Complete the PDS Application Form

To make an investment in the Fund, you will need to apply online via this link:

<https://investor.finexia.com.au/py/sys.pyc?app=F278>

Alternatively, contact Finexia on 1300 886 103 to request a paper based application.

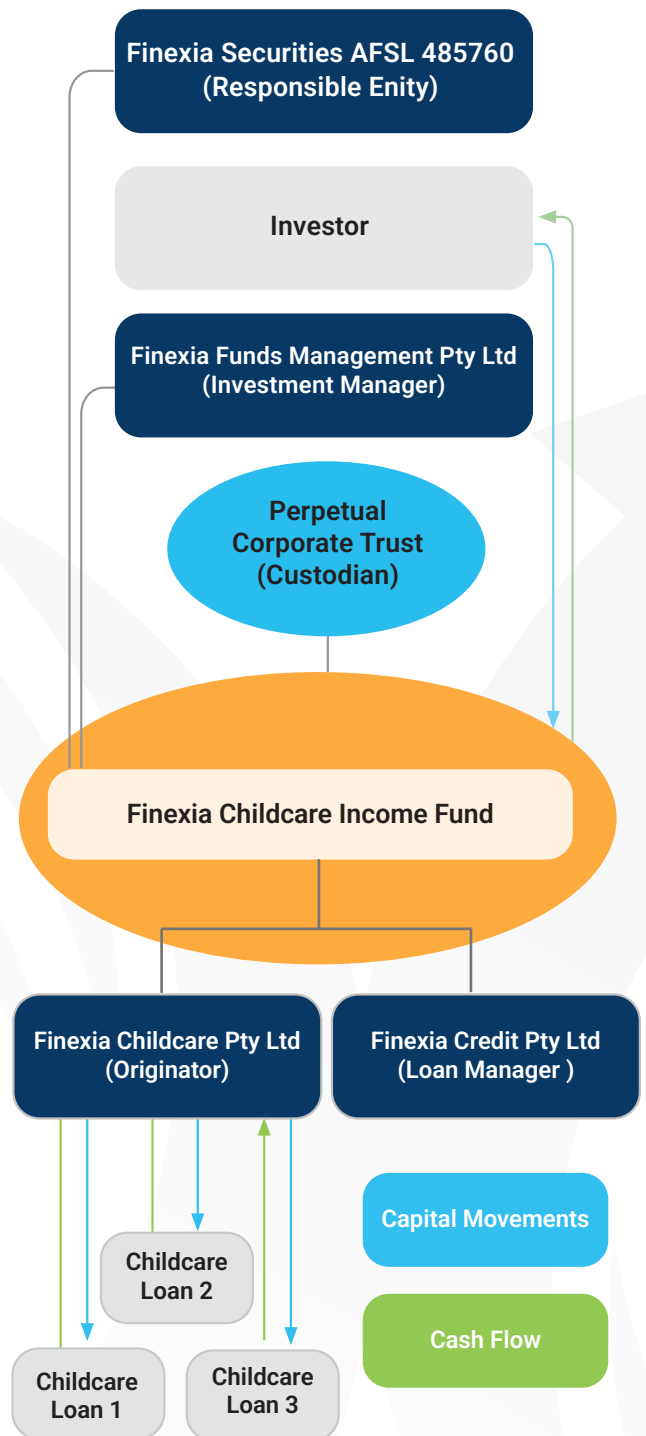
### Step 3 Deposit Application Monies

Units to which this PDS relates will only be issued on receipt of cleared funds and a completed Application Form in a form acceptable to the Responsible Entity, whether it will be by a printed copy or an electronic Application Form. The Responsible Entity may accept or reject Applications for Units in its absolute discretion.

Should your application be accepted, Units will be issued to you at the prevailing Issue Price on the relevant Issue Date.

Your Application Form and Application Monies must be received by the Fund / Unit Registry by 2:00pm (AEST) for Units to be issued on the relevant Issue Date. Applicants should be aware of their financial institution's cut-off time noting that payments must be made to be processed overnight.

Investors must provide certain information as required by the Responsible Entity as part of its Know Your Customer ("KYC") obligations. An Investor's interest in Units cannot be registered without having provided this information and it having been reviewed and accepted by the Responsible Entity (also see Transfer of Units below).





## Eligible Investors

This PDS is available to Wholesale Investors only. Applicants must meet the definition of a Wholesale Client under section 761G or 761GA of the Corporations Act 2001 (Cth). This includes individuals, companies, trusts or institutional investors who:

- ✓ Satisfy asset or income tests with a qualified accountant's certificate
- ✓ Are regulated or licensed under the Corporations Act (e.g. AFSL holders)
- ✓ Are otherwise assessed as sophisticated investors by the Responsible Entity

Please consult your legal or financial adviser for assistance in determining eligibility and preparing supporting documentation. The Responsible Entity will not issue Units unless satisfied of a prospective Investor's wholesale status.

## Selling Restrictions

The Offer to which this PDS relates is only available to Wholesale Investors in Australia. Other investors may access the offer indirectly via an IDPS, at the discretion of their IDPS operator.

## Variation to the Fund

We may issue a new or Supplementary Product Disclosure Statement (SPDS) to investors if the terms of the investment are materially different or change.

## Minimum Investment Amount

The minimum investment into the Fund is \$50,000. You can invest in multiples of \$5,000 increments above the minimum initial investment. Finexia reserves the right to reject any, or to allocate a lesser number of Units than applied for by the Investor. If this occurs, then any application monies not accepted will be returned to the Investor.

## Adding to Your Investment

You can apply for additional Units in the Fund at any time. The Investment Manager reserves the right to decline any application at their sole discretion.

## Cooling-Off Period

Cooling-Off rights do not apply as the Fund is a wholesale registered scheme.

## Redemption from the Fund

The Fund aims to hold a combination of both liquid and illiquid assets. Liquid assets, such as cash, cash-like investments (including listed securities), notes and interests in notes, aims to provide the Fund with sufficient liquidity to meet redemption requests from investors. However, a significant portion of the Fund's assets are illiquid, being secured Loans to childcare operators. As such, the Responsible Entity will, on receiving a redemption request, assess the Fund's liquidity. If the Fund is liquid, the Responsible Entity may approve the redemption request at its discretion. While the Fund aims to maintain enough liquidity to accommodate withdrawals, there may be times when redemptions are not possible or are subject to delay or suspension, depending on the availability of liquid assets. If the Fund is illiquid at any time then redemptions may be suspended until such time as the Responsible Entity can make a withdrawal offer in accordance with the Corporations Act.

Investors should be aware that while the Fund aims to maintain enough liquid assets to meet potential withdrawal demands, there is no guarantee that redemption requests will always be fulfilled promptly.

Investors who wish to redeem all or part of their investment should provide notice of their request by completing and signing a Redemption Form and lodging it with Finexia. The Investment Manager will review the liquidity position of the Fund and decide at its sole discretion if the redemption can be processed, and if it can be processed, whether it will be processed partially or in full. If a redemption from the Fund is approved, you may withdraw your funds by providing us with five business days' written notice. If the Fund is illiquid, the redemption request will be rejected or suspended.

A Unitholder wishing to redeem some or all of their Units should complete a redemption form and send it to the Responsible Entity. Redemption forms may be obtained by contacting the Responsible Entity at [fcif@finexia.com.au](mailto:fcif@finexia.com.au).

# DISTRIBUTIONS



## Timing of Distribution Payments

The Fund is targeting monthly distributions paid in arrears. Payments will generally be made on the third Friday of the month.

Distributions are paid directly to your nominated bank account held at an Australian financial institution, or you may elect to reinvest distributions into additional Units.

There is no guarantee that distributions will always be made, and from time to time distributions may be cancelled, suspended or delayed.

## Distribution Reinvestment

If you elect to reinvest distributions, your distributions will be applied to purchase additional Units. Units will be allocated at the prevailing Unit price and no discount will apply.

## Source of Distributions

In calculating distributions, Finexia may, in its discretion, include in income any amount of management fees to which it is entitled but wishes to waive or defer for the period, in order to achieve a particular rate of return. This may also include any income attributable to a related body corporate of Finexia by way of being a Unit Holder or Investor in the Fund.

Finexia and its controlled entities may at its discretion choose forbearance of its fees or distribution in any given period. Any such decision will be based on Finexia's analysis of the Fund's financial position, including the current market conditions, anticipated investment income, the Fund's liquidity needs, and the total fees and costs accrued during the relevant period.

## Transferring Units

Units may be transferred in accordance with the provisions of the Constitution. A transfer of Units must be in writing, signed by both the seller and the buyer and transfer duty paid (if applicable) before it is given to Finexia.

Transferring Units may have tax implications and investors should consult their taxation adviser before they arrange any transfer of Units. It is the Investor's responsibility to ensure that any applicable stamp duty is paid. Finexia is released and indemnified from, and against all liability, which may be suffered by any Investor or by Finexia, or brought against Finexia in respect of any acts or omission of investors in this regard, whether authorised by any Investor or not.



