



## Product Disclosure Statement



# Table of Contents

TABLE OF CONTENTS.....	2
1 INFORMATION AND DISCLAIMERS.....	3
2 OVERVIEW OF COVESTA .....	7
3 COVESTA OVERVIEW, KEY CONCEPTS, BENEFITS AND RISKS.....	8
4 HOW COVESTA WORKS .....	18
5 FEES AND OTHER COSTS .....	24
6 TAXATION .....	32
7 MANAGEMENT OF COVESTA.....	40
8 REPORTING.....	43
9 ASIC REGULATORY GUIDE 46 .....	46
10 ADDITIONAL INFORMATION .....	48
11 MATERIAL CONTRACTS AND POLICIES .....	51
12 DICTIONARY .....	61
13. CORPORATE DIRECTORY .....	65



# 1 Information and disclaimers

## 1.1 This information is important and requires your attention

It is important that you read all of this Document prior to making any decision about investing in CoVESTA (ARSN 625 053 803) and prospective Members should consider whether CoVESTA is right for them, having regard to their personal circumstances and objectives. In particular, you should carefully consider the risk factors outlined in section 3 and the Australian tax implications outlined in section 6 as they relate to your personal investment objectives, financial circumstances and needs. The potential tax implications of an investment in CoVESTA will vary between Members. Other risk factors may exist in addition to those identified in this Document which should also be considered in light of your personal circumstances. If you have any queries or uncertainties relating to aspects of this Document or an investment in CoVESTA, please consult your adviser before deciding to invest.

## 1.2 Product disclosure statement

This Document is the product disclosure statement that relates to the offer of Blocks and Interests in CoVESTA.

This Document is prepared in accordance with Part 7.9 of the Corporations Act. This Document also serves as an FSG in accordance with regulation 7.7.02A of the Corporations Regulations 2001 (Cth). As an FSG, the Document is designed to assist clients in deciding whether to use any of the services offered in the FSG, contains information about remuneration that may be paid to Global Merces (as AFSL holder) and any other relevant persons, and contains information about how complaints against Global Merces are dealt with.

Global Merces Funds Management Ltd is the Responsible Entity of CoVESTA and the issuer of Interests. Global Merces has appointed the Manager to assist in preparing this Document. The Manager is a corporate authorised representative (AFS Representative number 001256143) of Global Merces.

## 1.3 Not investment advice

The information contained in this Document should not be taken as financial product advice and has been prepared as general information only without consideration of your personal investment objectives, financial circumstances or needs. Before acting on the information in this Document, you should consider the appropriateness of such advice having regard to your objectives, financial situation and needs. In particular, you should give careful consideration to the risk factors outlined section 3 in light of your personal circumstances, recognising that other risk factors may exist in addition to those identified and should also be considered before deciding whether to invest.

If you have any queries or uncertainties relating to aspects of this Document or the offer of Interests, please consult your stockbroker, accountant or other independent financial adviser before deciding whether to invest.

Similarly, the tax implications of your investment will vary depending on your personal financial circumstances and investment objectives. You should consider the tax implications outlined section 6 and obtain your own professional taxation advice prior to deciding whether to invest in this offer for Interests.

## 1.4 No cooling-off rights

Cooling-off rights do not apply to the purchase of Interests. This means you cannot withdraw your application once it has been accepted.

## 1.5 Confidentiality

This Document and any other information provided in connection with this Document is provided on a confidential basis. It is provided to prospective Members for the sole purpose of considering acquiring an Interest and must not be copied, supplied, disseminated or disclosed by any recipient to any other person

(other than an employee or professional adviser of the recipient who is bound to keep it confidential), without the Responsible Entity's prior written consent.

## 1.6 Electronic disclosure

This Document can be viewed, accessed at any time and downloaded from on the CoVESTA website at <https://www.covesta.com.au/pds>

CoVESTA is a fully digital product and by making an application to acquire an Interest, you agree to receive communications and disclosures in relation the CoVESTA, Interests and Blocks in digital form only.

## 1.7 Applications for Interests

Applications for Interests will only be considered if a complete application form is submitted online via CoVESTA website together with payment of the application price (included in minimum amount required to be transferred at registration).

## 1.8 No offer or invitation

This Document has been prepared to comply with the requirements of Australian law. This Document 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. Distribution of this Document outside Australia (whether electronically or otherwise) may be restricted by law.

Persons who receive this Document 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. Any person subscribing for Interests 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 Document, and are not acting for the account or benefit of a person within such jurisdiction. Neither the Responsible Entity nor the Manager, nor any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is able to participate in the offer of Interests.

## 1.9 Updated information

Information regarding CoVESTA may change from time to time. Any updated information about CoVESTA that is considered not materially adverse to Members will be made available on the CoVESTA website at <https://www.covesta.com.au/>

The Manager will use the CoVESTA website or your nominated email address to notify you of such updated information.

In accordance with its obligations under the Corporations Act, the Responsible Entity may issue a supplementary PDS to supplement any relevant information not disclosed in this Document. You should read any supplementary disclosures made in conjunction with this Document prior to making any investment decision.

## 1.10 Disclaimer

No person is authorised to give any information, or to make any representation, in connection with the offer for Blocks or Interests that is not contained in this Document. Any information or representation that is not in this Document may not be relied on as having been authorised by the Responsible Entity in connection with the offer for Blocks or Interests in CoVESTA.

Except as required by law, and only to the extent so required, neither the Responsible Entity, nor any other person, warrants or guarantees the future performance of CoVESTA or any CoVESTA Trust, the payment of any return on any investment made, or the repayment of capital.

Neither the Responsible Entity nor the Manager promises that you will earn any return on your investment or that your investment will gain or retain its value. No company, other than Global Merces and the Manager, makes any statement or representation in this Document. It is impossible in a document of this type to take into account the investment objectives, financial situation and particular needs of each reader. Accordingly, nothing in this Document should be construed as a recommendation by the Responsible Entity or any associate of the Responsible Entity, or any other person, concerning acquiring an Interest.

As part of operating CoVESTA, the Responsible Entity must ensure compliance with applicable occupational, health and safety standards and statutory environmental requirements. The Responsible Entity does not take account of labour standards, environmental, social or ethical considerations in operating CoVESTA.

### **1.11 Role of the Custodian**

The Responsible Entity has appointed Perpetual Corporate Trust Limited as Custodian to hold the assets of CoVESTA and the CoVESTA Trusts. The role of the Custodian is to hold the assets of CoVESTA and the CoVESTA Trusts as agent for the Responsible Entity and to deal with the assets only as instructed by the Responsible Entity.

It is not the role of the Custodian to protect the rights and interests of Members and CoVESTORS.

Neither the Custodian nor any member of the Perpetual group of companies makes any representations as to the return of any investment, the maintenance of capital, any tax deduction, availability or performance of CoVESTA and the CoVESTA Trusts.

It has not been involved in the preparation of this Document and takes no responsibility for any statements in it.

### **1.12 Forecasts and forward-looking statements**

This Document may contain forecast financial information along with forward looking statements identified by words such as “may”, “could”, “believe”, “estimates”, “expects”, “intends” and other similar words that involve risks and uncertainties. These forecasts and forward-looking statements are subject to various risk factors that could cause CoVESTA’s actual results to differ materially from the results expressed or anticipated in these forecasts or statements. These risk factors are set out section 3. These and other factors could cause actual results to differ materially from those expressed in any forecast or forward-looking statement made by, or on behalf of, CoVESTA or the Responsible Entity.

### **1.13 Financial information**

Unless otherwise specified, all financial and operational information contained in this Document is current as at the date of this Document. All currency amounts are in Australian dollars unless otherwise specified.

### **1.14 ASIC**

This Document has not been, and does not need to be, lodged with ASIC and ASIC does not take any responsibility for the contents of this Document or the merits of the investment to which this Document relates.

### **1.15 Diagrams and photographs**

Diagrams and photographs (screenshots) contained in this Document are intended for illustrative purposes only.

### **1.16 Investment timing**

Any indication of times, including terms of any investments, may vary due to the time taken to process instructions or payments. Any processing times indicated are estimates only and may vary.

### **1.17 Definitions, abbreviations and other information**

Explanations of defined terms and abbreviations used throughout this Document can be found at section 12 or otherwise defined in text. Unless otherwise stated or implied, references to times in this Document refer to times in Sydney, New South Wales. Similarly, references to dates or years in this Document are financial years for CoVESTA unless otherwise stated or implied. Rounding of the figures provided in this Document may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

### **1.18 Third party privacy notice**

The Responsible Entity and the Manager may collect your personal information where it is reasonably necessary to provide CoVESTA products and services, and for ancillary purposes in accordance with each entity's privacy policy.

The Responsible Entity's privacy policy is available [here](#) and the Manager's privacy policy is available [here](#). Each policy contains information about how you may access or correct your personal information held by the Responsible Entity or the Manager and how you may complain about a breach of the Australian Privacy Principles.

The Responsible Entity and the Manager may disclose your personal information, such as your name and contact details, along with your account information to its related body corporate, professional advisors, service providers and the Custodian. The Responsible Entity and the Manager are also permitted to collect and disclose your personal information when required or authorised to do so by law. Other than as disclosed in the relevant privacy policy, the Responsible Entity and the Manager are not likely to disclose your personal information to overseas recipients.

### 1.19 FATCA and CRS compliance

If requested by the Responsible Entity, the Member agrees, and it is a condition of the issue of Interests in CoVESTA, to provide certain information required by it in order to comply with any applicable law, including the United States Foreign Account Tax Compliance Act and the Common Reporting Standard.

### 1.20 Further Questions?

If you have any queries relating to this Document please contact the Manager at [info@covesta.com.au](mailto:info@covesta.com.au).

## 2

# Overview of CoVESTA

Please watch the video here: <https://youtu.be/YYQ6ljgGevs> for an overview of how CoVESTA works.

For more information about 'Why CoVESTA' and 'How it works' please visit our [Homepage](#).



## 3

## CoVESTA Overview, Key Concepts, Benefits and Risks

### 3.1 Overview

CoVESTA provides Members with an opportunity to start or join a Syndicate to raise funds to acquire any residential or commercial property listed for sale in Australian industry databases. For more information on how CoVESTA works, please see the [How it works](#) page.

There are two primary types of Syndicates, being Property Led or Funds First. Invest & Rent is a specific type of Property Led Syndicate that allows the lead investor to also be the tenant of a residential property. Mandated Funds First is a specific type of Funds First Syndicate that invests pursuant to a specific mandate set by a Buyers Agent.

All Syndicates are established with 100 Blocks, which each represent a 1% ownership share of the underlying property.

In a Property Led Syndicate, the Member selects the property upon which they wish to start a Syndicate and sets the Block price, which other Members are then required to pay to purchase Blocks and join that Syndicate. In a Funds First Syndicate, the Member selects property criteria (eg, suburb, number of beds and bathrooms), rather than a specific property. The Manager assists the Funds First Syndicate to identify a matching property to be the subject of the Syndicate, for which an additional fee of 1% plus GST of indicative property purchase price is payable to the Manager. See FAQ on [‘What is a Syndicate?’](#) for further information about Syndicates.

Members can also apply to rent a residential property they wish to both invest in and occupy. In this case, they need to complete the Invest & Rent pre-approval form to be an Invest & Rent Member, which will be assessed by the Manager. Once the Member has been conditionally approved as a tenant, the Member can then establish an Invest & Rent Syndicate and must acquire a minimum of 5 Blocks. See FAQ on [‘Can I rent the property I choose to invest in?’](#) for more information. The Member’s application for tenancy of the property is still subject to a final assessment and approval which will be completed once the property has been purchased.

If Members would like assistance in selecting a property to invest in, they could choose to join a Mandated Funds First Syndicate, where a Buyers Agent establishes the investment strategy, specific property mandate (location, type of property and price range) and once the Syndicate is closed, picks the individual property to purchase. This type of Syndicate incurs an additional fee of 2% plus GST of indicative property purchase price, payable to the Buyers Agent, for the service provided.

Members can join multiple Syndicates and apply for as many Blocks in each Syndicate as they choose.

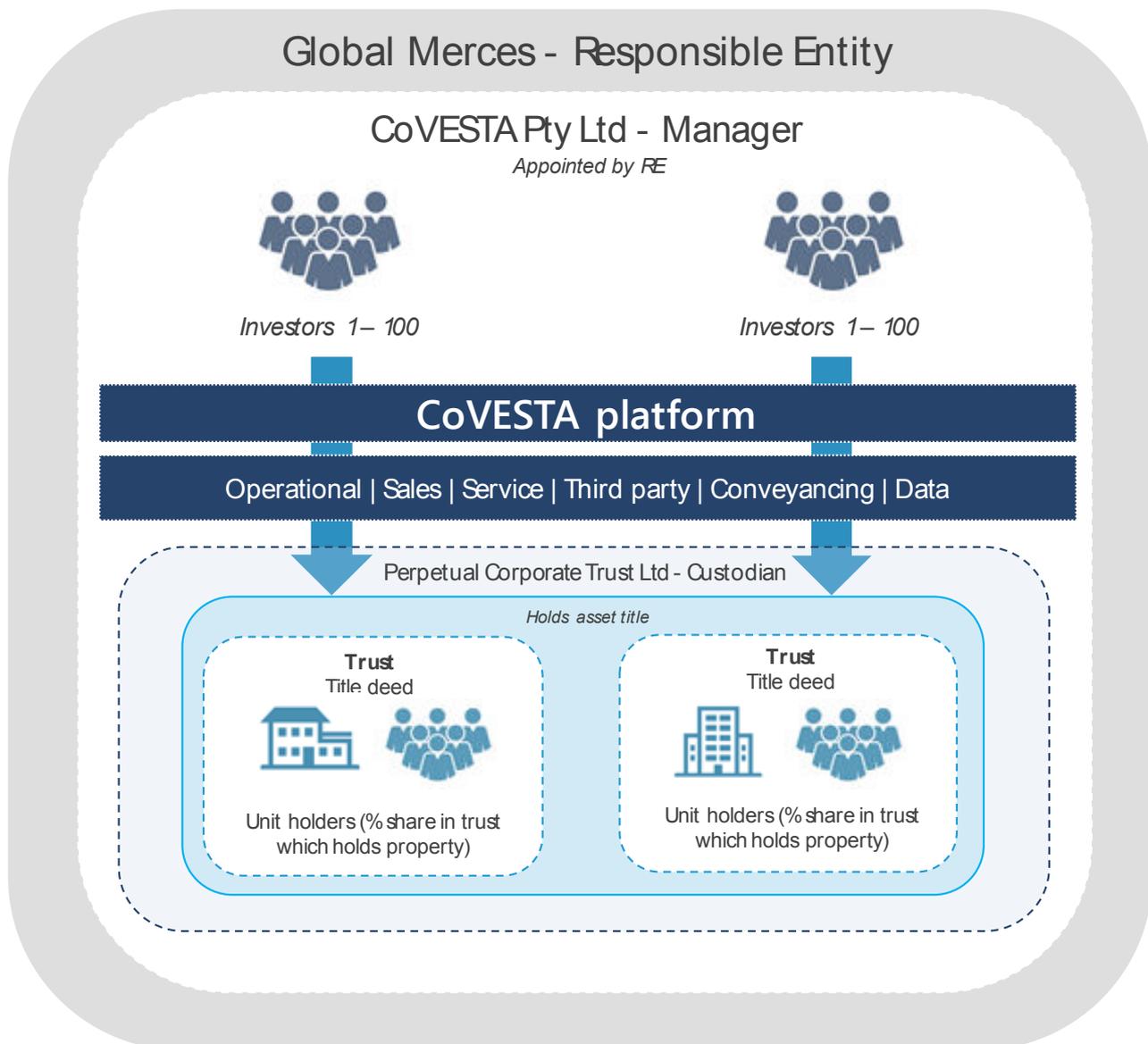
If the Syndicate is successful (all the Blocks have been subscribed for and Members have paid all outstanding amounts due), the Syndicate will close and the Members will become CoVESTORS in the Syndicate in respect of that property. The Responsible Entity will form a CoVESTA Trust to hold legal title to the property and will arrange for the property to be acquired by the trust. Each CoVESTA Trust holds only one property. The Members will be issued Blocks which will give them a beneficial interest in the property.

