

Continuous Disclosure Guide

Skyring Fixed Income Fund

ARSN 622 775 464

Important Notice and Disclaimer

As responsible entity of the Skyring Fixed Income Fund ARSN 622 775 464 (Trust or Fund), Skyring Asset Management Limited ABN 92 156 533 041 (Skyring or Us or We) is the issuer of this update disclosure guide (Guide) which should be read in conjunction with the product disclosure statement dated 15 March 2018 (repealed), product disclosure statement dated 21 December 2018 (repealed), product disclosure statement dated 1 September 2020, collectively referred to as the Product Disclosure Statement (PDS), and the Supplementary PDS (SPDS) dated 30 September 2022. All figures and events referred to in this Guide are accurate as at 30 June 2024, unless stated otherwise.

Information in this Guide is general information only and does not take into account your objectives, financial situation or needs. Therefore, in deciding whether to acquire or continue to hold an investment you should consider the PDS, SPDS, and Guides to it carefully and assess, with or without your financial or taxation adviser, whether the product meets your objectives, financial situation or needs.

Scope of this Disclosure Guide for Unlisted Mortgage Schemes

The Australian Securities and Investments Commission (ASIC) issues regulatory guides (RGs) to assist regulated entities, of which Skyring is one, by publishing practical guidance on ASIC's explanation on how they apply the law together with describing the principles under which ASIC approach to interpretation of the Corporations Act (2001) provisions and regulations. These regulatory guides set out particular disclosure principles and benchmarks designed to provide improved disclosure to retail investors to help them compare risks and returns across investments in the unlisted mortgage scheme sector.

ASIC has developed 8 benchmarks and 8 disclosure principles for unlisted mortgage schemes to assist retail investors to understand the risks, assess the rewards being offered and decide on whether these investments are suitable for them. These benchmarks apply to schemes, which have, or are likely to have, at least 50% of their non-cash assets invested in loans that are secured by mortgage over real property and/or unlisted mortgage schemes.

The benchmarks and disclosure principles are designed to help retail investors to understand the risks, assess the potential rewards and to make an informed investment decision.

Although the fund is not an unlisted mortgage scheme, it invests solely in Notes issued by Skyring Capital and Skyring Capital uses these proceeds to provide loans, and will rely on interest payments and loan repayments by borrowers to meet its obligations to make coupon payments on, and to redeem, Notes.

Accordingly, the underlying investment exposure of an investment in the Fund is akin to an investment in a mortgage scheme. Consequently, we have included details in relation to ASICs benchmarks and disclosure principles as they apply to Skyring Capital’s business and, where applicable, the Fund, to assist investors in making an informed decision about whether or not to retain an investment in the fund. However, this section does not contain all the disclosure principle information, which would be required to be in a product disclosure statement for an unlisted Mortgage Scheme.

Set out below are tables, which list each benchmark and disclosure principles and whether relevant information is included in this Guide and the PDS and SPDS.

Benchmark & Disclosure Principles

Benchmark	Statement	Explanation	Reference
Benchmark & Disclosure Principle 1: Liquidity			
For a pooled mortgage scheme, the responsible entity should have cash flow estimates for the scheme that: (a) demonstrate the scheme’s capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months; (b) are updated at least every three months and reflect any material changes; and (c) are approved by the directors of the responsible entity at least every three months.	This benchmark is met by the Fund and Skyring Capital	We have cash flow estimates for the Fund, which meets these requirements. Skyring Capital maintains cash flow estimates, which are consistent with these requirements and are approved by Skyring Capital’s board at least every three months.	Section 4.3 of the PDS
Benchmark & Disclosure Principle 2: Scheme Borrowing			
The Responsible Entity should not have current borrowings and should not intend to borrow on behalf of the scheme	This benchmark is met by the Fund and Skyring Capital	The Fund does not have any borrowings and we do not intend to enter into any borrowing arrangements on behalf of the Fund. Further, Skyring Capital does not intend to have any borrowings other than the Notes.	Section 4.4 of the PDS
Benchmark & Disclosure Principle 3: Loan Portfolio & Diversification			
For a pooled mortgage scheme: (a) the scheme should hold a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region; (b) the scheme should have no single asset in the scheme portfolio that exceeds 5% of the total scheme assets; (c) the scheme should have no single borrower who exceeds 5% of the scheme assets; and (d) all loans made by the scheme should be secured by first mortgages over real property (including registered leasehold title).	This benchmark is not met	Skyring Capital will not have a diversified portfolio of assets until the total value of the loan portfolio exceeds \$100 million. Until such time, there will be no limitation on the size of any single loan transaction by Skyring Capital as a percentage of the total value of the loan portfolio nor on the aggregate exposure to a single borrower. Once the total value of the loan portfolio exceeds \$100 million, Skyring Capital intends to satisfy items (a) and (b) of this benchmark but will not meet items (c) and (d).	Section 4.5 of the PDS