## Reporting

Details about the reporting and communications we provide you are set out at [www.finexia.com.au](http://www.finexia.com.au). Upon becoming a member of the Fund, you will be provided with an acknowledgement letter confirming receipt of application money and the number of Units issued. Other reporting will generally be via the website and email and will include the following:

- ✓ Monthly distribution statements;
- ✓ an annual statement of taxable income, providing a summary of distributions earned for inclusion in the Investor's income tax return;
- ✓ annual periodic statement, which details all transactions on each Investor's account, together with balances on the number of Units held in the Fund;
- ✓ annual financial report of the Fund in accordance with regulatory requirements, if requested; and
- ✓ Half-yearly Fund performance updates.

If you do not have an email address or access to the internet to receive this information, then please contact Finexia to update your communication preferences.

The Fund is structured to offer exposure to the childcare sector and as such the investment outcomes, including the rate of return, duration of investment and capital security of funds invested are isolated to this Fund.

## Unit Pricing

Finexia has a Unit pricing and allocation policy framework (Unit Pricing Policy) to monitor and assess the value of the Fund's assets particularly the Loans, to ensure compliance and accurate pricing of Units. Loans are reviewed regularly for performance including the value of loans and any potential impairment. Valuations of collateral are obtained in accordance with the Loan Manager's Credit Policy. If an asset is deemed impaired, adjustments are made to the Fund's Net Asset Value in accordance with the Constitution and Unit Pricing Policy, ensuring the issue and redemption price of Units reflects the most up-to-date Net Asset Value of the Fund.

## Valuation and Impairment Approach

The Fund has appointed Finexia Credit Pty Ltd as the Loan Manager. The Loan Manager applies a structured approach to the assessment of loan assets, including:

- ✓ Regular internal credit reviews and impairment testing;
- ✓ Engagement of external valuers to assess the value of secured property;
- ✓ Ongoing monitoring of Loan-to-Valuation Ratios (LVRs);
- ✓ Classification of loans by lifecycle (e.g. Formative vs Established);
- ✓ Monitoring of Borrowers and consideration of when a loan is impaired;
- ✓ Steps to take to recover and/or manage an impaired or defaulting loan;
- ✓ Recommendations on asset re-valuations and Unit pricing in relation to defaulting loans.

# Finexia Childcare Income Fund

## Fund Assets

The Fund will offer secured loans exclusively to experienced childcare sector participants, principally leasehold childcare centres. Security for these loans will consist of a registered first mortgage over the leasehold childcare centres (or freehold where applicable). Funding is aimed at experienced Borrowers seeking finance for childcare centres in strategically positioned locations across Australia.

Loans will only be advanced where it can be secured by registered mortgages over the leasehold and or freehold property. However, other entities related to Finexia may make a Loan to the same Borrower. Generally, the Fund will have priority over unsecured creditors, and rank in a senior security position. However, investors should note, that from time to time, the Fund may not have such priority and may rank behind other senior secured lenders.

The Investment Manager may also consider opportunities to advance Loans jointly with other entities (Co-lenders). Co-lenders may or may not be associated with Finexia or the Fund. In such circumstance, it is anticipated that the Fund and Co-lender will be joint lenders with the loan secured by a joint first mortgage or other joint security arrangements, as appropriate.

The Fund may also acquire (equitable interest in) existing loans. Any loans (or interest in loans) acquired by Finexia for the Fund will be assessed using the same standards and in accordance with the Loan Manager's Credit Policy.

Furthermore, the Fund has the flexibility to invest in liquid or cash-like investments, such as notes, listed securities, or other short-term financial instruments, primarily to manage liquidity.

The Fund may also acquire equity or equity-like investments, including in Finexia Financial Group Limited (ASX:FNX) or via Shared Beginnings if a loan is impaired and/or in recovery.

The Responsible Entity applies its Unit Pricing Policy to assess and monitor the value of Fund's assets, ensuring that any impairment adjustments are reflected in the Fund's Net Asset Value. This process helps maintain accurate Unit pricing.

## Overview of the Loans the Fund Will Offer

The Loans generally fall into two broad categories:



Established



Formative.

Established loans are designed to provide experienced Borrowers with funding, generally to purchase or refurbish (minor CAPEX) existing childcare centres.

Formative loans are designed to provide experienced Borrowers funding to establish, fit-out, open or refurbish (greater than minor CAPEX) and trade-up childcare centres(s) to a point where the occupancy and cash flows reach a maintainable market level in line with the valuation. It is at this point that the Loan would generally be able to be refinanced by a traditional Bank financier. It is the intention of the Fund to seek to retain this loan on a longer term arrangement noting the competitive nature of the Banks for this business.

The product is designed to replicate and largely replace loans that were traditionally provided by major Australian Banks. These loans have become harder to obtain covering the trade-up period, at commercial gearing levels with the speed and simplicity of the Finexia offering.

The Formative Loan term on each centre is typically 12 months at initial funding, as this is generally considered as the industry accepted stabilisation period in ordinary circumstances and is in line with timeframes evidenced from the Loan Manager's prior dealings, although ranges can vary greatly.



Typical Formative loan characteristics include:

- ✓ A single loan that provides end-to-end funding to open and trade-up a childcare centre. Covers all operational and soft costs from lease execution to an Established, stabilised childcare centre asset.
- ✓ Operators with existing operating centres and recent relevant experience in successfully opening and trading up of an appropriate volume of centres are the target market.
- ✓ Operators personal and business financial position will need to be appropriate for the level of exposure of the Borrower.
- ✓ A Loan to Valuation Ratio (LVR) typically not more than 70%, on an acceptable "As If" stabilised occupancy valuation figure. The LVR may be achieved by taking additional supporting security over childcare assets.
- ✓ Interest on Formative loans will typically be capitalised for the initial 12-month loan period. Hence, no repayments will be required during the trade-up period.
- ✓ Loan Terms for Established centres are typically 12 to 60 months and extendable as required with interest payable monthly in arrears.
- ✓ Security to the childcare property and / or business, and
- ✓ Recourse to Director(s) / key sponsor(s) via Personal Guarantees.

### Fund Investment Criteria

Each loan provided to childcare centre operators or acquired by the Responsible Entity for the benefit of the Fund will be assessed on its merits and generally be in line with the following parameters & criteria:

- 1 Client will have recent, relevant experience in opening and trading up childcare centres.
- 2 Client will have a minimum of 5 years' experience in the childcare sector and demonstrated capability in centre opening and operation.
- 3 Client will have a sufficient balance sheet to support the Loan.
- 4 Centre will have strong demographics to support trade-up with sustainable occupancy greater than 80%.
- 5 Centre will generally have a minimum of 60 licensed places upon opening, unless the Funded centre forms part of a wider portfolio where a small centre will be considered.
- 6 Client will have a clear exit strategy for any loan which will generally include refinance, sale of the business or clearance from proceeds of sale of other assets.
- 7 Repayment through cash flow.

From time to time, however, the Fund may invest in an opportunity that does not meet the above parameters or criteria.

## Loan Assessment Criteria

Given the Fund is established to lend to the Early Childhood Education and Care (ECEC) sector in Australia, specific assessment criteria and benchmarks have been established to assess each loan application for each childcare centre and proposed loan. The Loan Manager will undertake a detailed credit analysis before any loan is provided or acquired and each loan will be signed off by the Credit Committee before any funds are dispersed.

The proprietary assessment criteria of the Loan Manager includes over 30 individual data points & criteria developed over many years to measure and assess the specific risks associated with Childcare Operators and their centres.

When assessing the creditworthiness of a Borrower, the Loan Manager utilises the Five Cs of Credit framework as follows:

- 1** Character – Character refers to the Borrower’s credit history, integrity, and reputation.
- 2** Capacity – Capacity assesses the Borrower’s ability to repay the loan, considering their financial stability and cash flow. Servicing could be achieved through personal income, other business income, prepayment of interest, or a provision within the project. Where interest is payable at maturity or incorporated into the loan advance, then there must be a firm and realistic exit plan.
- 3** Capital – Capital evaluates the Borrower’s equity and financial stake in the business (as disclosed on their Assets and Liabilities statement).
- 4** Collateral – the strength of the collateral supporting the loan such as the Security Property, including value, location, nature and saleability.
- 5** Conditions – Conditions consider the external factors that may impact the Borrower’s ability to repay, such as industry trends and economic conditions.
- 6** The Loan Manager’s loan approval process requires compliance with the Credit Policy, which includes the approval of the Credit Committee, comprising of representatives of the Board of Directors, senior management and independent, external experts who review each credit proposal against the credit policies & procedure guidelines and ensure appropriate policy fit in accordance with Risk appetite.
- 7** Wherever possible, the Security Property is inspected by an employee or a nominee of the Loan Manager.

The Credit Policy governs the criteria regarding originating or acquiring loans. Under the Credit Policy, the Loan Manager has the right to call for independent valuations at any time to reassess the value of any Security Property. The Credit Policy is subject to periodic review and may be updated from time to time.