The Manager will then manage the property on behalf of the CoVESTORS (finding tenants, collecting rent, attending to repairs and maintenance etc) and potentially distribute any net returns (only where rental income exceeds the costs of managing the property) to CoVESTORS quarterly.

Shortly after the 5th anniversary of the establishment of the Syndicate, the CoVESTORS will be given an opportunity to vote on whether the Syndicate continues or the property is sold.

The following diagram illustrates the structure of CoVESTA.

## CoVESTA Managed Investment Scheme

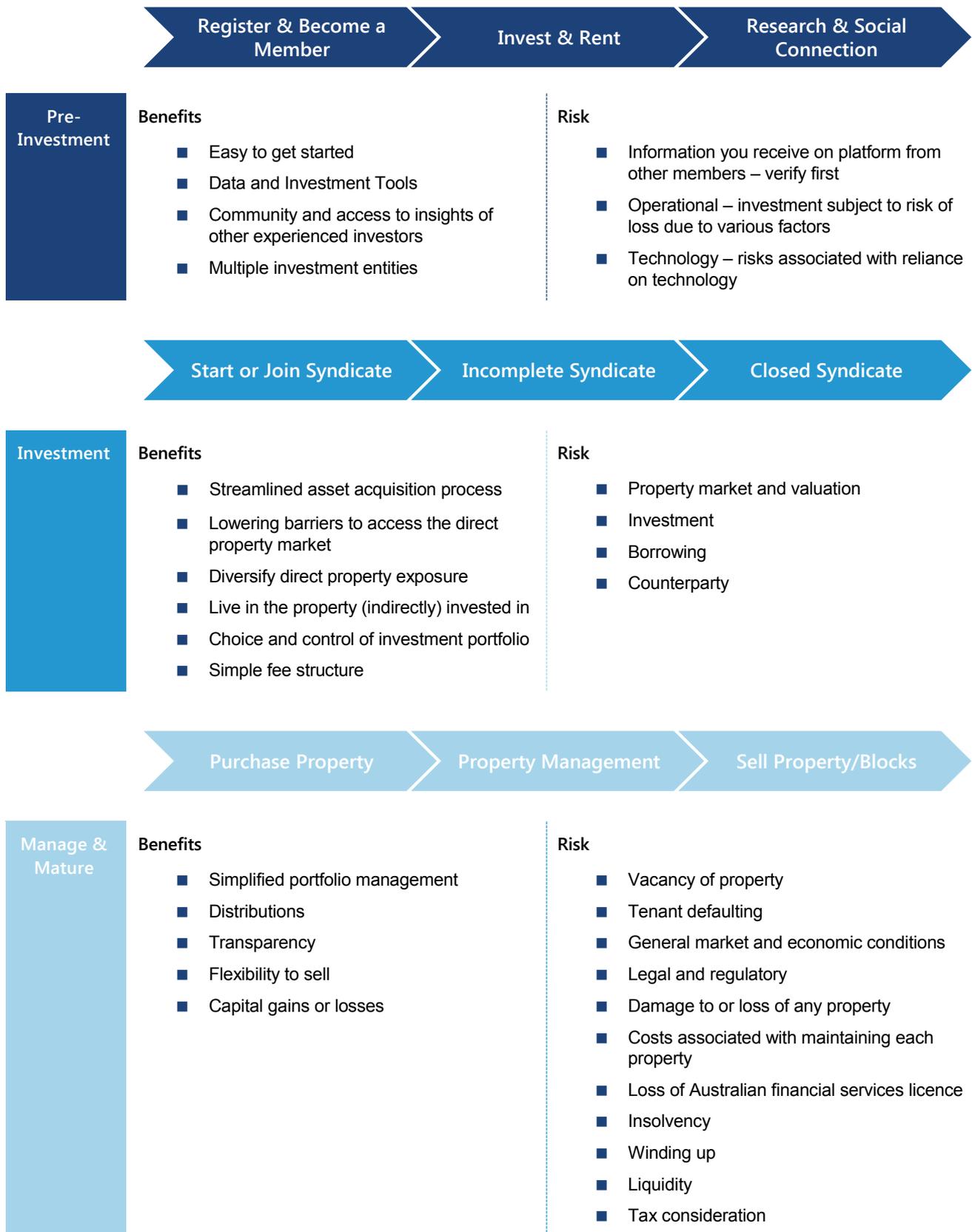


For illustrative purposes the process has been split into three core components

- 1 **Pre-Investment** – where a prospective Member registers, joins to become a Member, undertakes initial research and potentially applies to become an Invest & Rent Member.
- 2 **Investment** – where a prospective Member starts or joins a Syndicate, and potentially moves through an incomplete Syndicate to a closed Syndicate.
- 3 **Manage and Mature** – where a property is purchased, managed through to maturity and potentially sold.

### 3.2 High level customer journey

The diagram on the following page is provided to assist prospective members in understanding the typical stages in the end to end process on the platform, the associated benefits and risks. More detail can be found on each benefit or risk by clicking on each one in the diagram below.



### 3.3 Benefits & Risks

#### Pre-Investment

Benefits	
Easy to get started	<p>You can experience most of the features of CoVESTA (except for the ability to start or join a Syndicate) free for 7 days by registering and providing your name, email address and a password.</p> <p>To continue with full access to CoVESTA, all that is required is payment of a \$0.55 application price to become a Member.</p> <p>See section 4.1 for a diagram illustrating this process and for further information.</p>
Data and investment tools	<p>CoVESTA provides Members with access to a range of property related data, reports and educational material to help Members make a decision about property investment. From the CoVESTA website you can gain access to tools and connect with other investors to help inform your investing decisions.</p> <p>See our <a href="#">Investment Tools</a> page or our <a href="#">Education</a> page for further information.</p>
Community & access to investors	<p>Through the Communication Facility, Members are able to direct message or follow other Members, and watch and comment on specific properties or Syndicates.</p> <p>See the Connection section of our <a href="#">Investment Tools</a> for further information.</p>
Multiple investment entities	<p>Members can choose how to invest; either directly as an individual, through a company, a family trust or a self-managed super fund (<b>SMSF</b>). Members can choose to invest a different way for each Syndicate they participate in, or even use multiple investments for one Syndicate (eg, buy some Blocks directly and some through an SMSF).</p> <p>See FAQ on '<a href="#">How can I Invest / What is an Investment Entity?</a>' for further information.</p>
Key risks	
Information	<p>There is a risk that the information you receive through CoVESTA (eg, via the Communication Facility or reports available on the CoVESTA website) is incorrect, incomplete or out of date. To mitigate this risk, you should consider seeking your own independent advice and undertaking your own due diligence on investments.</p>
Operational	<p>An investment made through CoVESTA is subject to the risk of loss arising from the organisational systems and processes, technology, people, external circumstances, regulatory and compliance frameworks and other potential matters which can impact the operations of CoVESTA.</p> <p>To mitigate this risk, the Responsible Entity and the Manager have risk management and compliance procedures in place which implement controls such as technology system reviews and backups, and compliance reviews of regulatory requirements.</p>
Technology	<p>CoVESTA relies on the effective use and function of technology. As with many technology-led businesses, there are risks associated with reliance on technology including technology failure interrupting the availability of services, the loss of data, or data being stolen.</p> <p>CoVESTA has implemented a Disaster Recovery Plan/Business Continuity Plan that conforms with Australian Standards for business continuity, including crisis management, disaster recovery and data recovery planning.</p>

## Investment

Benefits	
Streamlined asset acquisition process	<p>Once a Syndicate has been formed, the Manager arranges the asset (property) acquisition, including:</p> <ul style="list-style-type: none"> <li>■ facilitating closure of the Syndicate (where possible);</li> <li>■ working with the Vendor to finalise a price;</li> <li>■ completing the conveyancing process and finalising the acquisition; and</li> <li>■ engaging experienced property managers to manage the property on an ongoing basis.</li> </ul> <p>See section 4.10 for further information.</p>
Lowering the barriers to access the direct property market	<p>Purchasing a property directly generally requires large available investment funds or borrowings. CoVESTA provides investors with a new way to access property investment with the costs of investing in and owning the property being shared with others in the Syndicate.</p> <p>As each Syndicate is generally separated into 100 Blocks, Members could, for example, obtain an interest in a \$1 million property for as little as \$10,000 (plus fees and taxes) per Member.</p> <p>CoVESTA also allows the upfront costs usually associated with buying a property (including stamp duty, conveyancing and other fees) to be shared between Members of the Syndicate.</p> <p>See our <a href="#">Homepage</a> and the <a href="#">How it works</a> page for further information.</p>
Diversified direct property exposure	<p>With the lower entry costs, CoVESTA provides an ability to achieve diversification in your property portfolio by spreading your available funds across a range of properties and/or across geographies.</p> <p>See our <a href="#">Homepage</a>, the <a href="#">How it works</a> page and FAQ on '<a href="#">Can I diversify my investment?</a>' for further information.</p>
Potential to live in the property you have invested in	<p>CoVESTA can provide a solution for renters who are trying to find a way into the property market. Renters can, once conditionally approved as an Invest &amp; Rent Member, lead a Syndicate to acquire the residential property they are renting or the residential property they would like to rent (each if available for sale). If the Syndicate successfully acquires the property, an Invest &amp; Rent Member can obtain investment exposure to the property they are living in.</p> <p>The application to rent a property is subject to a final assessment and approval by the Manager once the property has been acquired.</p> <p>See the <a href="#">Invest &amp; Rent</a> page for further information.</p>
Choice and control of investment portfolio	<p>CoVESTA simulates many of the elements of choice and control investors exercise when buying property directly. In a standard real estate investment trust, the trust may hold a number of properties, however investors are unable to select which properties they specifically invest in. CoVESTA enables Members to establish a Syndicate any residential or commercial property listed for sale in Australian industry databases and acquire an indirect interest in that property.</p> <p>See the <a href="#">Investment Tools</a> page for further information.</p>
Simple fee structure	<p>Registration is free and membership is just \$0.55 payable by premium SMS or credit or debit card.</p> <p>A fee of 2.5% (plus GST) of the property price is payable as part of the Block price when starting or joining a Syndicate, plus an annual management fee of generally \$79.95 plus GST (fee may vary for property values in excess of \$5 million) per Block held payable to the Manager.</p> <p>An additional fee (included in the Block price and payable as a percentage of the property purchase price) of 1% plus GST for Funds First and 2% plus GST for Mandated Funds First is payable to a Buyers Agent for services provided in selecting the property.</p> <p>On sale of the property, a fee of 2% plus GST of sale price is payable to the Manager and shared with the Selling Agent.</p> <p>See section 5 below for further information.</p>

Key risks	
Property market and valuation risk	<p>General property market risk must be considered as a major factor that may impact an investment in CoVESTA. The property market may decline, reflecting trends in Australian or overseas markets due to a range of factors including, but not limited to, the over-supply of real estate, changes in building regulations, demographic changes, interest rate movements, general economic conditions reflecting a downturn and market sentiment.</p> <p>A general downturn in the property market can potentially cause a reduction in the rental returns, the value of a property, and ultimately in the value of Blocks. The acquisition price of the properties will be subject to market forces including, but not limited to, the property market, interest rates and other macroeconomic conditions.</p> <p>Property specific factors such as location, age, construction quality and design may also impact the value of the property. Each property could be negatively impacted due to a property specific event (for example, a change in zoning), which can impact factors such as the net value, income profile and/or future cash distributions.</p> <p>This risk can be mitigated through investors holding a diversified investment portfolio. The Manager also assists investors to manage this risk by providing access to detailed market and property specific data and reports (including valuation reports), both before and after any purchase, thereby enabling investors to be better informed about market and property conditions.</p>
Incomplete Syndicate risk	<p>There is a risk that a Syndicate will not attract sufficient numbers of CoVESTORS to close or that a Member who has committed to a Syndicate will either fail to pay amounts owing or fail verification.</p> <p>In both circumstances, it may be the case that the Syndicate is unable to acquire a property, given insufficient funds have been raised. If a Syndicate is incomplete or has failed, Members will have the opportunity to start or join another Syndicate or be refunded deposited funds.</p> <p>For further details see the section on incomplete and unsuccessful Syndicates at section 4.8, or FAQ on <a href="#">‘What happens if a Syndicate is incomplete or unsuccessful?’</a></p>
Unsuccessful property purchase risk	<p>There is a risk that a Syndicate fails to purchase a property because the sale price is too high, the property is sold to another party, material conveyancing or property inspection issues arise or, in the case of a Funds First Syndicate, a property matching the criteria established by the Syndicate cannot be found within 90 days.</p> <p>For a Property Led Syndicate, Members will have the option to switch their investment into a Funds First Syndicate with criteria matching the original property.</p> <p>For a Funds First style Syndicate, Members will have the opportunity to start or join another Syndicate or be refunded deposited funds.</p> <p>For further details see the section on incomplete and unsuccessful Syndicates at section 4.8, or FAQ on <a href="#">‘What happens if a Syndicate is incomplete or unsuccessful?’</a></p>
Borrowing risk	<p>Borrowing against a CoVESTA Trust’s assets may have the effect of magnifying returns, both positive and negative, which means that the risk of loss of capital may be greater than if gearing did not take place. Additionally, increases in interest rates may affect the cost of the trust’s borrowings and so reduce returns.</p>
Counterparty risk	<p>CoVESTA may use third party service providers, including real estate agents, buyers agents, property valuers and property management agents as well as external companies to provide services associated with identity and credit checks and the transfer and holding of money. There is a risk that counterparties to contracts that the Responsible Entity or the Manager have entered into on behalf of CoVESTA or a CoVESTA Trust fail to comply with their obligations. Failure by a counterparty to comply with contractual obligations could have a negative impact on the income of the relevant CoVESTA Trust or the value of a property, and the value of a CoVESTOR’s investment.</p> <p>All third party service provider agreements contain provisions to cover potential breach or default of the agreement. The Manager will take steps to ensure any breach is remedied by the third party service provider, or if the agreement is terminated, that another service provider is appointed. There is also a risk that the Manager of CoVESTA may fail to comply with its obligations under the terms of its agreement with the Responsible Entity. Failure to comply with such agreement may cause the Responsible Entity to terminate the agreement and potentially wind-up CoVESTA.</p>