Benchmark	Statement	Explanation	Reference
		<p>For benchmark (c), Skyring Capital will ensure no single loan and no single borrower exceeds 10% of the total value of its assets and loan portfolio.</p> <p>For benchmark (d), Skyring Capital will satisfy the requirement for loans made for residential, commercial, retail and industrial property development, construction or acquisition. However, loans for business growth and acquisitions will be secured over the assets of the borrower and not by first mortgages over real property.</p>	
Benchmark & Disclosure Principle 4: Related Party Transactions			
The responsible entity should not lend to related parties of the responsible entity or to the scheme's investment manager.	This benchmark is not met	The Notes are a debt instrument and Skyring Capital is a related party of the Responsible Entity. Skyring Capital may make loans to our related parties, including other managed investment schemes we operate (but excluding our directors and officers). Any loans to related parties will be on the same commercial basis as loans to unrelated parties in accordance with Skyring Capital's Lending Policy.	Section 4.6 and 5 of the PDS
Benchmark & Disclosure Principle 5: Valuation Policy			
<p>In relation to valuations of the scheme's mortgage assets and their security property, the board of the responsible entity should require:</p> <p>(a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;</p> <p>(b) a valuer to be independent;</p> <p>(c) procedures to be followed for dealing with any conflict of interest;</p> <p>(d) the rotation and diversity of valuers;</p> <p>(e) in relation to security property for a loan, an independent valuation to be obtained:</p> <p>(i) before the issue of a loan and on renewal, for development property, on both an 'as is' and 'as if complete' basis and, for all other property, on an 'as is' basis; and</p> <p>(ii) within two months after the directors form a view that there is a likelihood that a</p>	This benchmark is met by Skyring Capital	<p>Skyring Capital meets the benchmark for loans secured by a registered mortgage over real property, as it will obtain valuations of real property security as required in accordance with its Lending Policy, which is consistent with this benchmark. For loans secured over assets other than real property (such as a general security interest over a borrower's assets) Skyring Capital will implement procedures to assess the adequacy of the security provided in accordance with its Lending Policy, as it will generally not be possible for a valuation of those assets to be undertaken by a registered valuer. The Fund has not, and will not,</p>	Section 4.7 and 5 of the PDS