## The Investment Manager and Loan Manager

Finexia Securities Limited in its capacity as Responsible Entity (RE) has appointed Finexia Funds Management Pty Ltd (ACN 618 503 236) a wholly owned subsidiary of Finexia Financial Group Limited (FNX:ASX) to act as Investment Manager. The Responsible Entity has also appointed Finexia Credit Pty Ltd (ACN 623 557 808), a specialist private debt firm and related party, another wholly owned subsidiary of Finexia Financial Group Limited to act as the Loan Manager.

The Loan Manager has extensive experience in debt financing, debt structuring and loan management within the childcare sector.

The Loan Management Team have a breadth of banking, financing knowledge with significant expertise in credit and loan servicing, including managing the relationships with Borrowers, ongoing monitoring of their performance and creditworthiness, review and watchlist monitoring of any impaired or defaulting loans.



## Securitisation Commercial Arrangements

The Fund has entered into commercial arrangements as a feeder Fund for securitisation process(es) whereby the Fund may originate loans and subsequently sell equitable interest(s) in loans into a securitisation trust.

Entering into the commercial arrangement allows the Fund to grow its loan origination potential, client retention, and aid in managing Fund liquidity, capital requirements, funding commitments and diversity across counterparty, geography and other credit metrics such as collateral type.

The process of securitisation is commonly used by financial institutions to fund pools of receivables and broadly involves the following steps:

- 1 a trust is formed for the sole purpose of acquiring and financing a portfolio of loans; and
- 2 the trust acquires an equitable interest in a portfolio of loans, which means it acquires the rights to monies owing rather than outright ownership of the portfolio of loans.

The sale or purchase of an equitable interest of any loan will generally be at par value, into or out of any securitisation trust.

The Investment Manager and/or any of its associates or related parties may invest, directly or indirectly, in assets which may also be purchased or sold by the Fund.

Any related party transactions or conflicts of interest are managed carefully to ensure that all terms are commercial, on arm's length basis and do not disadvantage Unitholders.

The Investment Committee of the Investment Manager makes a recommendation to the Responsible Entity whether or not to sell an equitable interest in one of the Fund's loans into a securitisation trust. To manage any conflict (or perceived conflict), the independent member on the Investment Committee has the deciding vote before any loans are sold or transferred.

# FEES AND OTHER COSTS

## Consumer Advisory Warning

The below warning is prescribed for inclusion in this PDS and aims to alert investors to the importance of value for money, and the compounding value of fees and costs as well as their impact over time on ultimate benefits. For a description of the fees and costs charged by this Fund, please read this section in full.

## FINEXIA CHILDCARE INCOME FUND

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>Related Party Information</b>		
Management fees and costs – The fees and costs for managing your investment	Up to 2.85% per annum of the gross value of the assets of the Fund.	<p>Management fees and costs are comprised of:</p> <p>Investment management fee; Recoverable expenses; and Indirect costs</p> <p>The management fee component of management fees and costs is accrued daily and payable monthly in arrears out of the assets of the Fund until the date of the final distribution following a winding up of the Fund.</p> <p>The Fund pays this fee to the Investment Manager or the Loan Manager, or otherwise to both in such proportions as may be agreed between them from time to time.</p> <p>Otherwise, the fees and costs are variable and deducted and reflected in the Unit price of the Fund as they are incurred.</p>
Performance fees – Amounts deducted from your investment in relation to the performance of the product	There is no performance fee	The Fund pays this fee to the Responsible Entity. The performance fee is calculated with respect to Fund performance as at 30 June in each year.
Fund costs – The costs incurred by the scheme in operating the Fund	All costs incurred. Fund costs of approximately 0.85% are included above in 'Management fees and costs'.	The Responsible Entity is entitled to be paid or reimbursed for expenses associated with the operation of the Fund, such as audit costs and other expenses properly incurred in connection with performing its duties and obligations in the day to day operation of the Fund.
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the product)</b>		
Establishment fee – The fee to open your investment	0% of the application amount	Upon acceptance of the investors' Application under this PDS.
Contribution fee – The fee on each amount contributed to your investment	0% of each further contribution amount	Upon acceptance of each further contribution made by an Investor.
Exit / Withdrawal Fee - The fee on each amount you take out of your investment	0% of withdrawal amount	Paid by the Investor to the Responsible Entity each time an Investor withdraws their investment from the Fund.
<b>Borrower activity related fees and costs (fees for services)</b>		
Loan Establishment fee – The fee charged to Borrowers on inception of a new loan	Typically between 1.00% and 2.00% of the Loan amount.	Where applicable, each Borrower pays this fee to the Loan Originator on inception of a new loan. The Originator may not be the Loan Manager or Investment Manager. This fee is not chargeable if the Responsible Entity purchases the loan by way of equitable assignment.
Default fee – The fee charged if a Borrower defaults	Typically \$5,000.00 (plus GST) per month.	The Borrower pays this fee to the Loan Manager each time an event of default occurs and is payable monthly until the event of default is remedied.
Switching fee – The fee for changing investment options	Nil	Not applicable.

# EXAMPLE FINEXIA CHILDCARE INCOME FUND BASED ON A BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>Ongoing annual fees and costs</b>		
Management fees and costs – The fees and costs for managing your investment	2.00%	For every additional \$5,000 you put in, you will be charged \$100.00.
Performance fees – Amounts deducted from your investment in relation to the performance of the product	0%	AND For every additional \$5,000 you put in, you will be charged \$0.00.
Fund costs – The costs incurred by the scheme in operating the Fund.	0.85%	AND For every additional \$5,000 you put in, you will be charged \$42.50
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the product)</b>		
Establishment fee – The fee to open your investment	0%	AND For every additional \$5,000 you put in, you will be charged \$0.00.
Contribution fee – The fee on each amount contributed to your investment	0%	AND For every additional \$5,000 you put in, you will be charged \$0.00.
Exit / Withdrawal Fee - The fee on each amount you take out of your investment	0%	AND For every additional \$5,000 you put in, you will be charged \$0.00.
		<b>EQUALS \$142.50</b>

1. The management fees and costs consist of a management fee, indirect costs and recoverable expenses and are shown inclusive of GST, net of reduced input tax credits ('RITCs') or any input tax credit (ITCs) that are expected to be available to the Fund. As the fee structure is new and has been changed with this PDS, the management fees and costs quoted reflect the Responsible Entity's reasonable estimate of the fees and costs that will apply based upon the previous Financial Year assuming funds under management of \$30m, as at the date of this PDS. Management fees and costs do not include transactional costs. Please refer to "Transaction Costs" in the "Additional Explanation of Fees and Costs" for more information. All fees and costs disclosed in this section are based on information available as at the date of this PDS.

## Fund Operating Expenses

Normal operating expenses are those incurred in the day-to-day operation of the Fund. These include:

- ✓ custodian fees;
- ✓ Registry fees;
- ✓ accounting, audit and tax agent fees;
- ✓ Investor communication and reporting, postage and other Fund administration expenses.

During the life of this PDS, the Investment Manager may choose to pay normal operating expenses out of its own resources including from the fees it earns. However, investors should be aware that if the Investment Manager or the Responsible Entity is unable to meet these expenses, the amounts due to any person (other than the Responsible Entity) may still be payable out of the assets of the Fund (pursuant to the rights of reimbursement and repayment in the Fund Constitution).



# Additional Explanation of Fees and Costs

Management fees and costs may either be deducted from the Fund's overall assets or directly from your investment in the Fund, depending on the type of fee. Management fees and costs can be broadly categorised as Ongoing management fees and costs, Investor Fees and Borrower Fees.

## 1. Ongoing Management Fees and Costs

### Management Fees

The management fee component of management fees and costs is paid to the Responsible Entity for managing the Fund and its assets, including loans made to Borrowers. This management fee may be up to 2.00% plus GST per annum of the gross value of the Fund's assets and is accrued daily and paid monthly in arrears from the assets of the Fund. The Fund pays this fee to the Responsible Entity until the final distribution following the winding up of the Fund.

### Fund Costs

The Responsible Entity is entitled to be paid or reimbursed for expenses associated with the operation of the Fund, such as audit fees, regulatory costs, and other operational expenses of the Fund. These costs are incurred in operating the scheme and are paid from the Fund's assets. The costs and other expenses component is variable and charged to the Fund as the relevant costs are incurred. They are borne by investors and do not reflect income to the Responsible Entity or Investment Manager. The costs and other expenses component is based on the relevant costs incurred during the financial year ended 30 June 2024 and reflects 0.85%.

Actual costs and other expenses for the current and future years may differ. If in future there is an increase to costs disclosed in this PDS, updates will be provided on the Responsible Entity's website at [www.finexia.com.au](http://www.finexia.com.au) where they are not otherwise required to be disclosed to investors under law. These fees and costs are not directly deducted from your investment but from the Fund's overall assets.



## 2. Investor Fees

Fees related to specific Investor activities are paid by the Investor at specific events. These include:

- ✓ Establishment Fee: 0% of the application amount, payable upon acceptance of the Investor's application;
- ✓ Contribution Fee: 0% of each further contribution amount, payable upon acceptance of each additional contribution;
- ✓ Exit/Withdrawal Fee: 0% of the withdrawal amount, paid by the Investor each time an investment is withdrawn from the Fund.