## Manage & Mature

Benefits	
Simple portfolio management	<p>Once a Member has acquired Blocks, the Manager takes care of property management, including:</p> <ul style="list-style-type: none"> <li>■ working with experienced property managers;</li> <li>■ facilitating reports provided to CoVESTORS;</li> <li>■ managing any required voting processes; and</li> <li>■ overseeing the property sales process at the end of the term.</li> </ul> <p>See section 4.11 and FAQ on <a href="#">‘Who takes care of tenancy and property management?’</a> for further information.</p>
Distributions	<p>To the extent a property is tenanted and the rent is paid, and such rent exceeds costs associated with the property, CoVESTORS may receive quarterly distributions.</p> <p>See section 4.12 and FAQ on <a href="#">‘What is a distribution and how do I receive it?’</a> for further information.</p>
Transparency	<p>Members can identify and view information about all of the properties held through CoVESTA, including the specific CoVESTA Trusts and underlying property in which CoVESTORS indirectly invest. Members will have access to an online platform (accessible via their Document Centre) that will provide information about the type, location, suburb historical returns, and valuations of the properties they have invested in. Details of open Syndicates on CoVESTA, including address, features, purchase price and yield, are set out on the CoVESTA website.</p> <p>See the <a href="#">Investment Tools</a> page for further information.</p>
Flexibility to sell Blocks and properties	<p>Generally, a CoVESTOR can choose to sell their Blocks at any time. However, a CoVESTOR can only sell their Blocks if there is a willing buyer. Alternatively, CoVESTORS in a particular CoVESTA Trust may together decide to sell the underlying property and wind up the CoVESTA Trust at any time.</p> <p>See FAQ on <a href="#">‘Can CoVESTORS sell their Block(s) after settlement?’</a> or FAQ on <a href="#">‘What happens if a member of the Syndicate wants to sell the property before the end of the 5 years?’</a> for further information.</p>
Capital gain or loss	<p>The purchase of Blocks provides an exposure to the property market through the value of the underlying property or property interest held within each CoVESTA Trust. Any capital gains or losses in the value of the underlying property, when sold, will be passed through to the owners of the Blocks in the Syndicate.</p> <p>See FAQ on <a href="#">‘What happens if a member of the Syndicate wants to sell the property before the end of the 5 years?’</a> for further information.</p>

Key risks	
Vacancy risk	<p>There is a risk that a property may be vacant for a period of time. If a property is likely to be vacant for an extended period, distributions may not be paid to CoVESTORS who own a beneficial interest in that property.</p> <p>To mitigate the potential risk associated with a vacancy, each CoVESTA Trust holds landlord insurance and a Property Management Reserve to cover short term expenses. Contribution to the Property Management Reserve is built into the Block acquisition price.</p> <p>See FAQ on <a href="#">‘What is a Property Management Reserve?’</a> for further information.</p>
Tenant default risk	<p>Distributable income may be significantly impacted should a tenant default under their lease. If a tenant defaults under their lease, steps may be taken to require the tenant to remedy the failure, failing which a tenant may be evicted in accordance with the terms of the lease agreement.</p> <p>See FAQ on <a href="#">‘What is a distribution and how do I receive it?’</a> for further information.</p>
General market and economic risk	<p>All investment returns are influenced by the performance of the market to which the investments are exposed. The forces of supply and demand, interest rates, global events and the state of the domestic economy can all have an impact on both the value of investments in various markets and the returns generated by those investments. Events, including changes in economic, social, technological or political conditions, together with market sentiment may have a negative effect on the pricing or value of investments within a particular market. An investor should consider the possible impact of these types of market events on Australian property values prior to making any investment decision. Investors should consider their own ability to tolerate investment risks arising from a general market downturn.</p>
Legal and regulatory risk	<p>There is a risk that domestic or international law or regulation may change, adversely impacting the regulation of CoVESTA. Legal risk also includes the risk of losses occurring as a result of legal issues, principally losses arising out of the non-enforceability or non-enforcement of contracts. Non-enforcement may arise from insufficient documentation, insufficient capacity or authority of a counterparty, uncertain legality or unenforceability resulting from bankruptcy or insolvency. Whilst neither the Responsible Entity nor the Manager can predict either the likelihood of the occurrence, or the specific outcome, of any of these risks, there is a possibility that due to any of these factors the performance of CoVESTA may be negatively impacted.</p>
Damage to or loss of any property risk	<p>There are a range of events that can impact the value of any property – ranging from fire, flood, earthquake and other natural disasters through to accidents, negligence and failures of maintenance. These events may negatively impact the value of a property which in turn will negatively impact the value of the Blocks in the relevant CoVESTA Trust. Whilst CoVESTA cannot entirely remove such risks, it seeks to mitigate these risks by ensuring that all properties are properly insured; and appointing property managers to some or all properties and requiring regular inspections of those properties.</p> <p>See section 4.11 for further information.</p>
Costs associated with each property	<p>Each property will incur its own unique costs in relation to the acquisition, maintenance and repair of the property. There will also be costs associated with the management of the property, such as the costs associated with entering into leases, annual audit and property valuations. If a CoVESTA Trust’s expenses relating to a property cannot be funded from the gross income of the CoVESTA Trust and the Property Management Reserve, this may be mitigated by any of the following:</p> <ul style="list-style-type: none"> <li>■ a short-term loan may be provided to the CoVESTA Trust from an external third-party provider to ensure that it can continue to meet its obligations. The loan will be paid back from future distributions;</li> <li>■ if the short-term loan (if any) has been exhausted, the Responsible Entity (as trustee) may choose to issue additional Blocks in the relevant CoVESTA Trust. If so, existing CoVESTORS will be given an opportunity to subscribe for such Blocks pro rata to their existing holding in the relevant trust; or</li> <li>■ in certain circumstances, the Responsible Entity may cause the relevant CoVESTA Trust to sell the asset of the trust (the property) and cause the trust to be wound-up.</li> </ul> <p>See section 4.13 for further information.</p>

Key risks	
Loss of Australian financial services licence	An investment in Blocks may be impacted in the event that the Responsible Entity's AFSL is revoked or suspended or if conditions are imposed which alters the Responsible Entity's or the Manager's capacity to operate CoVESTA or provide the services as described in this Document. The loss of the Responsible Entity's AFSL will also cause the appointment of the Manager as authorised representative to terminate.
Liquidity risk	<p>Both Interests and Blocks are illiquid. There is a risk that a CoVESTOR may wish to withdraw from their investment. Members will not be able to withdraw their Interest unless their Block holding is zero and a withdrawal application is made and approved by the Responsible Entity. CoVESTORS can sell their Blocks at any time after Settlement, provided there is a willing buyer.</p> <p>Alternatively, CoVESTORS in a particular CoVESTA Trust can agree to require the Responsible Entity to sell the underlying property and wind up the trust. Members will have their Interests and Blocks cancelled when the CoVESTA Trust is wound up in accordance with the provisions for termination of the CoVESTA Trust.</p> <p>See sections 4.14, 4.15 and 4.17 for further information.</p>
Tax risk	<p>An investment made through CoVESTA may give rise to a variety of complex tax issues. Before deciding to invest, you should consider consulting your tax adviser for advice concerning the potential impact of an investment made through CoVESTA on your financial position. Changes in tax laws or their interpretation could adversely affect the tax treatment of investments made through CoVESTA and its investors.</p> <p>See section 6 for further information.</p>

Other risk factors may exist in addition to those identified in this Document, which should also be considered in light of your personal circumstances. If you have any queries or uncertainties relating to aspects of this Document or an investment in CoVESTA or a CoVESTA Trust, please consult your legal, accounting, tax, financial or other adviser before deciding to invest.

# 4

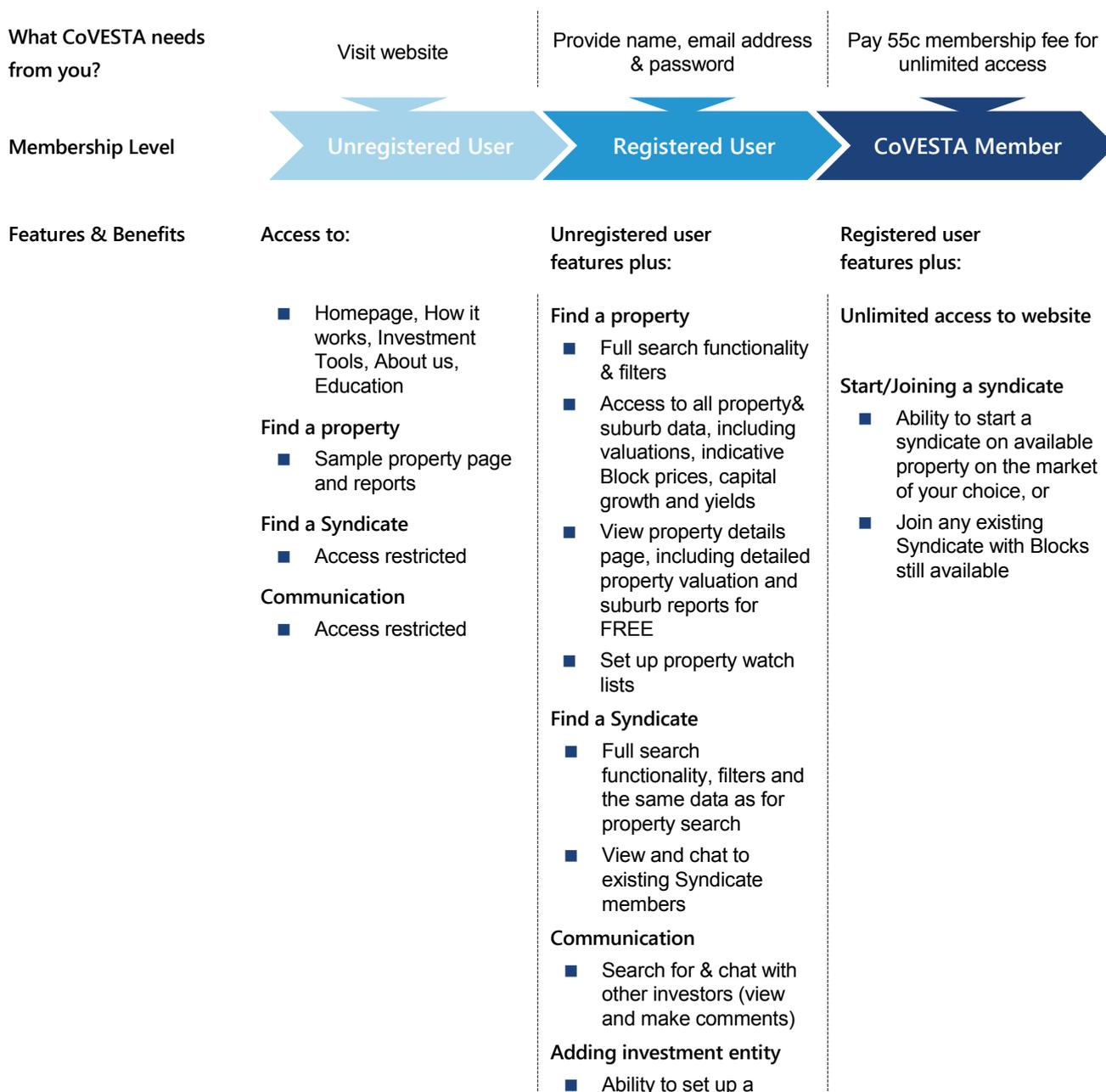
## How CoVESTA works

### 4.1 Register and become a Member

Broadly, a person becomes a Member by:

- 1 registering with CoVESTA for a free 7 day trial, by providing first name and email, and creating a password; then
- 2 applying for membership, by
  - (a) confirming this Document has been read and accepted;
  - (b) providing certain information to allow us to identify you, and
  - (c) paying the \$0.55 (comprising \$0.50 application price plus \$0.05 GST) application price.

Set out below is a diagram which illustrates the information required, and the features available at the varying levels of access to CoVESTA.



Company and/or a  
Trust entity to invest  
with (once a member)

See FAQ on ['How do I join CoVESTA?'](#) for more information.