Benchmark	Statement	Explanation	Reference
decrease in the value of security property may have caused a material breach of a loan covenant.		obtain a valuation of Skyring Capital prior to investing in Notes.	
Benchmark & Disclosure Principle 6: Lending Principles – Loan to Valuation Ratios			
<p>If the scheme directly holds mortgage assets:</p> <ul style="list-style-type: none"> • where the loan relates to property development – funds should be provided to the borrower in stages based on independent evidence of the progress of the development; • where the loan relates to property development – the scheme should not lend more than 70% on the basis of the latest ‘as if complete’ valuation of property over which security is provided; and • in all other cases – the scheme should not lend more than 80% on the basis of the latest market valuation of property over which security is provided. 	This benchmark is met by Skyring Capital	Skyring Capital’s Lending Policy is consistent with this benchmark for loans secured by a registered mortgage over real property. For loans secured over assets other than real property, Skyring Capital may lend on an LVR of up to 70% of the value of the assets securing the loan (such as the assets of a business acquired by the borrower).	Section 4.8 and 5 of the PDS
Benchmark & Disclosure Principle 7: Distribution Practices			
The Responsible entity should not pay current distributions from scheme borrowings.	This benchmark is met by the Fund and Skyring Capital	Distributions by the Fund to investors will be sourced from coupon payments made by Skyring Capital and not from Fund borrowings (as the Fund will not borrow). Coupon payments from Skyring Capital to the Fund will be sourced from interest payments from borrowers and not from Skyring Capital borrowings (as Skyring Capital does not intend to have any borrowings other than the Notes).	Section 4.9 of the PDS
Benchmark & Disclosure Principle 8: Withdrawal Arrangements			
<p>For liquid schemes:</p> <p>(a) the maximum period allowed for in the Constitution for the payment of all requests should be 90 days or less;</p> <p>(b) the responsible entity should pay withdrawal requests within the period allowed for in the Constitution; and</p> <p>(c) the responsible entity should only permit members to withdraw at any time on request if at least 80% (by value) of the scheme property is money in an account or on deposit with the bank and is available for withdrawal immediately (or otherwise on expiry of a fixed term not exceeding 90 days), during normal business hours of the bank; or assets that</p>	This benchmark is not met	Withdrawal Offers will be made to investors quarterly only where eligible investors submit a participation notice.	Section 4.10 of the PDS

Benchmark	Statement	Explanation	Reference
the responsible entity can reasonably expect to realise for market value within 10 business days. For non-liquid schemes, the responsible entity should make withdrawal offers to investors at least quarterly.			

A summary of the loans as at the date of this continuous disclosure notice is as follows:

Loan Facility by Security Type			
Type	Facility \$	Portfolio %	Number
Waterway	3,000,000	4%	1
Commercial Property	1,569,427	2%	2
Residential Development	7,575,000	10%	2
Residential Property	4,272,636	5%	5
NDIS Property Development	32,940,245	41%	14
NDIS Property	4,794,650	6%	2
Land Subdivision	22,000,000	28%	1
Rural Property	1,767,500	2%	1
Business Assets	1,528,722	2%	1
Total	79,448,180	100%	29

Loan Facility by Security Location			
Location	Facility \$	Portfolio %	Number
Gold Coast	3,400,000	4.3%	2
Brisbane & Surrounds	35,683,894	44.9%	12
Greater SEQ	1,767,500	2.2%	1
Wide Bay-Burnette QLD	983,650	1.2%	1
Coastal Central QLD	2,738,136	3.4%	2
Greater Whitsunday Region	875,000	1.1%	1
North Coast NSW	22,000,000	27.7%	1
Sunshine Coast	3,811,000	4.8%	1
Darwin	7,889,000	9.9%	7
Darling Downs	300,000	0.4%	1
Total	79,448,180	100%	29

Facility of Loans on Issue			
Loan Range	Facility \$	Portfolio %	Number
< \$1,000,000	5,930,031	7%	8
\$1,000,000 - \$3,000,000	16,619,149	21%	13
\$3,000,000 - \$6,000,000	19,199,000	24%	5
> \$6,000,000	37,700,000	47%	3
Total	79,448,180	100%	29

Loan Facility to Value Ratio			
LVR	Facility \$	Portfolio %	Number
<= 50%	6,103,722	8%	5
51% - 60%	22,000,000	28%	1
61% - 70%	51,344,458	65%	23
> 70%	0	0%	-
Total	79,448,180	100%	29

Loan Maturity			
Maturity	Facility \$	Portfolio %	Number
Overdue	18,182,000	23%	4
< 3 months	11,153,031	14%	8
3 - 6 months	22,560,000	28%	2
6 - 9 months	9,000,000	11%	1
9 - 12 months	12,897,149	16%	12
> 12 months	5,656,000	7%	2
Total	79,448,180	100%	29

Default Management:

At the date of this document, four loans issued by Skyring Capital were in default. Skyring Capital holds a first ranking mortgage for all loans and manages loan defaults in accordance with its lending manual and advice from its solicitors. Management of defaults may include extension of time to allow for repayment/refinance, enforcement of security position to take possession of assets to sell, among others.