### 3. Borrower Fees

The Investment Manager or Associated entities as Originator(s), may receive amounts which are charged to and paid by Borrowers in relation to Loans to which your investment has been allocated. These amounts may not be passed on as income to you but retained by the Originator or Investment Manager for originating, managing and facilitating the loans. These Borrower fees may vary based on the terms of each Loan as negotiated between the Investment Manager or Originator and the Borrower. The Borrower Fees may be comprised of any or all of the following types of fees charged to Borrowers:

- |  |  |  |
|--|--|--|
| <input checked="" type="checkbox"/> Capital raising fee            | <input checked="" type="checkbox"/> Interest           | <input checked="" type="checkbox"/> Limit fees       |
| <input checked="" type="checkbox"/> Advisory fee                   | <input checked="" type="checkbox"/> Interest margin    | <input checked="" type="checkbox"/> Commitment fees  |
| <input checked="" type="checkbox"/> Loan / Lender's Management fee | <input checked="" type="checkbox"/> Establishment fees | <input checked="" type="checkbox"/> Default fees     |
| <input checked="" type="checkbox"/> Mandate fee                    | <input checked="" type="checkbox"/> Line fees          | <input checked="" type="checkbox"/> Default Interest |

Any default interest paid by a Borrower whose Loan is in default will be an asset of the Fund.

### Can the Fees and Costs Change?

Yes, all fees can change without Investor consent, subject to the maximum fee amounts specified in the Constitution. The current maximum management fee to which the Responsible Entity is entitled is 2.00% gross value of the Fund's Assets plus GST. The Responsible Entity generally provides investors with at least 30 days' notice of any proposed increase to the management fees component of management fees and costs. In most circumstances, the Constitution defines the maximum level that can be charged for fees described in this PDS. The Responsible Entity also has the right to recover all reasonable expenses incurred in relation to the proper performance of its duties in managing the Fund and as such these expenses may increase or decrease accordingly, without notice.

### Payments to IDPS Operators

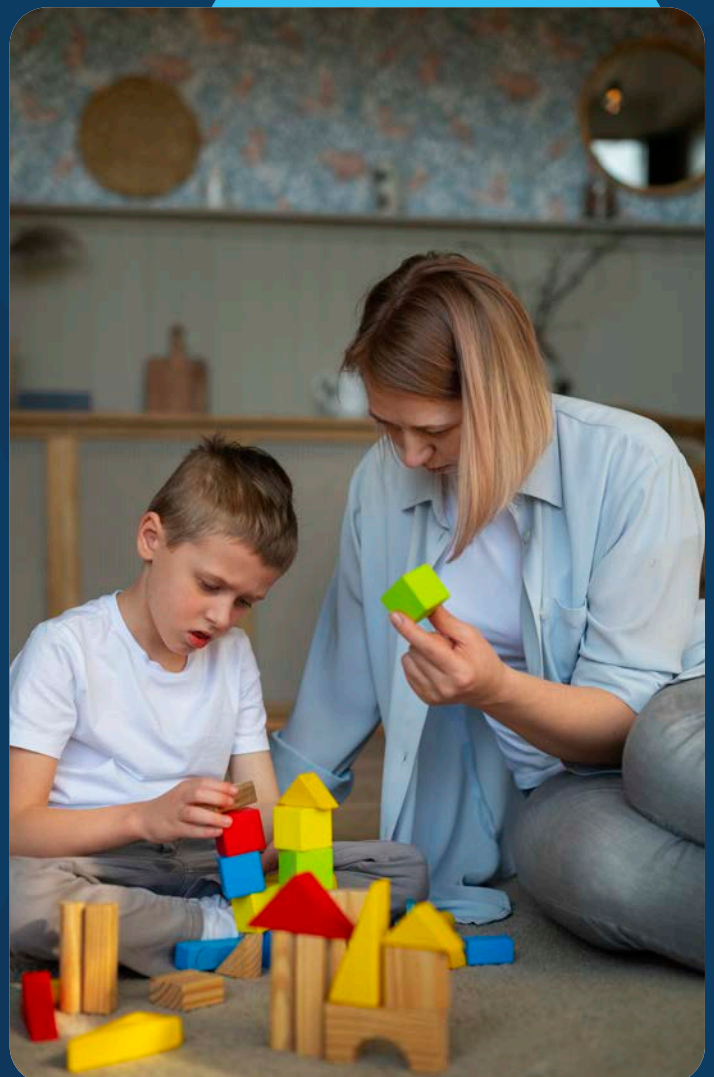
Subject to the law, annual payments may be made to some IDPS Operators (typically known as 'wrap accounts') because they offer the Fund on their investment menus. Product access is paid by the Investment Manager out of its investment management fee and is not an additional cost to the Investor.

### Differential Fee Arrangements

The management costs of the Fund may be negotiated with persons who qualify as wholesale clients within the meaning of the Corporations Act, such as sophisticated or professional investors. In negotiating such fees, the Responsible Entity will take into consideration its obligations under the Corporations Act. Such arrangements will be by individual negotiation and will be disclosed separately to relevant clients.

A differential fee arrangement may only be offered to a Wholesale Investor so long as such waiver:

- relates to any fees owing by that specific Investor to the Responsible Entity;
- does not prejudice the other investors in the Fund; and
- does not breach any applicable Australian law or regulation.



# Risks



## 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 account 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 fees. 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) Moneysmart website has a managed funds fee calculator to help you check out different fee options. ([www.moneysmart.gov.au](http://www.moneysmart.gov.au))

This section identifies some of the major risks associated with this investment. Prospective investors should read the whole of this PDS to fully understand such risks. In the case of this investment, the following considerations generally apply to most investors. These comments are intended as a guide only and are not an exhaustive list. Finexia recommends that investors seek professional financial advice before making any investment.

## 1- Introduction to Risk

All investments carry risk. Different strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk.

You will need to determine how much risk you are able or willing to tolerate. The main risks of investing include a decrease in the value of your investment, a fluctuation, or a decrease in the amount of income generated from the investment, or a lower-than-expected rate of return.

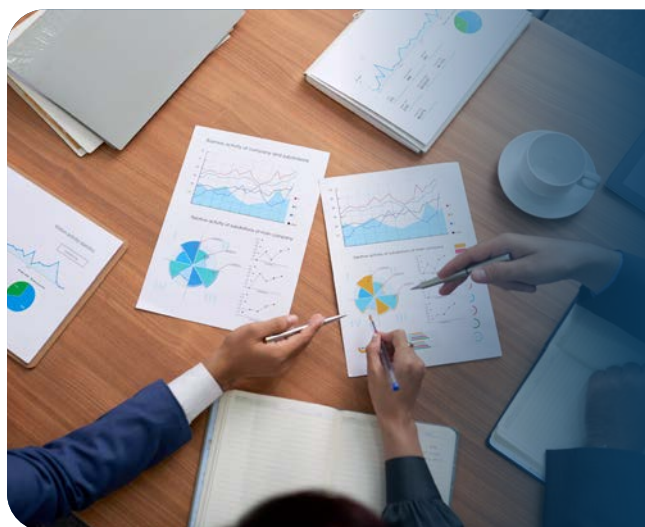
This investment is not guaranteed or otherwise supported by Finexia, the Investment Manager, the Loan Manager, or any of their respective directors or any other party associated with the preparation of this PDS. You should consider this when assessing the suitability of the investment and particular aspects of risk. You should also note that investments in the Fund are not bank deposits and are not government guaranteed.

## How We Manage Risk?

We are unable to eliminate all investment risks, but we do analyse, manage, and aim to reduce the impact of risks using carefully considered investment guidelines and investment approval processes consistent with our active management approach.

It is important for you to understand that:

- ✓ investment returns vary and future returns may be different to past returns: past performance is not an accurate predictor of future performance;
- ✓ income returns and the capital value of your investment are not guaranteed and there is always the chance that you will not receive income distributions or that you may lose money on any investment you make;
- ✓ laws affecting your investment in a managed investment scheme may change over time; and
- ✓ the appropriate level of risk for you will depend on a range of factors including your age, investment timeframe, where other parts of your wealth are invested, your overall investment portfolio and how tolerant you are to the possibility of loss of or delay in the return of or access to your investment.



## How Can You Manage Your Risk?

In managing your risk, we recommend that you:

- ✓ Seek your own professional advice to help you understand how your current financial situation and your investment objectives affect the selection of investments that you can make;
- ✓ Consider your investment timeframe, your investment objectives, and your risk tolerance; and
- ✓ diversify your investments to help reduce risk and the volatility of investment returns of your portfolio.

## 2- General Investment Risks

There are several general risks that are common to most investments and most investors. These include the following, in the context of the Fund:

### Diversification Risk

Generally, diversification means reducing investment risk by investing in a variety of assets. Although investing in a specific Fund does not in itself provide diversification, greater diversification may be achieved by investing in a Fund as part of a broader investment portfolio. Alternatively, some diversification may be achieved by investing in several funds which have a low correlation to each other.

### Income Distribution Rate Risk

As with other investments, income distributions to investors may be volatile as they depend upon the return that the Fund receives from its investments. Income distributions are not guaranteed.