## 4.2 Becoming an Invest & Rent Member

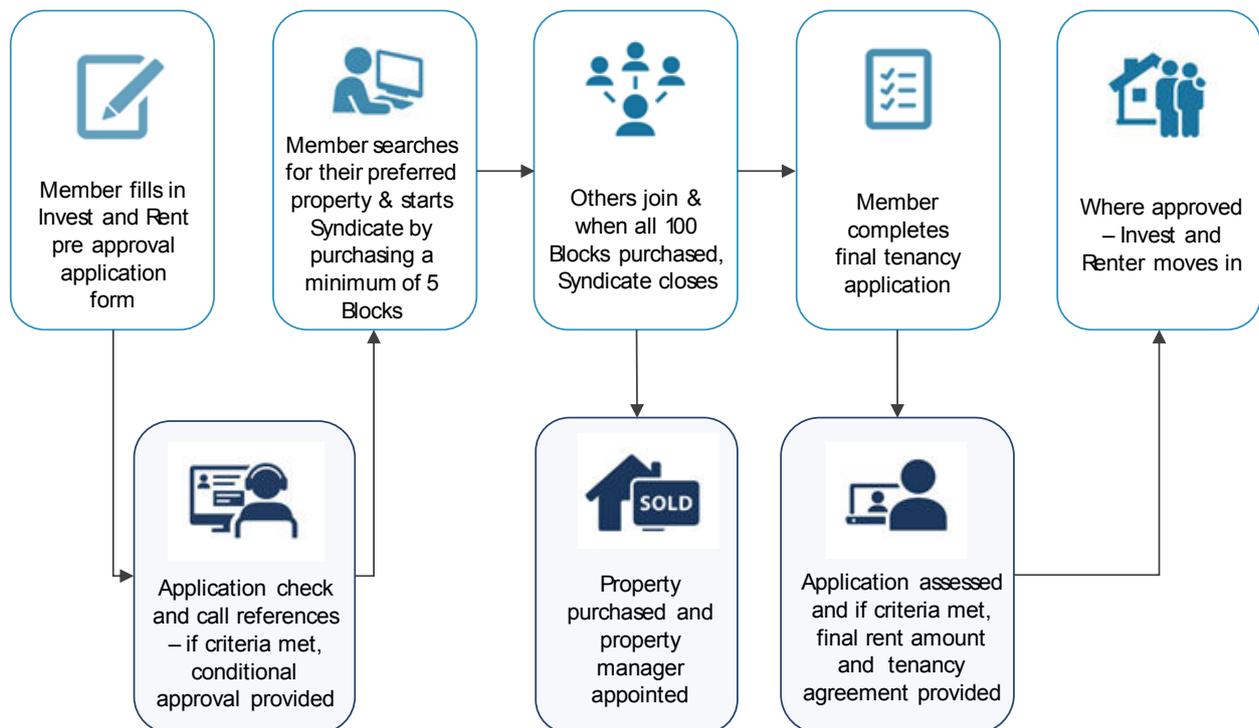
If a Member wishes to establish an Invest & Rent Syndicate and be the tenant for the residential property purchased, they must first complete the pre-approval form on the CoVESTA website. The Manager (or its agent) will verify the applicant's rental history and may request and/or verify such other information as the Manager considers relevant to the application.

See [Invest & Rent](#) page and FAQ on '[Can I rent the property I choose to invest in?](#)' for further information.

Once conditionally approved, the Member's application to rent the property is still subject to a final assessment and approval once the property has been acquired. The Manager and the Responsible Entity reserve the right to reject any Invest & Rent application. Each also reserve the right to refuse any rental application made by a Member.

Set out below is a diagram which illustrates the process of becoming an Invest & Rent Member.

### Member



### CoVESTA

## 4.3 Investment research tools and community

Members have access to various capabilities and tools made available by CoVESTA that are designed to assist with acquiring and holding Blocks.

For details see the [Investment Tools](#) page for further information.

## 4.4 Communication Facility

The Communication Facility is an environment where Members can discuss questions about properties and property investment with other Members.

Information made available through the Communication Facility is not legal, financial product advice or investment advice. Members must seek their own, independent advice, if required. If a Member chooses to rely on any information, or links to information, provided through the Communication Facility, they do so at their own risk.

None of the Responsible Entity, the Manager or CoVESTA make any representation or warranty as to the accuracy or completeness of information posted to the Communication Facility, including information

included in reports or other data and does not authorise or take any responsibility for links to third party sites or content on those sites that may be subject to intellectual property rights.

Use of the Communication Facility is subject to the [Communication Facility Rules](#), the [Terms and Conditions](#) and this Document.

See the [Investment Tools](#) page for further information.

#### 4.5 Starting or joining a Syndicate

There are 3 scenarios in which a Syndicate may be started, and 4 in which a Syndicate may be joined by a Member. In circumstances where a Member starts a Syndicate, they become the Lead Investor.

**Property Led:** When logged in, a Lead Investor can select any property listed for sale in Australian industry databases (residential, commercial and industrial) from the [Find a Property](#) page and start a Syndicate to raise funds to purchase that property. Other Members can find the Syndicate on the CoVESTA site and join the Syndicate by acquiring a Block.

**Invest & Rent:** This operates in the same way as a Property Led Syndicate, with the addition that the Lead Investor has also been conditionally approved by CoVESTA to become the tenant if the property is purchased by the Syndicate. Other Members can find the Syndicate on the CoVESTA site and join the Syndicate by acquiring a Block.

**Funds First:** A Lead Investor can start a Syndicate without an identified property, to raise a nominated amount of funds to purchase a property. The Lead Investor will set the preferred property characteristics and target investment amount for other potential Syndicate Members. Other Members can find the Syndicate on the CoVESTA site and join the Syndicate by acquiring a Block.

**Mandated Funds First:** Similar to a Funds First, with the exception that the property characteristics and target investment amount are established by a Buyers Agent, who will also select the actual property for the Syndicate and finalise the transaction with the Vendor on behalf of the Syndicate. In this scenario there is no Lead Investor, with all 100 Blocks available when the Syndicate is first established. Members can find the Syndicate on the CoVESTA site and join the Syndicate by acquiring a Block.

Once you have paid the part or all of the Block Price, the you will be sent an email confirming the purchase and providing a link to an application form to collect information (including identification information and verification materials) required by the AML/CTF Act. The form must be completed prior to the Syndicate closing.

See FAQ on '[How do I start or join a syndicate?](#)' for further information on the required process to actually start each of these Syndicate types.

#### 4.6 Block pricing

Block pricing is made up of a number of elements, including: estimated purchase price, stamp duty, the Manager fee, any applicable Buyers Agent or selection fees and the Property Management Reserve.

The composition of the Block Price is the same for a Property Led and an Invest & Rent Syndicate. The composition does change slightly for Funds First and Mandated Funds First Syndicates.

The Block price and thus the balance due may be increased by up to 10% of the initial application amount if, after successfully closing the Syndicate and receiving all amounts due from Members, there are insufficient funds to purchase the property, as the price for the property has exceeded the estimated valuation set by the Lead Investor. In this circumstance, the Manager will contact the Members to arrange payment for any additional balances due, which will not exceed 10% of the initial application amount. Members will have 3 days post a notice being issued by the Manager to make payment before they will be considered in default. If Members default on a payment the Manager will retain the initial 1% deposit paid, as a default fee.

For more detail on the breakdown of Block pricing in each scenario, please see FAQ on '[Block Pricing](#)' and FAQ on '[What is a Property Management Reserve?](#)'.

#### 4.7 Minimum investment amount

The minimum amount to acquire an Interest and become a Member is \$0.55.

The minimum investment amount to participate in a Syndicate is the price of a single Block in a particular Syndicate, the value of which is generally determined by the purchase price of the property to be acquired by the Syndicate. See FAQ on ['Block Pricing'](#) for further information.

The minimum investment amount to become an Invest & Rent Member is the cost of 5 Blocks in the relevant residential Syndicate. See the [Invest & Rent](#) page and FAQ on ['Can I rent the property I choose to invest in?'](#) for further information.

The minimum investment amount for Funds First Syndicate and Mandated Funds First Syndicate also include an additional Buyers Agent fee of 1% plus GST and 2% plus GST (respectively) of indicative property purchase price. See FAQ on ['Block Pricing'](#) for more information.

These minimum investment amounts to acquire a Block may be increased by up to 10% plus GST of the initial application amount, as described in section 4.6.

#### 4.8 Incomplete Syndicate or unsuccessful purchase

There is a risk that a Syndicate may be incomplete or unsuccessful due to:

- 1 failure to close because fewer than 100% of Blocks are acquired and fully paid; or
- 2 failure to acquire the chosen property (in a Property Led Syndicate) due to insufficient funds being raised; or
- 3 in a Funds First Syndicate, failure to identify a property that matches the Syndicate mandate within the default investment period (90 days from formation of a Closed Syndicate).

In these circumstances, the process set out in the FAQ on ['What happens if a Syndicate is incomplete or unsuccessful?'](#) will generally be followed.

#### 4.9 How does a Syndicate close?

A Closed Syndicate is a CoVESTA Trust in which 100% of the issued Blocks have been acquired.

Members must pay at least 1% of the Block Price in order to acquire a Block. It is not necessary for Blocks to be fully paid in order for a Syndicate to close, provided all incoming CoVESTORS have paid at least 1% of the relevant Block Price. Generally, a Member is required to pay the outstanding amount owing on Blocks (less any amounts already paid) at the date on which at least 50% of Blocks have been acquired, as notified by the Manager. See FAQ on ['What is a closed syndicate?'](#) and FAQ on ['When is my final balance due?'](#) for further information.

#### 4.10 Property purchase

##### (a) Property Led Syndicate and Invest & Rent Syndicates

- (i) Once the Syndicate has closed, the Manager will work with the Vendor to finalise the purchase price, complete conveyancing, obtain and review any required property inspection reports (building inspection, pest or strata reports), if not already reviewed, and acquire the property.
- (ii) Inspection and conveyancing reports will generally be obtained and reviewed by the Manager after the 50th Block in a Syndicate has been purchased. Any required action will be determined in accordance with the established policy. See FAQ on ['What happens if issues are discovered in the contract or property inspection reports?'](#) for further information.
- (iii) If the negotiated purchase price for the property exceeds the amount of funds available within the Syndicate by up to 10% of the available funds, the Manager will contact the CoVESTORS to notify them of the additional funds due and seek payment. Members will have 3 days post a notice being issued by the Manager to make payment before they will be considered in default. If Members default on a payment the Manager will retain the initial 1% deposit paid, as a default fee.

##### (b) Funds First Syndicate and Mandated Funds First Syndicate

- (i) When a Funds First Syndicate or a Mandated Funds First Syndicate has closed, the Manager or the appointed Buyers Agent will seek to identify available properties that match the investment criteria provided by the CoVESTORS. For a Funds First Syndicate, once two suitable properties have been identified, the Manager will facilitate a vote among CoVESTORS to select the final property. For a Mandated Funds First Syndicate the Buyers Agent that facilitated the Syndicate will select the final property. See FAQ on [‘How is the property selected and purchased in a Funds First / Mandated Funds First Syndicate?’](#) for further information.
- (ii) If a suitable property cannot be found within 90 days of the Syndicate close, CoVESTORS will be notified and the Syndicate deemed unsuccessful – see FAQ on [‘What happens if a Syndicate is incomplete or unsuccessful?’](#) for further information.

For all Syndicate types, if the final negotiated property purchase price is less than the funds available within the Syndicate the difference will be returned, pro rata, to each CoVESTOR’s nominated bank account.

#### 4.11 Property management

The Responsible Entity has appointed the Manager to manage and maintain the properties, which the Manager may do itself or via appointing an independent property manager.

See FAQ on [‘How are properties managed?’](#) for further information.

#### 4.12 Distributions

CoVESTORS may be entitled to receive quarterly distributions provided they hold Blocks at 11:59pm on the last day of the relevant financial year quarter end (30 September, 31 December, 31 March and 30 June), and the relevant Syndicate trust account cash balance exceeds the initial dollar value of the Property Management Reserve. See FAQ on [‘What is a distribution and how do I receive it?’](#) for further information.

Distributions may be affected where a property is vacant, or a tenant has failed to pay rent, or where costs are deducted from gross rental income, which therefore reduces the net income of the relevant Syndicate. See FAQ on [‘What is a distribution and how do I receive it?’](#) for further information.

#### 4.13 Income shortfall

If a Syndicate’s expenses relating to a property cannot be funded from the gross income of that trust and the Property Management Reserve has been exhausted, the Responsible Entity as trustee of the relevant Syndicate may choose to issue additional Blocks in the relevant Syndicate. If so, existing CoVESTORS of the relevant Syndicate will be given an opportunity to subscribe for such Blocks pro rata to their existing holding in the relevant Syndicate.

If existing CoVESTORS do not subscribe for all the Blocks within the specified period, other Members (who may not already be CoVESTORS in the relevant Syndicate) may also be given an opportunity to subscribe for Blocks in that Syndicate. In such circumstances, the value of existing Blocks will be diluted.

Alternatively the Responsible Entity as trustee of the relevant Syndicate, may choose to seek short term finance to cover the shortfall, to be repaid through the net income of the Trust over subsequent periods. In this circumstance, distributions may be reduced or ceased until such time as the shortfall has been cleared and the Property Management Reserve replenished.

If the Responsible Entity as trustee of the relevant Syndicate is unable to raise sufficient funds through issuing more Blocks to replenish the Property Management Reserve, the Responsible Entity as trustee of the relevant Syndicate may wind up the Syndicate

#### 4.14 Liquidity events

CoVESTORS may be able to obtain liquidity in one of two ways:

- 1 selling their Blocks to other Members; or
- 2 agreeing with other Members in the relevant Syndicate to sell the property.

#### 4.15 Selling the property

Every CoVESTA Trust is established on the basis that the property will be held for the purpose of deriving rent. CoVESTORS in a Syndicate will be given an option to sell the property held by the relevant Syndicate shortly after the 5th anniversary of the Settlement Date. CoVESTORS may agree to sell the property before this date. See FAQ on [‘How is a property sold?’](#) for further information.

#### 4.16 Digital Wallet

Members can apply to withdraw funds from their Digital Wallet at any time, other than if the funds have been allocated to and reserved for a Block purchase. If a Closed Syndicate is unsuccessful in acquiring a property, Members may (by notifying the Manager) apply funds towards payment of the final balance owing on another Syndicate or withdraw funds from their Digital Wallet. Withdrawals are paid within 14 days of receipt of application.

Refund requests for individual transactions can be made via the Member’s transaction listing, which can be accessed from their dashboard on the CoVESTA Website. The withdrawn funds will generally be paid into the bank account provided at the point of application by the Member within 14 days.

Note that depositing money into a Digital Wallet does not constitute a deposit with an Australian deposit taking institution and is not covered by the Australian Government Guarantee Scheme.

See FAQ on [“What is my Digital Wallet and what can I do with it?”](#) for further information.

#### 4.17 Deactivating your account

Members can deactivate their CoVESTA Account at any time by logging into their account on the CoVESTA website and completing the steps required. Members cannot deactivate their CoVESTA Account if they hold any Blocks or have a balance in their Digital Wallet.

# 5 Fees and other costs

## 5.1 Consumer Advisory Warning

The Corporations Act requires the Responsible Entity to include the following standard consumer advisory warning in this Document. The information in the consumer advisory warning is standard across PDSs and is not specific to information on fees and other costs associated with an investment in CoVESTA.

### 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 contribution fees and management costs where applicable. Ask the fund or your financial adviser.

### TO FIND OUT MORE

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

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

Taxes and insurance costs are set out in another part of this document.

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

## 5.2 CoVESTA

Type of fee or cost	Amount <sup>1</sup>	How and when paid
<b>Fees when your money moves in or out of the managed investment product</b>		
<b>Establishment fee</b> The fee to become a Member and open your Digital Wallet	CoVESTA: \$0.55 (comprising \$0.50 application price plus \$0.05 GST) to acquire an Interest	CoVESTA: Paid via SMS or credit / debit card on or shortly after registration

<sup>1</sup> Unless otherwise stated, all amounts are exclusive of any taxes, including GST.