### Interest Rate Risk

Changes in interest rates can have a negative impact, both direct and indirect, on the value and returns of investments. Interest rate risk occurs for a variety of reasons including inflation, economic activity, and the Reserve Bank of Australia interest rate decisions.

### Capital Risk

Few investments guarantee the maintenance of capital invested. This Fund is no different and the underlying investment of the Fund can reduce in value, which then you may suffer a capital loss.

### Investment Environment Risks

Changes to the regulatory environment relating to financial services, taxation and other regimes may adversely affect investors in the Fund. Government policies can affect the Fund in several ways that could be detrimental or beneficial to investors in the Fund. Similarly, changes in the health or social environment can impact the Fund and cause short term or long-term market disruption to investments made by the Fund that would be detrimental to investors in the Fund. There can be no guarantee that Investor confidence in credit investments will not change in a manner adverse to investors in the Fund. The general economic, health, social and political climates in which the Fund operates, or other like events are outside the control of Finexia.

## Liquidity Risk

Many investments carry a risk that there may be insufficient liquidity to enable investors to redeem or otherwise realise their investment. In the context of the Fund, while redemptions are available, the Fund is primarily invested in illiquid assets such as secured loans to childcare operators, therefore the Fund is considered largely illiquid and redemptions are at the sole discretion of the Investment Manager.

## Market Risk

Markets can go up and down. Market conditions are influenced by a variety of factors including economic, technological, social, political, taxation, legal or regulatory factors, as well as general changes in market sentiment. These may have a negative impact on returns. While the core investments of the Fund are secured Loans to childcare operators, the Fund also invests in liquid or cash-like alternative investments, such as listed securities and notes, to manage liquidity. These investments are subject to market risk, meaning their value may fluctuate based on market conditions.



## Operations Risk

Operational risk relevant to the Fund and Finexia includes system failures, the risk of errors, fraud or other criminal activity, day to day events within the childcare centres (i.e. a child left on a bus) and events that might disrupt the normal course of operating the Fund and may lead to delays, or at worst, failures in respect of functions that investors rely on. This includes any such failures by Finexia in its capacity as the Responsible Entity, its related service providers and third parties. It also includes the risk associated with Finexia's reliance on the effective operation and security of a number of computing and systems processes. It manages these risks by having appropriate systems and controls in place and by utilising experienced external service providers.



## 3- Risks Specific to the Fund

### Borrower Default Risk

Defaults by a Borrower may occur for a wide range of reasons, including changes in:

- ✓ a Borrower's circumstances;
- ✓ the general state of the economy in Australia or other places in which the Borrower does business;
- ✓ conditions of the particular market in which the Borrower's primary business operates;
- ✓ international market conditions; or
- ✓ removal of Government support to childcare sector.

Default may result in the delay or non-repayment of the Loan amount by the Borrower and its failure to meet interest (where it is not capitalised) and fees from its own resources.

If a Borrower was to default, the Fund's Responsible Entity would most likely seek to appoint a specialist receiver and manager to operate the childcare centre business if possible and/or effect a sale. The fees of such a specialist would be a cost to the Fund.

In the event of a Borrower default where a Loan has been advanced jointly with a Co-lender, there is a risk that the Fund and Co-lender disagree as to the proper administration of such default.

## Consultancy Services Risk

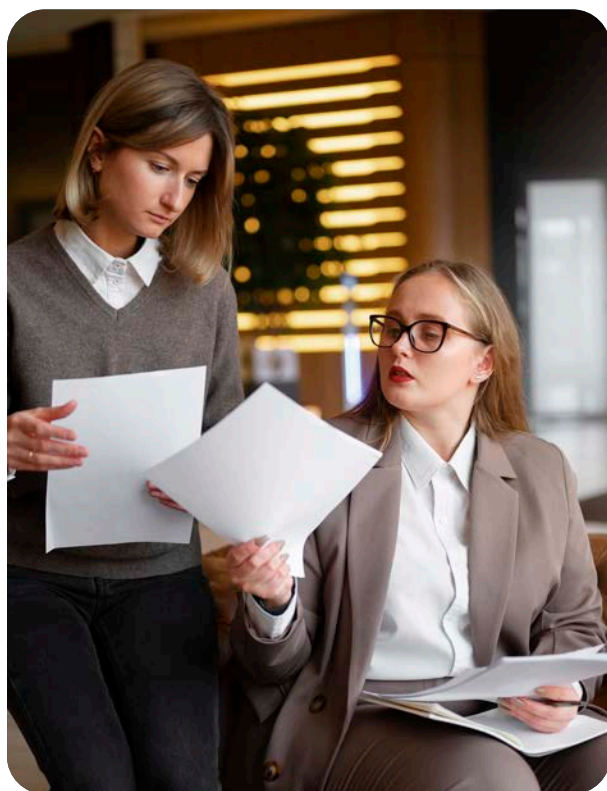
The Fund is dependent upon its consultants to provide consultancy services of the quality and at the times required by it. The ability of the consultants to do this and the accuracy of their advice cannot be guaranteed by Finexia and may be affected by factors completely outside its control.

## Diversification Risk Counterparty Concentration

At any time, the Fund's portfolio will be invested in loans to medium-to-large corporate entities which may see a level of concentration to particular groups. Diversification risk is relevant in that the Fund could suffer a loss because of the risk associated with default of one or more Borrowers' childcare operations. Specifically, the Borrower may default under the loan agreement and the full loan amount may not be recovered. There is little diversification in the Fund. Ultimately, the ability of the Borrower to repay the Loan is dependent on the continued success of its business operations.

## Documentation Risk

There is a risk of deficiency in the accuracy of documentation, including the loan documentation entered into for the Fund, and Borrower that could, in certain circumstances, adversely affect the recoverability of monies invested by the Fund and reduce the value of the investment.



## Credit Risk – Single Counterparty

Credit risk is relevant in that the Fund could suffer a loss because of the specific childcare operator's businesses. Specifically, the Borrower may default under the Loan Agreement and the full loan amount may not be recovered.

## Illiquid Nature of Underlying Assets

While the Fund can invest in liquid or cash-like alternative investments, the majority of its assets are commercial secured loan agreements, which are subject to fixed loan terms and this makes them potentially illiquid. As a result, while the Fund aims to maintain liquidity through its liquid investments, the overall nature of its main assets remain largely illiquid, and therefore, from time to time, redemptions may not be available directly from the Fund. There is no formal secondary market for Units in the Fund. From time to time the Responsible Entity may be able to introduce buyers to investors wishing to sell their Units, though this is not guaranteed to provide immediate liquidity or a sale of Units at a desirable price.

## Insurance Risk

There is a risk that a Borrower from the Fund may fail to effect correct insurance to cover their operations. This insurance could turn out to be inadequate or could be denied due to a number of circumstances, including the failure of the Borrower to make proper disclosure to its insurer. There is also a risk that the insurer may not be able to meet its financial obligations under the insurance policy.

## Litigation Risk

This is the risk that any lender faces when it takes legal action to enforce its rights under the loan agreement. Borrowers may defend the enforcement proceedings successfully in whole or in part, in light of judicial interpretation of the borrowing and enforcement arrangements, which may vary over time. In addition, courts are vested with wide discretionary powers, and these may be exercised in favour of the Borrower. It should be noted that Finexia is under no obligation to pursue further recovery action after the security (if any) is realised.



## Repayment Delays

Repayment of loans may be delayed beyond the agreed maturity date. This can occur for a wide variety of reasons including the risk that any of the proposed exit strategies do not proceed on schedule or at all. Failure of the Borrower to repay the loan to the Fund will ultimately affect the ability to repay investors their income and/or capital. The Investment Manager reserves the right to recycle and reinvest Investor funds into provision of Loan term extensions.

## Security Risk

The Loan will generally be secured by a General Security Agreement (GSA) over the Borrower, 1st registered mortgage over the leasehold security (typically with an appropriate consent or Right of Entry Deed with the land owner) and a guarantee from the sponsor or corporate entity. Where funding is provided prior to the lease registration, the Loan Manager will ensure that a binding Agreement for Lease (AFL) is in place that will result in a registerable security interest in favour of the Fund. Should the Borrower default in repaying the Loan to the Fund it is quite possible that the assets over which the Fund has security will be insufficient to repay the Loan and interest and that investors in the Fund will not recover their investment monies. In particular, it is noteworthy that the Fund will not have significant security over tangible assets such as real property.

## Structure Risk

This risk relates to the fact that someone else is managing your investment. Risks particular to the Fund include the risk that the Fund may not achieve its investment objectives, the Fund could be terminated, the fees and costs may change, Finexia could be replaced as the Responsible Entity, or its key personnel could change.



## Related Party Risk

Finexia has appointed Finexia Credit Pty Ltd (ACN 623 557 808), a related party to act as the Loan Manager, and Finexia Funds Management Pty Ltd (ACN 618 503 236) as the Investment Manager. From time-to-time, other service providers may be appointed in respect of the Fund. The key risk with related party transactions is usually that, because of the relationship, an entity may fail to sufficiently monitor and review the service provider's performance and compliance with its obligations to the detriment of investors. Finexia has a process relating to conflicts of interest and related party transactions and Finexia manages the arrangements in accordance with its policies. The Responsible Entity, the Loan Manager and the Investment Manager may from time-to-time face conflicts between its duties to the Fund as Responsible Entity, Investment Manager and/or Loan Manager respectively, its duties to other funds that it manages and its own interests, including in respect of other dealings with the Fund. The Responsible Entity, the Loan Manager and/or the Investment Manager will manage any conflicts in accordance with its conflicts of interest policy if relevant, the Constitution, ASIC regulatory guide and the law. The Responsible Entity, the Loan Manager and or the Investment Manager may from time-to-time enter transactions on behalf of the Fund with related entities. All transactions will be affected at market rates or at no charge. Related parties of the Responsible Entity, Loan Manager and/or Investment Manager may provide financial assistance to the Fund from time-to-time. Any such finance will be on commercial terms.

## Risks specific to childcare Businesses

Childcare businesses are funded by a mix of individuals and Government and offer services in the ECEC sector related to services to children enrolled. The Fund will lend to each childcare operator entity who will use those funds in their childcare businesses, meaning the Fund is directly exposed to the childcare sector.

## Refinance Risk

The initial term of each Borrower's debt facilities is typically expected to be between 12 and 36 months, but may be longer. Borrowers may not be able extend the loan term or refinance the debt facilities at maturity. An option for the Borrower to extend for a further term will generally be included where appropriate to partially mitigate this risk.

## Contractual Risk

The Fund does not own the physical properties in its portfolio. The Fund's ongoing success depends on its ability to lend to entities engaged in delivering childcare services/assets. The management and quality of the relationships with families and landlords is, therefore, important to secure the right to continue to operate its business at, and to generate revenue from, its properties. The childcare lease arrangements may not be renewed by the property owners at the expiration of their term, or they may be unable to renegotiate the contractual arrangements on favourable terms. Existing contractual arrangements could be terminated by property owners before the end of their term.

There is a risk that individual families cease to use the Borrowers childcare services (or its representatives) as their education provider and loses the fees it would have received in relation to that that child.

## Diversification Risk - Geographical

Market risk may arise if the geographical region diversification is not high. The more diversified a childcare business portfolio is, the lower the risk generally that an adverse event affecting one business will simultaneously affect the overall group, and therefore put the overall portfolio at risk. The diversity of the childcare portfolio may change from time-to-time, but at the time of this PDS it is heavily exposed to Southeast Queensland.



## Childcare Operators / Self-Management

A major component of each childcare operator's income is dependent on having children attend their centre/s. Whilst there is a contractual obligation for each family, they only need 2 weeks written notice to leave. If the Borrower were to lose too many children from their centres, this would have an impact on profitability and the value of the childcare business/es.

## Interest Rates Risk

Each Borrower will likely have bank debt at the business asset level with assets outside the Fund. There is a risk that a debt facility or an interest rate hedge (i.e. fixing the interest rate) may not be available on the same terms upon extension or refinancing, or when new finance or hedging strategies are sought. There is also a risk that interest rates may rise. These risks may have a material, adverse impact on Borrowers activities, financial position, and the ability to make repayments which will affect Fund distributions. (This is mitigated by priority on income over each specific asset but is particularly prevalent when supporting income is required to service debt obligations).

## Valuation Risk

The core business of each Borrower is exposed to the risks associated to the childcare sector, more specifically with a decrease in the value of the business. The ongoing value of the childcare assets are influenced by the economy and market conditions including supply and demand that affect asset returns and values. There is no guarantee that the assets will achieve a capital gain on sale or that the value of the assets will not fall as a result of the assumptions on which the relevant valuations are based proving to be incorrect. The core business of each Borrower is exposed to the risks associated to the childcare sector, more specifically with a decrease in the value of a childcare business that forms part of the supporting security of a Loan.

### Impacts may include:

- ✓ Investors in the Fund may suffer a capital loss.
- ✓ A valuation that does not accurately reflect the real value of the property at the time it was valued.
- ✓ If a childcare centre subsequently defaults on any of their Loans, then the capital repaid to investors may be diminished.
- ✓ A fall in the value of the assets during the term of the loan which may diminish capital repaid to investors in the event that a Borrower defaults; and
- ✓ A movement in the market, either nationally or locally, which results in a decrease in demand for the underlying assets, making it difficult for the Borrower to achieve the proposed exits from the facility.

All the above may lead to an increase in the Loan-to-Valuation Ratio (LVR), which would then exceed the prudent LVR limits adopted by the senior debt providers and investors may suffer a capital loss.

## Management

Each Borrower will be required to have had previous experience delivering a childcare centre from start up to fully operational as part of funding due diligence. Operators are expected to have a sound level of expertise gained through recent experience operating in the sector. Poor management is a risk to both servicing and capital value and as such is a key due diligence requirement of any funding.

## Government Funding

In recent years, it has never been more evident that bipartisan support of childcare funding exists through the political system. The COVID pandemic saw unprecedented support for childcare operators who otherwise may have seen difficulties supported to levels unprecedented in recent memory. Given these, it appears unlikely that support would be withdrawn but it no doubt remains a risk, however small.

## Pandemic Risk

Health pandemics could significantly affect the childcare centre businesses that the Fund lends to. Furthermore, the normal operations of financial markets and the operation of Finexia, its service providers and counterparties may be affected by a health pandemic.



## Taxation

Investing in a managed investment scheme is likely to have tax consequences. You are strongly advised to seek professional tax advice. This Australian tax information is intended to be a brief guide only and should not be relied upon as a complete statement of the Australian income tax laws. Discussion of Australian tax law is current as at the date of preparation of this PDS. This tax information does not cover tax laws in other countries. The tax consequences of investing in the Fund are particular to your circumstances. In addition, the tax laws are complex and subject to change. We therefore strongly recommend that you seek professional advice from an independent tax advisor in relation to the tax consequences of investments in the Fund. This applies whether you are an Australian tax resident or a non-resident for Australian tax purposes. The following comments only apply to Australian tax resident investors (not including temporary residents) who hold their Units on capital account for tax purposes.

## Australian Investors – Income Tax

It is intended that the Fund will be an ordinary “flow-through” trust for Australian tax purposes. If the Fund qualifies as an attribution managed investment trust (‘AMIT’) and the Responsible Entity elects for the AMIT regime to apply, the Fund should continue to be treated as a “flow-through” trust where tax components of the funds are to be attributed to the Unitholders. Where the Fund is an ordinary flow-through trust or an AMIT, all of the net (i.e. taxable) income of the Fund is expected to be taxed in the hands of Unitholders rather than the Responsible Entity (except if Responsible Entity tax in respect of non-resident Unitholders and Unitholders under a legal disability applies). It is expected that income may consist of interest income and revenue gains made on the sale of securities. Given the nature of the Fund’s investments (i.e. debt securities), it is not anticipated that the Fund will derive any material capital gains.

Where the Fund is not an AMIT, in order to maintain its status as a flow-through trust it is necessary that the Unitholders are “presently entitled” to the income of the Fund in an income year. Where that is the case, the assessable income of the Unitholder for the year should include that Unitholder’s share of the net (i.e. taxable) income of the Fund, determined by reference to the share of the income to which the Unitholder is presently entitled.

The Fund may also make distributions that exceed the taxable component of the distribution (“tax deferred distributions”). Tax deferred distributions are generally not included in assessable income but decrease a Unitholder’s cost base of their Units in the Fund. If the cost base is reduced to nil, further receipts of tax deferred amounts will be taxable as a capital gain (to which the CGT discount may apply, if applicable).

Where the Fund is an AMIT, the Responsible Entity will “attribute” all of the Fund’s tax components in an income year to Unitholders. The assessable income of a resident Unitholder in an income year should include the amount attributed to the Unitholder for the year in accordance with the character of the tax components. Where the Fund is an AMIT, the Responsible Entity will issue each Unitholder an Attribution Managed Investment Trust Member Annual (‘AMMA’) Statement by 30 September of each financial year, which will provide Unitholders with details of the amounts attributed for the relevant financial year.

If the amount distributed to a Unitholder exceeds the taxable components attributed to the Unitholder, and the Fund is an AMIT, the Unitholder should be required to recognise a decrease in the cost base of their Units in the Fund. If the taxable components attributed to a Unitholder exceeds the amount distributed, then Unitholders should be entitled to an increase in the cost base of their Units. These net cost base increase or decrease amounts will also be disclosed to Unitholders through the AMMA statement.

The Fund may derive foreign source income that might be subject to foreign withholding tax and to which investors may be presently entitled or that may be attributed to them if the Fund is an AMIT. Australian resident investors should include in their assessable income their share of both the foreign income and the amount of any foreign tax withheld from the amounts included in their assessable income. In such circumstances, Unitholders may be entitled to a Foreign Income Tax Offset (‘FITO’) for the foreign withholding tax paid, against the Australian tax payable on the foreign source income. Unitholders will need to independently determine their eligibility for the FITO.