Type of fee or cost	Amount <sup>1</sup>	How and when paid
<b>Contribution fee</b> The fee on each amount contributed to your investment	CoVESTA: Nil to acquire an Interest  <b>CoVESTA Trust:</b> All Syndicate types: fee of 2.5% + GST of the property purchase price. Funds First Syndicates: additional fee of 1% + GST of the property purchase price. Mandates Funds First Syndicates: additional fee of 2% + GST of the property purchase price.	CoVESTA: N/A  <b>CoVESTA Trust:</b> Included in the total Block Price payable and paid as part of the final balance due on each Block. All fees are spread equally across the total number of Blocks on issue. All fees are payable to the Responsible Entity and disbursed to the Manager and Buyers Agent as necessary.
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	CoVESTA: Nil, other than any unpaid monies due to the Responsible Entity.  <b>CoVESTA Trust:</b> Nil, other than any unpaid monies due to the Responsible Entity as trustee of the CoVESTA Trust.	CoVESTA: Where unpaid monies are due and payable, the Responsible Entity may deduct from the proceeds of a withdrawal any tax, unpaid monies, cost or expense due by a Member.  <b>CoVESTA Trust:</b> Where unpaid monies are due and payable, the Responsible Entity may deduct from the proceeds of a withdrawal any tax, unpaid monies, cost or expense due by a Member.
<b>Exit fee</b> The fee to close your investment	CoVESTA: Nil  <b>CoVESTA Trust:</b> 2% + GST of the property sale price. See section 5.4(c).	CoVESTA: N/A  <b>CoVESTA Trust:</b> On sale of the property, the fee payable to the Selling Agent will be deducted from the gross proceeds of the sale and paid to the Selling Agent before the balance is distributed to CoVESTORS. All fees are spread equally across the total number of Blocks on issue. Payable to the Responsible Entity, and disbursed equally to the Selling Agent and the Manager.
<b>Management costs</b>		
<b>Investment management fee</b> The fees and costs for managing your investment	The maximum amount payable per Block per annum is \$79.95 (plus GST). See paragraph 5.4(f). <sup>1</sup>	Deducted quarterly from each CoVESTA Trust account. Payable to the Responsible Entity, and disbursed to the Manager. The total amount disbursed to the Manager is reduced by an amount equal to the Responsible Entity Fee and Custody Fee.
<b>Responsible entity fee</b>	\$48,000 (plus GST) per annum. See paragraph 5.4(e).	Payable quarterly, deducted out of CoVESTA assets (including property yield and sale proceeds) ahead of distributions. Payable to the Responsible Entity out of the total Investment Management Fee that is disbursed to the Manager.

<sup>1</sup> Additional fees may be payable where the property held by a CoVESTA Trust is valued at over \$5 million.

Type of fee or cost	Amount <sup>1</sup>	How and when paid
Custody fee	\$20,000 (plus GST) plus 0.035% of funds under management of each CoVESTA Trust per annum. See paragraph 5.4(e).	Payable quarterly, deducted out of CoVESTA assets (including property yield and sale proceeds) ahead of distributions. Payable to the Responsible Entity, and disbursed to the Custodian, out of the total Investment Management Fee that is disbursed to the Manager.
Performance fee	Nil	N/A
Ordinary expenses	CoVESTA: Nil	CoVESTA: N/A
	CoVESTA Trust: Varies depending on the nature of the asset. Such expenses comprise ordinary expenses associated with managing a property.	CoVESTA Trust: Where ordinary expenses are payable, such expenses are generally payable out of the Property Management Reserve or the gross income of a CoVESTA Trust ahead of distributions, or out of the Investment Management Fee, depending on the nature of the expense.
Abnormal expenses	CoVESTA: Nil	CoVESTA: N/A
	CoVESTA Trust: Varies depending on the nature of the asset. Such expenses comprise abnormal expenses associated with managing a property.	CoVESTA Trust: Where abnormal expenses are payable, such expenses are generally payable out of the Property Management Reserve or the gross income of a CoVESTA Trust ahead of distributions, or out of the Investment Management Fee, depending on the nature of the expense.
<b>Service fees</b>		
Switching fee The fee for changing investment options	Nil	N/A

### 5.3 Example of annual fees and costs

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

The example below assumes a Member holds 1 Block (valued at \$10,000 plus all fees and taxes) in a Syndicate which acquires a property with a purchase price of \$1 million (plus all fees and taxes), and purchases a second Block (valued at \$5,000 plus all fees and taxes) in another property valued at \$500,000 (plus all fees and taxes) where there will be 100 Blocks issued in each Syndicate. For the purposes of the example, assume that there are 20 CoVESTA Trusts established with total funds under management of \$20,000,000.

Example CoVESTA	Balance of \$10,000 worth of Blocks held including a contribution of \$5,000 (plus all fees and taxes) toward one additional Block acquired during the year
<b>Fees when your funds move in or out of the managed investment product</b>	
<b>Establishment fee</b> The fee to become a Member and open your Digital Wallet	CoVESTA: For every additional \$5,000 you put in there will be no charge.
<b>Contribution fee</b> The fee on each amount contributed to your investment	CoVESTA: Nil to contribute \$5,000 to your investment.  CoVESTA Trust: Fee of \$125 + GST.  <i>Note: if the property is acquired through a Funds First Syndicate, and additional fee of \$50 + GST will be payable (total \$175 + GST).</i>  <i>Note: if the property is acquired through a Mandated Funds First Syndicate, an additional fee of \$100 + GST will be payable (total \$225 + GST).</i>
<b>PLUS Management costs</b>	
<b>Investment Management Fee</b> The fees and costs for managing your investment	Maximum fee of \$159.90 + GST, being the annual fee payable by a holder of two Blocks (\$79.95 x 2 + GST).  The actual amount disbursed from the Responsible Entity to the Manager will be reduced by an amount equal to the Responsible Entity Fee (\$48 + GST, as per below) and the Custody Fee (\$27 + GST, as per below). This means the total Investment Management Fee payable in this example is \$84.90 + GST.
<b>Responsible entity fee</b>	\$48 + GST annually, being the annual fee payable by a holder of two Blocks (\$24 x 2 + GST).  The Investment Management Fee payable by the CoVESTOR will be reduced by \$48 + GST.
<b>Custody fee</b>	\$27 + GST annually, being the annual fee payable by a holder of two Blocks (\$13.50 x 2 + GST).  The Investment Management Fee payable by the CoVESTOR will be reduced by \$27 + GST.
<b>Performance fee</b>	Nil
<b>Ordinary expenses</b>	Nil
<b>Abnormal expenses</b>	Nil
<b>Service fees</b>	
<b>Switching fee</b>	Nil

Example CoVESTA	Balance of \$10,000 worth of Blocks held including a contribution of \$5,000 (plus all fees and taxes) toward one additional Block acquired during the year
EQUALS	\$125 Contribution Fee \$48 Responsible Entity Fee (however the Investment Management Fee will be reduced by this amount) \$27 Custody Fee (however the Investment Management Fee will be reduced by this amount) \$84.90 Investment Management Fee (\$159.90 + GST less the \$48 Responsible Entity Fee and the \$27 Custody Fee, both noted above) Equals \$284.90 (plus GST)

The Corporations Act requires that when calculating management costs in this table, we must not include contributions made during the year or allow for any positive performance that may occur (eg, we must assume that the value of your investment remains at \$50,000 and the interest price does not fluctuate).

This example assumes no abnormal expenses are incurred, no additional service fees are incurred by you and that fees are not individually negotiated with us.

## 5.4 Additional explanation of fees and costs

### a) Can fees be different for different Members?

Generally, all Members are subject to the same fee structure, however the costs (including in relation to acquisition, management, maintenance, insurance etc) can vary significantly between properties.

The Responsible Entity will charge fees to all Members on the same basis.

Additional management fees may be charged where the value of the property held by a Syndicate is above \$5 million. In these circumstances, the additional fees will be disclosed to Members prior to acquiring Blocks in the relevant Syndicate.

CoVESTA may from time to time run promotions, offers or incentives which may involve CoVESTA, from its own funds, reimbursing or waiving certain fees that are payable by Members.

### b) Changes in fees or costs

Although it is not expected that the fees and costs will change in the next 12 months, it is possible that the fees and costs may change during the lifespan of CoVESTA. Reasons might include, but are not limited to, changing economic conditions and changes in regulation.

The Responsible Entity will give Members at least 30 days' notice before any increase to fees or costs where practicable.

### c) Transactional and operational costs associated with dealing in and holding Blocks

There are costs associated with buying, selling and holding Blocks.

A contribution fee of 2.5% + GST of the property purchase price will be applied on the acquisition of each Block and payable to the Manager (as a disbursement paid by the Responsible Entity). This fee is included in the purchase price of the Block, and spread equally across all Blocks issued in a relevant CoVESTA Trust. This means that, if 100 Blocks are issued, 1/100th of the contribution fee amount is included in the Block purchase price.

For Funds First Syndicates, an additional fee of 1% + GST of the property purchase price will be applied on the acquisition of each Block and payable to the Buyers Agent (as a disbursement paid by the Responsible Entity). This fee is included in the purchase price of the Block, and spread equally across all Blocks issued in a relevant CoVESTA Trust. This means that, if 100 Blocks are issued, 1/100th of the Buyers Agent fee amount is included in the Block purchase price.

For Mandated Funds First Syndicates, an additional fee of 2% + GST of the property purchase price will be applied on the acquisition of each Block and payable to the Buyers Agent (as a disbursement paid by the Responsible Entity). This fee is included in the purchase price of the Block, and spread equally across all

Blocks issued in a relevant CoVESTA Trust. This means that, if 100 Blocks are issued, 1/100th of the Buyers Agent fee amount is included in the Block purchase price.

On a sale of a property, 2% plus GST of the property sale price will be paid to the Selling Agent and the Manager in equal proportions. Of the amount payable to the Manager, 10 basis points will be paid to the Responsible Entity. The exit fee is paid out of the gross sale proceeds ahead of distributing any proceeds to CoVESTORS.

An Investment Management Fee of \$79.95 plus GST per Block per annum will be deducted from the CoVESTA Trust account quarterly and paid by the Responsible Entity to the Manager. The proportionate Responsible Entity Fee and Custody Fee will be deducted from the Investment Management Fee before payment to the Manager, which means the amount received by the Manager may be less than the full amount of the Investment Management Fee.

Note that the Investment Management Fee may vary for property values in excess of \$5 million.

#### **d) Costs and expenses that may impact returns**

As no returns are payable on your investment in CoVESTA (ie, no returns are payable for holding Interests), there are no costs or expenses at the CoVESTA level that the Responsible Entity knows or estimates will reduce returns.

Returns may be payable on your investment in CoVESTA Trusts. A CoVESTOR's return on its Block holding may be impacted by costs associated with the relevant Trust. For example, where costs exceed rental income, you may not receive any income in connection with your Block holding. This is a key risk associated with CoVESTA and has been discussed at length in this document.

Such costs may include ordinary and abnormal expenses which are typical for holders of investment properties. The types of property holding costs that could be incurred by the CoVESTA Trusts include (but are not limited to):

- council rates
- insurance
- utility bills
- land taxes
- repairs and maintenance costs
- strata levies - both regular and any one-off or special levies
- property management and letting fees
- debt interest costs

#### **e) Payments to the Responsible Entity**

The fees payable to the Responsible Entity are paid out of total Scheme assets. The Responsible Entity's fees are set out in the CoVESTA Constitution (as referred to in section 11.1) and include:

- (A) Responsible entity fee - a total annual fee of \$48,000 per annum. The Responsible Entity's entitlement to this fee accrues daily; and
- (B) Custody fee – a total annual fee of \$20,000 per annum plus 0.035 of trust value for each trust on CoVESTA.

The Responsible Entity Fee and the Custody Fee are deducted from the Investment Management Fee before this amount is paid to the Manager, such that Members generally only pay \$79.95 per Block per annum. However, if the Responsible Entity Fee and Custody Fee are higher than the total Investment Management Fees, the outstanding amounts will be collected by the Responsible Entity out of Scheme Assets ahead of payment of distributions. Note that the Investment Management Fee may vary for property values in excess of \$5 million.

The Responsible Entity may also charge variable fees associated with the operation of CoVESTA as agreed with the Manager from time to time.

The Responsible Entity is entitled to be indemnified out of the assets of CoVESTA for liabilities or expenses incurred in the proper performance of its duties, including any costs associated with the provision of information and other assistance to ASIC relating to the assets of CoVESTA.

The Responsible Entity is indemnified by a Member to the extent that the Responsible Entity incurs any liability for tax as a result of the Member's action or inaction or costs incurred where the Responsible Entity considers should be borne by the Member.

The Responsible Entity may waive or postpone any fee, or accept a lower fee than it is entitled to receive.

**f) Investment Management Fee**

The Manager will receive a fee for managing your investment out of the assets of the Trust and in connection with the acquisition and disposals of Blocks. The responsible entity fee and custody fee will be offset against the investment management fee.

**g) Payments to service providers/expenses**

The Responsible Entity may, at its discretion, enter into a variety of arrangements with service providers such as the Custodian, which may involve the Responsible Entity making payments to these providers.

CoVESTORs will bear the impact of expenses associated with the relevant CoVESTA Trust in which the CoVESTOR holds Blocks in the form of a reduction in distributions as such expenses are paid out of the gross income of a Trust.

Abnormal expenses are expected to incur infrequently and may include (without limitation) costs of litigation to protect investors' rights, costs to defend claims in relation to CoVESTA, legal fees and termination and wind up costs. If abnormal expenses are incurred, they will be deducted from the assets of the relevant CoVESTA Trust (where applicable) or paid by the Manager out of its own funds as and when they are incurred. There is no cap on abnormal expenses. Occasionally, costs which might otherwise be considered usual are of such a nature that we may deem them to be abnormal.

**h) Alternative forms of remuneration**

CoVESTA does not pay commissions to financial advisers.

You may incur a fee for advice provided to you by a financial adviser but this does not represent a fee that we have charged you for investing in CoVESTA and is not an amount paid out of the assets of CoVESTA. You will be responsible for the payment of all fees charged by your financial adviser.

Subject to the law, the Responsible Entity may make product marketing payments out of the administration and investment costs. These are not additional amounts borne by Members. They are paid entirely by the Responsible Entity.