## Taxation of Financial Arrangements (‘TOFA’) Regime

If the Fund falls within the TOFA regime, the TOFA rules will apply to determine the timing of tax treatment of certain ‘financial arrangements’ held by the Fund. In broad terms, in calculating the net (taxable) income of the Fund where the Fund has not made a specific TOFA election, returns on certain financial arrangements may be recognised on an accruals basis rather than a realisation basis, and on revenue account. Even where the TOFA regime does not apply, it may be necessary to recognise income on an accruals basis.

## Fixed trust issues

If the Fund is eligible and elects to be an AMIT, the Fund will be deemed to be a fixed trust.

## Disposal of Units

A taxable capital gain or loss may be realised in the event that Units in the Fund are withdrawn or otherwise disposed of. Resident individuals, trusts or complying superannuation entities, who have held Units for at least 12 months prior to disposal or withdrawal, may be entitled to discount capital gains treatment. The CGT discount is 50% for an Investor that is a resident individual or trust, and 33<sup>1/3</sup>% for an Investor that is a complying superannuation Fund. Capital losses may only be offset against capital gains that the Investor makes in the same income year the loss is made or subsequent income years, subject to certain loss integrity rules.

If you dispose of your Units by a withdrawal/redemption, you may be distributed or attributed under the AMIT rules some of the net (i.e. taxable) income of the Fund. Any distribution or attribution of income that occurs in connection with a withdrawal of Units from the Fund may affect the amount of net capital gain realised on disposal of your Units. Investors should seek professional tax advice about the CGT treatment of the disposal of their Units in the Fund, particularly if an entitlement to the income of the Fund is included in the withdrawal amount.



## Foreign Account Tax Compliance Act ('FATCA')

The Fund may be required under Australian tax legislation to request investors to provide additional information in order to comply with US FATCA compliance obligations. The FATCA is US legislation that enables the US Internal Revenue Service to identify and collect tax from US residents that invest in assets through non-US entities. The OECD Common Reporting Standards for Automatic Exchange of Financial Account Information ('CRS') is a similar global regime aimed at collecting and reporting on an Investor's tax status. If you are a foreign resident for tax purposes, then you should note the Fund will comply with its FATCA and CRS obligations by collecting, retaining and reporting about certain investors to the Australian Tax Office.

## Common Reporting Standard ('CRS')

Australian legislation relating to the automatic exchange of financial information between jurisdictions applies from 1 July 2017. This legislation gives effect to the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information ('CRS'). This regime covers the collection and reporting of tax residency information and other data to tax authorities. Accordingly, investors may be requested to provide certain information in order for the Fund to comply with the CRS obligations.

Providing a Tax File Number ('TFN') or Australian Business Number ('ABN'): We are authorised under the Taxation Administration Act 1953 (Cth) and the Income Tax Assessment Act 1936 (Cth) to collect TFNs and ABNs in connection with your investment in the Fund. Providing your TFN is not compulsory and it is not an offence to not provide your TFN, but without it or the appropriate exemption information we may have to withhold tax from your distributions (including deemed distributions under the AMIT regime) at the highest marginal tax rate (plus Medicare levy) until your TFN or exemption is provided. You may prefer to provide your ABN as an alternative to your TFN if your investment is made in the course of an enterprise carried on by you. You may be able to claim a credit in your tax return for any TFN/ABN tax withheld.

## Non-Resident Investors

In the event that a non-resident investor becomes entitled to a share of the income of the Fund, or is attributed an amount (where the Fund is an AMIT), that non-resident Investor may be subject to withholding tax or may receive amounts after the application of Responsible Entity tax in relation to their share of net (i.e. taxable) income of the Fund. The Responsible Entity may withhold or deduct tax from distributions (including deemed distributions under the AMIT regime) made to non-resident investors. The amounts withheld will depend on the type of income or gain, whether the Fund qualifies as a “withholding managed investment trust” (withholding MIT), the Investor’s legal characterisation (e.g. individual, company or trust), and the country of residence of the particular Investor. Distributions of Australian source interest income are generally subject to a final withholding tax of 10%, subject to certain limited exceptions.

Distributions of gains on securities may be subject to tax at rates ranging from 15% withholding tax (if the Fund is a withholding MIT and the Investor is resident in an “exchange of information country”) to 45% Responsible Entity tax (if the Fund is not a withholding MIT and the Investor is a Responsible Entity of another trust).

In addition, where Responsible Entity tax has arisen in relation to non-resident investors’ share of the net (i.e. taxable) income of the Fund, those non-resident investors may be required to lodge an income tax return in Australia (and may be entitled to claim deductions against assessable income, in which case a partial or full refund of the Responsible Entity tax. Generally, a non-resident investor that holds its Units on capital account should not be liable for Australian CGT in respect of the disposal of their Units in the Fund, provided that the Investor does not hold its Units in carrying on business at or through a permanent establishment in Australia. We recommend that non-resident and temporary resident investors consult their tax adviser.

## GST

The acquisition, withdrawal, or disposal of Units in the Fund by investors should not be subject to GST. Investors may be charged GST on costs they incur which relate to the acquisition, withdrawal, or disposal of Units (e.g. legal, financial or tax adviser fees) and investors may not be entitled to claim input tax credits or may only be entitled to RITCs in relation to the GST amount incurred on these costs. Investors should seek independent tax advice in relation to their individual circumstances. The Fund will incur GST in respect of various fees and expenses but may not be entitled to input tax credits or may only be entitled to RITCs in respect of any GST incurred.



## Stamp Duty

Any dealing in respect of the Units, including the acquisition, withdrawal or disposal of Units may attract stamp duty in a State or Territory of Australia. Investors should confirm the stamp duty consequences of dealings in their Units with their taxation adviser.

## Distributions

The Fund aims to pay distributions monthly in arrears. The amount you will receive is anticipated to be the amount of the distribution rate which is set for your Units at the end of the relevant month. The distribution rate will change from time to time. You should be aware that although the Fund’s objective is to pay distributions monthly, the amount of each distribution may vary, or no distribution may be payable in a distribution period. Any distributions you receive may affect the social security or other benefits to which you are or may be entitled, and you should consider discussing this with your financial adviser, Centrelink, or the Department of Veterans’ Affairs before investing.



# General

## Fund Constitution

The Constitution of the Fund sets out the Responsible Entity's obligations as well as your rights as an Investor. You can obtain a copy of the Constitution free of charge by contacting the Responsible Entity.

The Constitution may be amended from time to time, in accordance with its terms and the law.

## Summary of Fund Constitution

The Fund operates pursuant to this PDS and the Fund Constitution, which sets out further rules, rights, and obligations for both the Responsible Entity (being the Responsible Entity) of the Fund and all Unitholders in the Fund.

The Responsible Entity manages the Fund's assets on behalf of its Unitholders. The Fund is structured as a Unit trust, holding all assets in trust for Unitholders. Units in the Fund represent equal and undivided interests in the Fund's assets. Additional Units may be issued under specific conditions outlined in the Constitution, allowing for different classes with unique rights and obligations.

The Fund's Net Asset Value is determined at periodic intervals as determined by the Investment Manager in accordance with the Pricing Policy, and Unit prices are based on this valuation. The application price (being the purchase price) and withdrawal price (being the redemption price) of Units reflect the Fund's asset value adjusted for accrued distributions and transaction costs.

Unitholders may withdraw from the Fund when the Fund is classified as "liquid", allowing withdrawal requests at the Responsible Entity's discretion, processed within 21 days. When "not liquid," withdrawal is only possible if the Responsible Entity makes a formal offer, with specific terms in line with the Corporations Act. The Responsible Entity may, without Unitholder request, redeem Units under certain conditions, such as tax compliance issues.

The Responsible Entity is entitled to various expenses, including audit costs, custodial fees, and compliance costs, which may be deducted from the Fund's assets.

The Responsible Entity has broad powers to manage and administer the Fund, including acquiring, disposing of assets, and appointing agents. The Responsible Entity may act as an underwriter or borrow on behalf of the Fund. The Responsible Entity may engage in transactions with the Fund or hold Fund Units without breaching fiduciary duties, provided actions are in good faith. The Responsible Entity is indemnified out of the Fund's assets for liabilities incurred in good faith while performing Responsible Entity duties, barring negligence or fraud. The Fund may be terminated upon reaching its designated term (under this PDS) or by Responsible Entity resolution. The Responsible Entity will liquidate the Fund's assets, distribute proceeds to Unitholders based on their proportional interest upon winding up of the Fund.

## Indirect Investors

Investors and prospective investors may also access the Fund indirectly. This PDS has been authorised for use by operators through an Investor Directed Portfolio Service ('IDPS') or master trust (otherwise known as a 'wrap account'). An IDPS is an investment and reporting service offered by an operator. People who invest through an IDPS, master trust or wrap account are indirect investors. Such indirect investors do not acquire the rights of a Unitholder of the Fund. Rather, it is the operator or custodian of the IDPS or master trust that acquires those rights.

Therefore, indirect investors do not receive income distributions or reports directly from us, do not have the right to attend meetings of Unitholders and do not have Cooling-Off rights. Different investment, balance and withdrawal minimums may also apply. Indirect investors should not complete the Fund's Application Form. The rights of indirect investors are set out in the disclosure document for the IDPS or master trust. If you are investing through an IDPS or a master trust, enquiries should be made directly to the IDPS operator or the Responsible Entity of the master trust.