**i) CoVESTA administration fee and Fund.ID fee**

The Manager is responsible for paying a fee to Global Merces, such fee being a fee for service for administering CoVESTA. The CoVESTA administration fee is calculated as follows:

# Syndicates	% of funds under management
1-50	0.05
51-100	0.10
101-150	0.15
151+	0.20

The Manager is also responsible for paying a fee to Global Merces, such fee being a fee for service for administering the Fund.ID automated customer application system used by the Responsible Entity to collect and verify customer information as required by the AML/CTF Act. The Fund.ID fee is \$5,500 (plus GST) per annum plus \$19.41 (plus GST) per client, payable monthly.

Both the CoVESTA administration fee and the Fund.ID fee are fees for services provided to the Manager and payable as an expense to the Manager.

#### j) Other fees

Where a member defaults on their commitment to pay the final balance due on their Blocks, or any additional amount requested by the manager (up to 10% of the original Block Price), the 1% deposit paid will be retained by the manager as a default fee.



## 6 Taxation

### 6.1 Introduction

- (a) The purpose of this section 6 is to provide a summary of the Australian Tax implications for Australian resident CoVESTORS who hold their Blocks on capital account for Australian Tax purposes.
- (b) The summary does not consider the implications for CoVESTORS who are not Australian residents for tax purposes (or are only temporary residents), or CoVESTORS under a legal disability, are exempt from Australian income tax, acquired their Blocks as a result of an employment or services arrangement, are banks or insurance companies, hold their Blocks on revenue account or as trading stock (i.e. invest or trade in securities in the ordinary course of their business), or are subject to the Australian taxation of financial arrangement (TOFA) rules under the Tax Law.
- (c) The information outlined below is general in nature and based on the relevant Tax Law and the administrative practices of the relevant revenue authorities as at the date of this Document. CoVESTORS should seek their own tax advice that takes into account their particular circumstances.

### 6.2 Income and capital gains of the CoVESTA Trusts

- (a) Each CoVESTA Trust should have “flow-through” treatment for Australian income tax purposes. This means that the character of the income and capital received by the CoVESTA Trusts should be retained when distributed to CoVESTORS.
- (b) It is intended that each CoVESTA Trust only undertakes ‘eligible investment business’ activities (i.e. passive investment activities). Therefore, the CoVESTA Trusts should not be classified as ‘public trading trust’ under the Tax Law.
- (c) The trustee of the relevant CoVESTA Trust should not be liable to pay income tax on the net income of the CoVESTA Trust on the basis that the CoVESTORS are presently entitled to all the net income of the CoVESTA Trust (per section 6.3 below).

### 6.3 Income and capital gains of the CoVESTORS

- (a) In each income year, CoVESTORS may be entitled to trust distributions of cash from the relevant CoVESTA Trust. CoVESTORS will be required to include their share of the net income of the relevant CoVESTA Trust in their assessable income. The net income of the CoVESTA Trust would typically be expected to include:
  - (i) monthly net rental income from the underlying property (after taking into account any applicable tax deductions, such as depreciation and/or capital works allowances); and
  - (ii) to the extent that the CoVESTA Trust disposes of the underlying property, the net capital gain relating to that property.
- (b) Where the CGT discount applies to a capital gain of the CoVESTA Trust, each CoVESTOR will be required to gross up the amount of the capital gain, apply any capital losses they may have from other sources (including carried forward capital losses), then reduce the remaining capital gain by the applicable CGT discount (if any).
- (c) The applicable CGT discount is generally:
  - (i) 50% for CoVESTORS who are individuals or trusts (other than a complying superannuation entity); and
  - (ii) 33⅓% for CoVESTORS who are complying superannuation entities.

- (d) CoVESTORS who are companies are not entitled to a CGT discount.
- (e) Following this, the CoVESTOR may apply available tax losses (including carried forward tax losses) against the remaining capital gain.
- (f) In some income years, CoVESTORS may receive a share of the net income of the CoVESTA Trust that is higher than the cash distributions that they receive. This may be the case where, for example, the trustee of the CoVESTA Trust requires CoVESTORS to reinvest all or part of their distributions from the CoVESTA Trust. This may result in a CoVESTOR having a tax liability for an income year that exceeds the cash distribution that they receive for that year.
- (g) If the CoVESTA Trust makes a loss for tax purposes, that tax loss is not distributable to a CoVESTOR but may, subject to the CoVESTA Trust satisfying the applicable loss recoupment rules, be carried forward and deducted against future assessable income of the CoVESTA Trust.

#### 6.4 Tax-deferred distributions

- (a) If a CoVESTA Trust makes any non-assessable distributions (generally referred to as “tax-deferred distributions”) to a CoVESTOR, the cost base and reduced cost base of the Blocks will be reduced by the amount of the non-assessable payments. However, the cost base of the Blocks will not be reduced where the non-assessable distributions relate to a part of a capital gain of the CoVESTA Trust that has been reduced by the CGT discount.
- (b) To the extent that the tax-deferred distribution exceeds the CoVESTOR’s cost base of the Blocks, the excess will be taxed as a capital gain. In such a case, the cost base and reduced cost base of the Blocks will be reduced to nil.

#### 6.5 Annual distribution statements

CoVESTORS will be provided with an annual distribution statement which includes information on the trust distributions received from the relevant CoVESTA Trust to help them complete their annual income tax returns.

#### 6.6 Disposal or redemption of Blocks

- (a) CoVESTORS will derive a capital gain on the disposal or redemption of a Block to the extent that the consideration received on disposal or redemption exceeds the CoVESTOR’s tax cost base in the Block. CoVESTORS will incur a capital loss on the disposal or redemption of a Block to the extent that the consideration received on disposal or redemption is less than the CoVESTOR’s reduced cost base in the Block.
- (b) A CoVESTOR’s tax cost base in each of their Blocks should be broadly equal to the amount paid to acquire the Blocks, plus any incidental costs, less any reduction in tax cost base arising from tax deferred distributions made by the CoVESTA Trust.
- (c) All capital gains and capital losses arising in an income year are added together to determine whether a CoVESTOR has derived a net capital gain or incurred a net capital loss for the income year. If the CoVESTOR derives a net capital gain in an income year, this amount, reduced by the applicable CGT discount (if any), is included in the CoVESTOR’s assessable income.
- (d) If a CoVESTOR incurs a net capital loss in an income year, this amount is carried forward and may be available to offset capital gains derived in the same income year or subsequent years, subject to the CoVESTOR satisfying the applicable loss recoupment rules.

#### 6.7 CGT discount on disposal of Blocks

- (a) A CoVESTOR who is an individual, trustee or complying superannuation fund and held Blocks for at least 12 months prior to disposal may be entitled to apply the CGT discount to the capital gain realised on their disposal of the Blocks.
- (b) The applicable CGT discount is set out in section 6.3(c) above.

## 6.8 Main residence exemption

A CoVESTOR whose main residence is owned by a CoVESTA Trust in which they hold Blocks will not be eligible to access the main residence CGT exemption for any gain or loss that they make upon:

- (a) their disposal or redemption of their Blocks; or
- (b) the CoVESTA Trust's disposal of the underlying property.

## 6.9 Tax File Number and Australian Business Number

It is recommended that a CoVESTOR quote their Tax File Number (TFN) or, where relevant, Australian Business Number (ABN) to the Responsible Entity. If a TFN or ABN is not quoted, tax may be deducted from any distribution paid to the relevant CoVESTOR. The rate of withholding will be the top marginal rate of tax, which, as at the date of this Document, is 47%.

## 6.10 Land tax

As each CoVESTA Trust owns an investment property, it will be subject to an annual assessment for land tax. Apart from the Northern Territory which does not impose land tax, each state and territory within Australia has different land tax thresholds, assessment values and individual State tax rates, which will determine the amount payable. The Manager will forecast the land tax payable on an annual basis and accrue funds monthly from each individual CoVESTA Trust's gross income. In addition, the Manager is in some circumstances required to report a list of CoVESTORS at each year end, to the required state revenue authority.

## 6.11 Stamp duty

Establishment of CoVESTA, CoVESTA Trusts and Custodian arrangements

- (a) On the basis that the CoVESTA Constitution is executed in New South Wales, the document will be subject to nominal stamp duty of \$500.
- (b) There will also be nominal stamp duty of \$500 on each trust deed and the custody deed for each CoVESTA Trust that appoints Global Merces Funds Management Ltd as trustee and Perpetual Corporate Trust Limited as custodian.

This stamp duty liability will be factored into the initial Blocks cost for the first issue of Blocks in the relevant CoVESTA Trust (refer to section 4.6).

## 6.12 Acquisition of property by the Custodian

- (a) General Transfer Duty
  - (i) The acquisition of property by the Custodian of a CoVESTA Trust to be held legally by it will be subject to stamp duty. This stamp duty liability will be calculated at the approximate rate of up to 5.95% of the purchase price for the property. The exact amount of the stamp duty liability will depend upon the quantum of that purchase price and the Australian jurisdiction in which the property is located.
  - (ii) The Custodian (as the purchaser of the property in its capacity as custodian of the CoVESTA Trust) will be liable to pay this stamp duty in accordance with the relevant contract for sale for the property with the Vendor. However, this stamp duty liability will be factored into the initial Blocks cost for the first issue of Blocks in the relevant CoVESTA Trust (refer to section 4.6).
  - (iii) As at the date of this Document, effective from 1 July 2018, there will be no general transfer duty payable on the acquisition of "qualifying land" in South Australia. In broad terms, qualifying land is land that is not used for residential purposes or for primary production purposes. In other words, transfer duty will continue to be payable on the acquisition of commercial non-primary production land. However, there is a risk that the South Australian Government may postpone its abolition. Accordingly, specific stamp duty advice should be sought closer to the proposed abolition date.

(b) Foreign Purchaser Surcharge

- (i) In addition to the general transfer duty liability discussed above, a duty surcharge may apply to the acquisition of certain residential property located in New South Wales, Victoria, Queensland, South Australia or, effective from 1 January 2019, Western Australia if the Custodian is a “foreign purchaser” (or its equivalent) in that jurisdiction at the time of the acquisition.
- (ii) The Custodian will be a “foreign purchaser” if it is the custodian of a “foreign trust” (or its equivalent). In this regard, a CoVESTA Trust will be a “foreign trust” (and, accordingly, the Custodian will be treated as a “foreign purchaser”) if:
  - (A) New South Wales – a “foreign person” (or its equivalent) holds at least a 20% interest in the income or property of that CoVESTA Trust, or two or more “foreign persons” hold at least a 40% interest in the income or property of that CoVESTA Trust;
  - (B) Victoria – a “foreign person” (or its equivalent) has a beneficial interest of more than 50% of the capital of the estate of that CoVESTA Trust;
  - (C) Queensland – at least 50% of the trust interests in that CoVESTA Trust are that of “foreign persons” (or its equivalent); and
  - (D) South Australia – a beneficial interest of 50% or more of the capital of the trust property is held by 1 or more “foreign persons” in the case of a fixed trust.
- (iii) “Foreign persons” are defined in the relevant stamp duty laws but, in general, include non-Australian citizens, foreign corporations and trustees of other “foreign trusts”.
- (iv) Please note that the definition of “foreign purchasers” has, as of the date of this Document, yet to be enacted by the Western Australian Government; however, it has indicated in its 2017/18 State Budget Papers that the application of the foreign purchaser surcharge in Western Australia will extend to purchases made by foreign trusts.
- (v) If the foreign purchaser surcharge applies, a rate in addition to the general transfer duty rate will be charged as follows:
  - (A) New South Wales – 8% of the dutiable value;
  - (B) Victoria – 7% of the dutiable value;
  - (C) Queensland – 3% of the dutiable value;
  - (D) South Australia – 7% of the dutiable value; and
  - (E) Western Australia – 4% of the dutiable value.

### 6.13 Debt finance for the acquisition of property

On the basis that mortgage duty was abolished in New South Wales (as the only Australian jurisdiction to continue to impose such duty), the acquisition of a property by the Custodian where a CoVESTA Trust is debt funded and that funding is secured by a real property mortgage will not be subject to any stamp duty.

### 6.14 Dealings in Blocks

- (a) On the basis that marketable security transfer stamp duty was abolished in New South Wales (as the only Australian jurisdiction to continue to impose such duty), any transfer of Blocks will not be subject to any marketable security transfer duty.
- (b) However, a transfer or any other dealing in Blocks (including any additional issue, redemption or cancellation) may be subject to other heads of stamp duty, namely:
  - (i) landholder duty (or its equivalent) in each Australian jurisdiction other than Queensland and South Australia;
  - (ii) trust acquisition/surrender duty in Queensland; and
  - (iii) private unit trust duty in South Australia.

- (c) These stamp duty implications of a dealing in Blocks depend upon a number of factors, including the value and location of the property of the relevant CoVESTA Trust, the change in Block holding percentage(s) of the affected CoVESTOR(s), and whether the CoVESTOR is an existing CoVESTOR, or is related to or associated with other CoVESTORS, or acquired their Blocks under “substantially the same arrangement” as any other CoVESTORS.
- (d) In addition to the general rates of stamp duty applicable to these heads of stamp duty, a foreign purchaser surcharge equivalent to that imposed on any transfer duty liability as discussed in section 6.12(a), may apply.
- (e) It is currently contemplated that each trust deed for a CoVESTA Trust will contain the following provision:
 

*“Other than the initial CoVESTOR, no CoVESTOR either alone or with any of its Affiliates or Associates shall be permitted to hold more Blocks than the maximum number determined by the Trustee from time to time in its absolute discretion (Maximum Holding),”*
- (f) On the basis that the initial CoVESTOR will be issued with Blocks at a time when the relevant CoVESTA Trust does not own any property (including that it is not a party to any uncompleted contract for sale or any other binding agreement for the property), no stamp duty will arise in respect of that initial issue of Blocks.

### 6.15 Landholder Duty (New South Wales, Australian Capital Territory, Western Australia, Tasmania, the Northern Territory and Victoria)

- (a) Depending on the definition and stipulation of “Maximum Holding” and the application of the “aggregation rules” in the landholder duty provisions, any dealing in Blocks (including the additional issue, transfer, redemption or cancellation) may not be subject to landholder duty in the Australian jurisdictions which impose this head of stamp duty. In particular, any holding of Blocks that represents a “significant interest” of the total issued Blocks of a single CoVESTA Trust will be subject to landholder duty (assuming that the other requirements for the imposition of such duty are satisfied). In summary, a “significant interest” for a private unit trust in the Australian jurisdictions which impose landholder duty is as follows:
  - (i) 50% or more in New South Wales, Australian Capital Territory, Western Australia, Tasmania and the Northern Territory; and
  - (ii) 20% or more in Victoria.
- (b) In summary, in determining whether or not a CoVESTOR holds a “significant interest” in any CoVESTA Trust, the following holding of Blocks must also be taken into account and aggregated with that CoVESTOR’s holding of Blocks:
  - (i) any Blocks held by its “associates”, “associated persons” and/or “related persons” (as defined in the relevant stamp duty laws). Please see below for further information; and
  - (ii) any Blocks held by any other CoVESTOR (regardless of relationship) in that CoVESTA Trust that were acquired pursuant to what is “substantially one arrangement”. Generally, this requires that those CoVESTORS acted in concert in acquiring their Blocks. This is likely to include CoVESTORS who are members of a Closed Syndicate.
- (c) For example, under the New South Wales stamp duty laws, natural persons are “associated” or “related persons” if:
  - (i) they are partners in a partnership to which the Partnership Act 1892 (NSW) applies;
  - (ii) one is the spouse or de facto partner of the other;
  - (iii) one is the parent, brother or sister of the other; and/or
  - (iv) one is the spouse, or de facto partner, of a parent, child, brother or sister of the other.
- (d) Similar definitions apply in the other relevant landholder duty jurisdictions.
- (e) Furthermore, any dealing in Blocks by a CoVESTOR who is a “foreign person” (as discussed in section 6.12(b)(ii)) which results in that CoVESTOR holding a “significant interest” will attract the

additional foreign purchaser surcharge where the relevant CoVESTA Trust owns residential property physically located in New South Wales, Victoria or, effective from 1 January 2019, Western Australia (assuming that the other requirements for the imposition of landholder duty are satisfied).

- (f) Despite any contrary stamp duty laws, any landholder duty liability will be borne by the relevant CoVESTOR, or if the liability arises because of the aggregation provisions, the relevant CoVESTORS jointly and severally. Any landholder duty liability will be calculated at the approximate rate of up to 5.95% of the market value of the property of the CoVESTA Trust that is represented by the dutiable dealing in Blocks. In addition, if the foreign purchaser surcharge applies, the quantum of the surcharge is calculated at the relevant surcharge rate, as discussed in section 6.12(b), multiplied by the proportion of the market value of the residential property owned by the relevant CoVESTA Trust that is represented by the “foreign person” CoVESTOR’s percentage of Blocks holding as a result of the dealing (taking into account the aggregation provisions).

### 6.16 Trust Acquisition/Surrender Duty (Queensland)

- (a) Any dealing in Blocks (including any additional issue, transfer, redemption or cancellation) in a CoVESTA Trust that owns any property located in Queensland will be subject to trust acquisition/surrender duty in that State. This is because the application of the trust acquisition/surrender duty provisions in Queensland do not depend upon a CoVESTOR holding a certain minimum number of Blocks.
- (b) Furthermore, any dealing in Blocks by a CoVESTOR who is a “foreign person” (as discussed in section 6.12(b)(ii)) attracts the additional foreign purchaser surcharge in Queensland.
- (c) In general, the trust acquisition/surrender duty liability will be calculated at the approximate rate of up to 5.75% on the greater of the consideration for the dealing in the Blocks and the market value of the property of the CoVESTA Trust that is represented by that dealing. In addition, if the foreign purchaser surcharge applies, the quantum of the surcharge is calculated at the relevant surcharge rate (ie; 3% in Queensland) multiplied by the proportion of the market value of the residential property owned by the relevant CoVESTA Trust that is represented by the “foreign person” CoVESTOR’s percentage of Blocks holding as a result of the dealing.
- (d) Despite the contrary stamp duty laws, any trust acquisition/surrender duty liability will be borne by the relevant CoVESTOR.

### 6.17 Private Unit Trust Duty (South Australia)

- (a) Any dealing in Blocks in a CoVESTA Trust that owns any property located in South Australia will be subject to private unit trust duty in that State. This is because the application of the private unit trust duty provisions in South Australia does not depend upon a CoVESTOR holding a certain minimum number of Blocks.
- (b) Furthermore, any dealing in Blocks by a CoVESTOR who is a “foreign person” (as discussed in section 6.12(b)(ii)) attracts the additional foreign purchaser surcharge in South Australia.
- (c) In general, the private unit trust duty liability will be calculated at the approximate rate of up to 5.5% on the greater of the consideration for the dealing in the Blocks and the market value of the property of the CoVESTA Trust that is represented by that dealing. In addition, if the foreign purchaser surcharge applies, the quantum of the surcharge is calculated at the relevant surcharge rate (ie; 7% in South Australia) multiplied by the proportion of the market value of the residential property owned by the relevant CoVESTA Trust that is represented by the “foreign person” CoVESTOR’s percentage of Blocks holding as a result of the dealing.
- (d) Despite the contrary stamp duty laws, any private unit trust duty liability will be borne by the relevant CoVESTOR.
- (e) As of the date of this Document, private unit trust duty is scheduled to be abolished in South Australia with effect from 1 July 2018, however there is a risk that the South Australian Government may postpone its abolition. Accordingly, specific stamp duty advice should be sought closer to the proposed abolition date.

## 6.18 Sale of property

- (a) The sale of the property by CoVESTA (upon the winding up of a CoVESTA Trust or in any other circumstances) will be subject to stamp duty. This stamp duty liability will be calculated at the approximate rate of up to 5.95% of the purchase price for the property, such amount being payable by the purchaser (and not as a liability of the vendor, being the CoVESTA Trust). The exact stamp duty liability will depend upon the quantum of that purchase price and the Australian jurisdiction in which the property is located.
- (b) The purchaser of the property will be liable to pay this stamp duty in accordance with the relevant contract for sale for the property with the trustee of the relevant CoVESTA Trust.

## 6.19 Risks

- (a) If there is a dealing in Blocks (including the issue, transfer, redemption or cancellation) in breach of, or after an increase to, the Maximum Holding stipulated under the trust deed for a CoVESTA Trust, the landholder duty comments in section 6.15 above may not be accurate to that dealing in Blocks.
- (b) Specific stamp duty advice should be sought before any proposed increase to the Maximum Holding.



# 7

## Management of CoVESTA

### 7.1 Responsible Entity

- (a) CoVESTA is a managed investment scheme that is registered with ASIC and subject to regulatory requirements and oversight. Global Merces Funds Management Ltd (ABN 26 168 869 163 / AFSL 460883) is the Responsible Entity of CoVESTA.
- (b) CoVESTA is comprised of unit trusts (CoVESTA Trusts). The Responsible Entity is trustee of each CoVESTA Trust. Each CoVESTA Trust holds a single property that is selected by an individual Syndicate. Initially each CoVESTA Trust has 100 Blocks on issue, which are held by the Members of the Syndicate at inception.
- (c) Global Merces, as responsible entity for CoVESTA and trustee of each CoVESTA Trust, is responsible for all compliance and regulatory aspects of operating CoVESTA. The Responsible Entity holds an AFSL (AFSL No. 460883), which authorises it to (among other things) provide general financial product advice in relation to, and deal in, securities and interests in managed investment schemes and to act as the responsible entity of CoVESTA. Global Merces is a provider of responsible entity and trustee services and the issuer of interests in managed investment schemes in the Australian market.
- (d) The powers and duties of the Responsible Entity are set out in the CoVESTA Constitution, the Corporations Act, and general trust law.
- (e) The duties of the Responsible Entity under the Corporations Act include:
  - (i) acting in the best interests of Members and, if there is a conflict between Members' interests and the Responsible Entity's interests, giving priority to Members' interests;
  - (ii) treat Members who hold Interests of the same class equally and Members who hold Interests of different classes fairly;
  - (iii) not making use of information acquired through being the responsible entity to gain an improper advantage for itself or another person, or cause detriment to the members of the scheme;
  - (iv) ensuring that the assets of CoVESTA are clearly identified as CoVESTA property and held separately from property of the Responsible Entity and property of any other fund, and is valued at regular intervals;
  - (v) ensuring that payments out of the assets of CoVESTA are made in accordance with CoVESTA Constitution and the Corporations Act; and
  - (vi) reporting to ASIC any significant breach of the Corporations Act in relation to CoVESTA which has had, or is likely to have, a material adverse effect on the interests of Members as well as any significant breach of the Responsible Entity's general obligations as an AFSL holder.
- (f) Under the CoVESTA Constitution, the Responsible Entity has all the powers in respect of the assets of CoVESTA that are possible under the law to confer on a responsible entity as though it were the absolute owner of the assets and acting in its personal capacity. The CoVESTA Constitution contains a number of provisions relating to the rights of Members and the obligations of the Responsible Entity. The CoVESTA Constitution gives the Responsible Entity the right to be paid fees and expenses in relation to CoVESTA, and governs matters such as Member meetings, the issue and withdrawal of Interests (where permitted) and Interest pricing, as well as what happens when CoVESTA is terminated. A more detailed summary of key provisions of the CoVESTA Constitution is set out at section 11.1.
- (g) The Responsible Entity is not liable in contract, tort or otherwise to Members for any loss suffered in any way relating to the assets of CoVESTA except to the extent the Corporations Act

imposes such liability. Subject to the Corporations Act, the liability of the Responsible Entity to any person other than a Member in respect of CoVESTA is limited to the Responsible Entity's actual indemnification from the assets of CoVESTA for that liability.

- (h) The Responsible Entity is the issuer of all Interests and is the issuer of this Document. The Manager has been contracted by the Responsible Entity to carry out all investment management functions in relation to CoVESTA and is authorised to issue Interests on behalf of the Responsible Entity. A summary of the MCA is set out at section 11.3.
- (i) Subject to the requirements of the Corporations Act, the role of the Responsible Entity does not include making an assessment as to whether CoVESTA, or any CoVESTA Trust, has the capacity to pay distributions. The Responsible Entity provides no assurance that distributions will be paid to, or by, CoVESTA. The ability of any CoVESTA Trust to pay distributions will be dependent on the financial performance of the underlying properties and is not guaranteed.
- (j) The Responsible Entity is a member of the Financial Ombudsman Service, an external dispute resolution body (member number 35990).

## 7.2 Custodian

- (a) The Responsible Entity has appointed Perpetual Corporate Trust Limited as custodian to hold the assets of CoVESTA and the Syndicates. The role of the Custodian is to hold the assets of CoVESTA and the Syndicates as agent for the Responsible Entity and to deal with the assets only as instructed by the Responsible Entity.
- (b) The Responsible Entity's relationship with the Custodian is governed by the Custody Agreement. The Custody Agreement also sets out the Custodian's remuneration, which is paid out of CoVESTA assets as an expense to CoVESTA. The Custodian's day-to-day responsibilities include acting on investment instructions received from the Responsible Entity, collecting income from assets and providing safe keeping of assets.
- (c) In performing the above functions, it is important to note that the Custodian is an agent of the Responsible Entity. It may only act in accordance with the terms of the Custody Agreement and has no liability or responsibility to Members or CoVESTORS for any act or omission which is in accordance with the proper instructions received from the Responsible Entity.
- (d) It is not the role of the Custodian to protect the rights and interests of Members or CoVESTORS.
- (e) Neither the Custodian nor any member of the Perpetual Group of companies makes any representations as to, and does not guarantee the return of, any investment, the maintenance of capital, any tax deduction availability of performance of CoVESTA or the Syndicates.

## 7.3 Manager

- (a) The Responsible Entity has appointed CoVESTA Pty Ltd as Manager of CoVESTA. The Manager is an authorised representative of the Responsible Entity (AFS representative number 001256143) for the purposes of providing general financial product advice and dealing services in relation to securities and interests in managed investment schemes. A more detailed summary of the MCA is set out at section 11.3.
- (b) The Manager's management team brings together over 75 years of technology, property, financial services and commercial experience. The Manager is privately funded by individuals with related industry expertise.
- (c) The Manager is the owner of the technology and website behind CoVESTA.
- (d) The Manager's responsibilities in relation to CoVESTA primarily include providing the technology, platform and product functionality for CoVESTA. The Manager is also responsible for selecting and supervising service providers and marketing CoVESTA.
- (e) The Manager is responsible for (amongst other things):

- (i) facilitating applications, including collecting and passing on to the Responsible Entity regulatory identification and verification checks as required by the AML/CTF Act;
- (ii) maintaining up to date Registers on behalf of the Responsible Entity;
- (iii) providing recommendations to the Responsible Entity in relation to any action to be taken and perform on behalf of the Responsible Entity any obligation and take any steps required to be taken;
- (iv) managing CoVESTA and communicating with Members in respect of CoVESTA;
- (v) giving proper instructions to the Responsible Entity regarding any offers, issues or transfers of Interests or Blocks it requires the Responsible Entity to effect;
- (vi) providing account information and management services;
- (vii) providing members access to data on available properties for sale; and
- (viii) property management.

#### 7.4 Property manager

- (a) The Manager is responsible for managing all properties purchased through CoVESTA and may from time to time appoint a property management agent to assist with the performance of this role. At the date of this Document, all properties held through CoVESTA are managed by third party property management agents. As CoVESTA grows, The Manager will consider managing properties internally.
- (b) The Manager, or its nominated property management agent, is responsible for all day-to-day property management functions typically undertaken by a property manager of a rental property including procuring tenants, collecting rental payments and managing lease terms.

## 8

## Reporting

### 8.1 Regular reporting

- (a) A Member can log onto CoVESTA website and from their Document Centre view the details of their CoVESTA Account, Digital Wallet and each Syndicate invested in (including details of the underlying property).
- (b) A range of reports are available for downloading and printing from the Document Centre within the Member's dashboard including:
  - (i) Annual Statement - An Annual Statement providing details of a Member's Block holdings as at 30 June each year.
  - (ii) Annual Tax/Distribution Statement - An Annual Tax Statement for the financial year, will be available within 3 months post financial year end to assist Members prepare their income tax returns.
  - (iii) Property Management reports - For each Syndicate in which an Investor holds Blocks, an annual Property Management report will be made available from the Manager of the property, showing income, expenses and physical inspection outcomes.
  - (iv) Trust Member Vote outcomes – Where a vote is undertaken by the CoVESTORS of an individual Syndicate Trust (eg vote to hold a property past the 5th anniversary of purchase), a report will be made available to the relevant CoVESTORS on the outcome of the vote.
  - (v) In addition to the above, an Annual Report for CoVESTA for each financial year ending 30 June will be available to all Members on CoVESTA.