## Privacy Overview

The Privacy Act 1998 (Cth) regulates, among other things, the way we collect, disclose, use and otherwise handle your personal information. Certain laws require us to collect, store and disclose information about you or any other information about any other individuals associated with the service offering (including personal information), for example, the AML/CTF Law, the Corporations Act, the FATCA and the Tax Laws Amendment (Implementation of the CRS). In respect of investors who are ordinarily resident in a country other than Australia, both FATCA and CRS may require us to collect and disclose to the Australian Taxation Office information about you (including personal information) obtained from you.

## AML/CTF Act

Australia's AML/CTF laws require us to adopt and maintain an AML/CTF Program. Part of this program requires us to hold up to date information about investors and (if applicable) the beneficial owners of the Units for "Know Your Customer" purposes and ongoing due diligence requirements.

Under the AML/CTF Act, applications made without providing all information and supporting identification documents requested on the application form cannot be processed until all necessary information has been provided. As such, if you do not provide the information requested in our application form, we will not be able to process your application (including any application for additional Units) and your application may be delayed or rejected.

Where applications are delayed or refused, we are not liable for any loss you suffer (including consequential loss) as a result. We will also not be liable to applicants or investors for any loss you may suffer because of our compliance with the AML/CTF Act. You must ensure that any personal information you provide to us is true and correct. If your personal information changes, you must promptly advise us of the changes in writing.


## Use of Information

The Responsible Entity may deal with your personal information for the purpose of providing you with our product and service offering and complying with our regulatory obligations. We will be required to share information about you (including personal information) with any third parties who we work (including the Investment Manager) with or engage for these same purposes. The type of third parties we may disclose your information to include (but not limited to):

- ✓ those providing services for administering or managing the Fund, including the Investment Manager and any auditors of the Fund;
- ✓ stockbrokers, financial advisors and service providers;
- ✓ regulatory bodies, such as ASIC, ATO, APRA and AUSTRAC;
- ✓ any other third parties who we are required or permitted by law to disclose your information to.
- ✓ By applying to invest in the Fund, you consent to your information (including your personal information) being collected, used and disclosed in accordance with our Privacy Policy.

## Privacy Policy

A copy of our Privacy Policy is available on our website at [www.finexia.com.au](http://www.finexia.com.au). This policy contains further information about how we handle your personal information, and how you can access information held about you, seek a correction to that information or make a privacy related complaint.



### Complaints Handling

We have an internal dispute resolution process in place to resolve any complaints or concerns you may have. Any complaints or concerns should be made in writing and directed to our Complaints Officer using the details below.

- ✉ To: Complaints Officer Finexia Securities Limited
- ✉ By mail: PO Box 8227, Gold Coast MC, QLD 9726
- ☎ Telephone: 1300 886 103
- ✉ Email: [info@finexia.com.au](mailto:info@finexia.com.au)

The Complaints Officer will investigate your complaint and provide a final written response to you no later than thirty (30) calendar days after receipt of your complaint. If the matter is complex and a longer period of time is required, Finexia Securities will notify you. This Fund is only open to Wholesale Investors. Consequently, the dispute resolution scheme operated by AFCA does not apply.

## Labour Standards or Environmental, Social or Ethical Considerations

The Investment Manager does not take into account labour standards or environmental, social, or ethical considerations in determining the selection, retention, or realisation of assets. The Investment Manager 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.

## Constitution Amendments

The Constitution may be amended by the Responsible Entity without Investor consent where the amendment is not materially adverse to Unitholders. Any material changes will be notified and amended in accordance with the Constitution and applicable legal requirements.

# Glossary

Term	Definition
AFSL	An Australian financial services licence issued by ASIC.
Adviser	A financial adviser who is licensed, or authorised, under an Australian financial services licence to provide you with personal advice, including about whether the Fund is suitable for your objectives, financial situation and needs.
AML/CTF Law	Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and its associated rules and regulations.
Application Form	The online application portal provided by Finexia, or the form attached to or accompanying the PDS, to be used by persons wishing to apply to and be accepted as a member of the Fund.
ASIC	Australian Securities and Investments Commission.
Assets	Cash in bank accounts and secured loan agreements provided by the Fund to Borrowers from time to time.
Benchmark	RBA Cash Rate + 4.00% to 5.65%.
CAPEX	Capital expenditure.
Constitution	The constitution of the Finexia Childcare Income Fund as amended from time to time.
Corporations Act	Corporations Act 2001 (Cth).
Credit Committee	The Credit Committee of Finexia Credit Pty Ltd (ACN 623 557 808).
Credit Policy	The Credit Policy that sets out the principles on which the Credit Committee determines who the Fund will lend money and ongoing monitoring of Loans.
Custodian	Perpetual Corporate Trust Limited (ACN 000 341 533) which is appointed to act as external custodian of the Fund to hold the assets of the Fund.
Established Childcare Centre	Established centre is deemed to be when it has demonstrated, for 3 consecutive months, both occupancy and EBIT (annualised) at or above that stated within the valuation. Formative is any centre that does not yet meet the above criteria.
Finexia Group	Finexia Financial Group Limited (ASX:FNX) and its wholly owned subsidiaries.
Finexia or Finexia Securities	Finexia Securities Limited ACN 608 667 778, AFSL 485760 (also referred to as the Responsible Entity).

Formative Childcare Centre	A Formative Childcare Centre is any centre that does not yet meet the definition of Established Childcare Centre.
Fund	Finexia Childcare Income Fund ARSN 658 543 625. Investors under this Offer receive Ordinary Units in the Fund. Ordinary Units in the Fund are solely entitled to the assets and income of the Fund.
GSA	A general security agreement, which creates a security interest over a party's assets.
GST	Goods and Services Tax within the meaning of the GST Act.
GST Act	New Tax System (Goods and Services Tax Act) 1999.
Investment Manager	Finexia Funds Management Pty Ltd (ABN 97 618 503 236), a wholly owned subsidiary of Finexia Financial Group Limited.
Investment Referrer	An individual who is acknowledged (via the Application Form or other forms as required by Finexia) by the Investor or proposed Investor, as having introduced the Investor or proposed Investor to the Fund.
Investor or you	An Investor or a proposed Investor in this Fund.
Investor Directed Portfolio Service (IDPS)	An IDPS-like scheme or a nominee or custody service (collectively referred to as master trusts or wrap accounts), refers to a service that allows a person to access the Fund indirectly.
Loan	A loan entered into by the Fund being a loan to a Borrower. A Loan can include a loan acquired by the Fund after it is incepted by another lender, or the Lender of Record, Finexia Childcare Pty Ltd.
Loan Manager	Finexia Credit Pty Ltd (ACN 623 557 808), a wholly owned subsidiary of Finexia Financial Group Limited.
LVR	Loan-to-valuation ratio (also referred to as a 'Lending to valuation' ratio). An LVR is one way used to assess the risk of a Loan.
Net Asset Value (NAV)	The total value of the Assets calculated in accordance with the Fund Constitution, less the Liabilities.
Offer	The Offer in this PDS of Ordinary Units in the Fund. Ordinary Units in the Fund are solely entitled to the assets and income of the Fund.
Originator	Where loans are not originated directly into the Fund, the Originator will be a related party and wholly owned subsidiary of Finexia Financial Group Limited, generally one of the following entities: Finexia Childcare Pty Ltd (ACN 602 805 194), Finexia Credit Pty Ltd (ACN 623 557 808), Finexia Loan Services Pty Ltd (ACN 604 089 447).
PDS	This product disclosure statement issued by Finexia Securities Limited ACN 608 667 778 (AFSL 485760) for the Finexia Childcare Income Fund.

RBA	The Reserve Bank of Australia.
Reference Rate	The Reserve Bank of Australia Official Cash Rate (RBA Cash Rate).
Redemption Form	A form that will be made available to an Investor to redeem their Units from the Fund.
Reserve Bank of Australia Official Cash Rate	The RBA's operational target for monetary policy. It is the interest rate on unsecured overnight loans between banks. Also known as 'RBA Cash Rate' or 'RBA Rate'.
Responsible Entity	Finexia Securities Limited (ABN 61 608 667 778) the Responsible Entity of this Fund. The Responsible Entity is a wholly owned entity of the Responsible Entity.
RITC	Reduced Input Tax Credits.
Targeted Return	Targeted Returns refer to the projected annualised yearly income an Investor expects to earn expressed as a percentage, averaged over a 12-month period.
TFN	Tax File Number.
Unit Pricing Policy	The Unit Pricing Policy of the Responsible Entity applicable to the Fund used to assess and monitor the value of the Fund's assets and pricing of Units.
Units	Ordinary Units in the Fund.
Unit Holder	A registered owner of ordinary Units in the Fund (also referred to as an Investor).
Wholesale Investor	A person or entity that qualifies as a wholesale client under section 761G or 761GA of the Corporations Act 2001 (Cth).





# FINEXIA

## Childcare Income Fund

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