### 8.2 Continuous disclosure obligations

- (a) A CoVESTA Trust may become a “disclosing entity” under the Corporations Act by having 100 CoVESTORS or more and be subject to regular reporting and disclosure obligations. If so, copies of documents lodged with ASIC in relation to the relevant CoVESTA Trust may be obtained from, or inspected at, an ASIC office.
- (b) Members have a right to obtain a copy of the most recent annual financial report and any half yearly financial report lodged with ASIC in respect of any CoVESTA Trust and CoVESTA (as applicable) and any continuous disclosure notices given by the Responsible Entity. These documents will be provided to Members free of charge.
- (c) Any continuous disclosure obligations the Responsible Entity has will be met by following ASIC's good practice guidance via website notices made available as soon as practicable on the Responsible Entity's website (<https://globalmerces.com.au/>) or the CoVESTA website (<https://www.covesta.com.au>), rather than lodging copies of those notices with ASIC. The websites will contain all material information prepared by the Responsible Entity or the Manager, including continuous disclosure notices lodged with ASIC, new and supplementary PDSs and statutory reports and accounts lodged with ASIC.
- (d) If you would like hard copies of this information, email the Manager at [info@covesta.com.au](mailto:info@covesta.com.au) and it will be sent to you free of charge.

The table below contains disclosures against the six benchmarks (on an ‘if not, why not’ basis) and applies the eight disclosure principles developed by ASIC in ASIC Regulatory Guide 46 (RG46) for unlisted property schemes. See the RG46 Schedule available on the CoVESTA Website for further information on how these benchmarks and principles apply to CoVESTA and CoVESTA Trusts. The Manager will provide ongoing disclosure against the benchmarks and principles by updating the CoVESTA Website as required where such update does not contain materially adverse information. The RG46 Schedule will also be updated and emailed to Members at least each 6 months and a Member can request a free paper copy at any time.

ASIC benchmarks and disclosure principles	
<b>Gearing</b> (Benchmark 1: Gearing policy and Disclosure Principle 1: Gearing ratio)	Benchmark 1 requires the Responsible Entity to maintain and comply with a written policy that governs the level of gearing at an individual credit facility level.  The Responsible Entity does not currently meet this benchmark as there is no gearing currently in CoVESTA or CoVESTA Trusts.
<b>Interest cover</b> (Benchmark 2: Interest coverage Policy and Disclosure Principle 2: Interest cover ratio)	Benchmark 2 requires the Responsible Entity to maintain and comply with a written policy that governs the level of interest cover at an individual credit facility level.  The Responsible Entity does not currently meet this benchmark as there is no interest cover in CoVESTA or CoVESTA Trusts.
<b>Interest capitalisation</b> (Benchmark 3: Interest capitalisation)	If the interest expense of CoVESTA is not capitalised, Benchmark 3 requires the Responsible Entity to disclose that fact.  Interest accrued by a CoVESTA Trust is not capitalised.
<b>Scheme borrowing</b> (Disclosure Principle 3: Scheme borrowing)	If CoVESTA borrows funds, the Responsible Entity must disclose certain information.  Currently, CoVESTA and CoVESTA Trusts are not geared. However, if CoVESTA Trusts are geared, with funds borrowed in accordance with the CoVESTA gearing policy to fund the purchase of the underlying property. CoVESTA will adopt and maintain, and comply with, a written debt policy, with the overall gearing ratio up to 30%.
<b>Portfolio diversification</b> (Disclosure Principle 4: Portfolio diversification)	Properties offered on CoVESTA may be located anywhere in Australia.  CoVESTA can be used to invest in any property listed for sale in Australian industry databases and the full suite of property investment classes from industrial, commercial and retail to residential.  Properties are selected either by a Member initiating a Syndicate in respect of a property (Property Led Syndicate) or by the Manager (Funds First Syndicate), having regard to the following:  property characteristics;  suburb capital growth and yield returns; and  independent valuations.  See the RG46 Schedule available on the CoVESTA Website for details and the CoVESTA Website for details of properties currently available.

## ASIC benchmarks and disclosure principles

<p><b>Valuations</b> (Benchmark 4: Valuation policy)</p>	<p>The Responsible Entity satisfies Benchmark 4.</p> <p>The Responsible Entity has adopted a written Valuation Policy for the properties available on CoVESTA. The Valuation Policy governs the minimum requirements for an independent valuation and establishes the guidelines for the appointment of the valuer, the timetable for valuation and procedures to deal with any conflicts of interest.</p> <p>See section 11.4 for a summary of the Valuation Policy.</p>
<p><b>Related party transactions</b> (Benchmark 5 and Disclosure Principle 5: Related party transactions)</p>	<p>The Responsible Entity satisfies Benchmark 5.</p> <p>The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.</p> <p>See section 11.4 for a summary of the Related Transactions Policy.</p>
<p><b>Distribution practices</b> (Benchmark 6 and Disclosure Principle 6 : Distribution practices)</p>	<p>The Responsible Entity satisfies Benchmark 6 by only making distributions from cash held from operations (primarily rent) in respect of a property.</p> <p>The Responsible Entity will not make distributions of capital (unless necessary on the realisation of a property) or unrealised valuation gains.</p>
<p><b>Withdrawal arrangements</b> (Disclosure Principle 7: Withdrawal arrangements)</p>	<p>Interests are illiquid. Members will not be able to withdraw their Interest unless their Block holding is zero and a withdrawal application is made and approved by the Responsible Entity.</p> <p>CoVESTORS can sell their Blocks at any time provided there is a willing buyer. Alternatively, CoVESTORS in a particular CoVESTA Trust can agree to sell the underlying property and wind up the trust.</p> <p>Every CoVESTA Trust is established on the basis that CoVESTORS will be able to vote on whether the property held by the CoVESTA Trust should be sold. Generally, such vote will be arranged as soon as practicable after the 5th anniversary of the Settlement Date. Unless CoVESTORS holding 75% of the Blocks vote not to sell, the property will be listed for sale by the Responsible Entity (as trustee) or the Manager. Once the property is sold, the CoVESTA Trust will be terminated, all issued Blocks in the trust redeemed and an amount paid to the CoVESTORS which represents their share of net proceeds of sale of the property, less any transaction charges.</p> <p>The risk factors that may affect the price of Blocks on withdrawal relate to the risk factors that can affect the value of the underlying property to which the Blocks holding relates. See section 3 for further information on risks.</p> <p>See section 4.15 for further information.</p>
<p><b>Net tangible assets</b> (Disclosure Principle 8: Net tangible assets)</p>	<p>The initial Net Tangible Assets (NTA) of each CoVESTA Trust will be set out on CoVESTA website. The NTA for each CoVESTA Trust will be updated on CoVESTA website every month.</p> <p>The NTA per Block is calculated by reference to the monthly value estimates of the property divided by the number of Blocks on issue in the relevant CoVESTA Trust. If the property has debt, the NTA per Block is calculated by reference to the monthly value estimates of the property minus debt and expenses. The CoVESTA Trust will not hold any tangible assets other than the property and cash.</p>

# 10 Additional Information

## 10.1 Responsible Entity's financial capacity

- (a) One of the Responsible Entity's obligations as an AFSL holder is to maintain a minimum level of net tangible assets (NTA). In accordance with the Compliance Plan, the Responsible Entity's financial capacity is monitored at least monthly.
- (b) The Responsible Entity has engaged an external custodian who must maintain a minimum NTA of \$10 million at all times.

## 10.2 Complaints

- (a) Global Merces has procedures in place to properly consider and deal with any complaints received from Members. If you have a complaint, you should contact the Compliance Manager at Global Merces at [compliance@globalmerces.com.au](mailto:compliance@globalmerces.com.au) or write to Global Merces at Level 5, 201 Leichhardt Street, Spring Hill. QLD 4000.
- (b) The Compliance Manager will acknowledge receipt of the complaint as soon as possible (generally within five working days) and make every effort to resolve the complaint within one month.
- (c) If your complaint is not resolved to your satisfaction you can contact the following independent external complaints resolution scheme of which Global Merces is a member:

Financial Ombudsman Service Ltd  
GPO Box 3, Melbourne VIC 3001

Hours: 9am to 5pm AEST weekdays

Phone: 1800 367 287 or (03) 9613 7366

Fax: (03) 9613 6399

Email: [info@fos.org.au](mailto:info@fos.org.au)

Website: [www.fos.org.au](http://www.fos.org.au)

- (d) The Financial Ombudsman Service (FOS) can consider claims of up to \$500,000 (or higher if Members and Global Merces agree in writing). FOS is only able to make a determination of up to \$309,000 per claim (excluding compensation for costs and interest payments). These monetary limits and FOS terms of reference do change from time to time. Visit the FOS website for further details.

## 10.3 Professional indemnity insurance

As at the date of this Document, the Responsible Entity has an insurance policy covering professional indemnity.

## 10.4 Investment and social security

A Member's investment in CoVESTA may affect the Member's social security or pension entitlements. As the calculations are complex, the Responsible Entity and the Manager strongly recommend that Members seek advice from their financial or tax adviser, or use the Centrelink Financial Information or the Veterans' Affairs Financial Information services.

## 10.5 Consents

- (a) The persons listed in the table below have given and, at the date of this Document, have not withdrawn their written consent to:
- (i) be named in this Document in the form and context in which they appear;
  - (ii) the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Document;
  - (iii) the inclusion of other statements in this Document which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included:

Name of Person/Entity	Named as	Reports or Statements
Gilbert + Tobin	Legal advisor	Statements relating to legal obligations and requirements
CoVESTA Pty Limited	Manager	Statements relating to management of CoVESTA
Global Merces Funds Management Ltd	Responsible Entity	Statements relating to operation of CoVESTA
Perpetual Corporate Trust Limited	Custodian	Statements relating to custodian role
Logicca Chartered Accountants	Auditor	Named as auditor
CoreLogic	Service provider	Statements relating to property data
Daniel Noble	Daniel Noble	Professional experience details in the <a href="#">Our Story</a> page
David Curry	David Curry	Professional experience details in the <a href="#">Our Story</a> page
Michael Stuke	Michael Stuke	Professional experience details in the <a href="#">Our Story</a> page

- (b) None of the persons referred to above has made any statement that is included in this Document or any statement on which this Document is based, other than any statement or report included in this Document with the consent of that person as specified above.
- (c) Each of the persons referred to above:
- (i) has not authorised or caused the issue of this Document, and makes no representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information contained in this Document; and
  - (ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Document other than references to its name or a statement or report included in this Document with the consent of that person as specified above.

## 10.6 Obtaining a copy of the CoVESTA Constitution

The CoVESTA Constitution is available for inspection during normal business hours at the principal place of business of the Responsible Entity.

# 11 Material contracts and policies

## 11.1 CoVESTA Constitution

The CoVESTA Constitution governs the internal management of CoVESTA. It is a contract between the Responsible Entity and Members, and between individual Members. It outlines the terms of the Interests.

Key Term	Summary of provisions
Termination	<p>CoVESTA terminates on either the date specified by the Responsible Entity in a notice to Members or the date on which CoVESTA terminates in accordance with another provision of the CoVESTA Constitution, the Corporations Act or the law, whichever comes first.</p> <p>Each CoVESTA Trust terminates on the earlier of:</p> <ul style="list-style-type: none"> <li>■ the date CoVESTA terminates;</li> <li>■ the date on which the CoVESTA Trust terminates in accordance with the relevant trust deed;</li> <li>■ the date on which CoVESTORS of a CoVESTA Trust pass an extraordinary resolution to wind up that CoVESTA Trust;</li> <li>■ the date on which the CoVESTA Trust terminates in accordance with another provision of the CoVESTA Constitution, the Corporations Act or the law; and</li> <li>■ the day before the 80<sup>th</sup> anniversary of the establishment of the relevant CoVESTA Trust.</li> </ul>
Issue of Interests	<p>The Responsible Entity may issue Interests at any time and on any terms and conditions it determines, subject to the restrictions in the CoVESTA Constitution and the Corporations Act.</p> <p>Payment for an Interest must be made to the Responsible Entity before the Interest can be issued. The payment to be made is the sum equal to the application price, which is currently \$0.55.</p> <p>The Responsible Entity is not required to give a reason for either accepting or rejecting an application. If an application is rejected, the Responsible Entity will give the applicant written notice informing them of this and return the application price paid by the applicant (if any) to them.</p> <p>Once an application is accepted, the Responsible Entity must promptly enter the applicant's name in the Register. An Interest is taken to be issued when the applicant's name is entered in the Register, and other information such as the applicant's address, Interest and number held must also be entered in the Register.</p>
Nature of Interests	<p>Each Interest held by a Member provides the Member with a sole and separate interest in the Portfolio established for them and such other rights as are conferred on a Member under the CoVESTA Constitution.</p> <p>Excluding the properties, the Responsible Entity will hold an undivided interest in the assets of CoVESTA on trust for each Member. The properties are held by the Responsible Entity on trust for the CoVESTORS holding Blocks in the relevant CoVESTA Trust.</p> <p>For the purposes of the Corporations Act, each CoVESTA Trust will be treated as a class of interests in CoVESTA separate to each other CoVESTA Trust and a class of interests in CoVESTA separate to an Interest.</p>

Key Term	Summary of provisions
CoVESTA Trusts	<p>Under the CoVESTA Constitution, every Member is required to acknowledge and agree to certain understandings about each CoVESTA Trust, specifically that:</p> <ul style="list-style-type: none"> <li>■ each CoVESTA Trust forms part of CoVESTA;</li> <li>■ the Responsible Entity and the trustee may, under the terms of a trust deed for a CoVESTA Trust, take all steps reasonably necessary to assist in obtaining or maintaining the registration of CoVESTA, including modifying a trust deed;</li> <li>■ to the extent permitted by law, while CoVESTA is registered, the Responsible Entity and any operator of a CoVESTA Trust must cooperate, including (without limitation) in relation to: <ul style="list-style-type: none"> <li>○ adopting consistent accounting and valuation policies;</li> <li>○ taking a consistent approach on proposed investments;</li> <li>○ holding meetings concurrently or, where necessary, consecutively;</li> <li>○ co-ordinating the announcement and payment of distributions;</li> <li>○ reporting consistently and at the same times; and</li> <li>○ facilitating the operation of the facility that enables Members to buy and sell Blocks.</li> </ul> </li> </ul>
Digital Wallet	<p>Under the CoVESTA Constitution, a Digital Wallet is to be maintained in respect of each Member. This is to be arranged for by the Responsible Entity, which may also maintain more than one Digital Wallet for any Member at its discretion.</p> <p>A Member's Digital Wallet will contain an amount equal to the sum of the following amounts:</p> <ul style="list-style-type: none"> <li>■ all cash paid into the Digital Wallet by the Member;</li> <li>■ all moneys required to settle a disposal of Blocks by the Member; and</li> <li>■ such other amounts as the Responsible Entity determines.</li> </ul> <p>The Responsible Entity may also direct a Member to hold a minimum amount in their Digital Wallet from time to time and at its discretion.</p>
Withdrawal	<p>If a Member wishes to withdraw from CoVESTA, it must provide the Responsible Entity with a withdrawal notice. The withdrawal notice must be in writing and delivered electronically to the Responsible Entity.</p> <p>If accepted, the Responsible Entity must satisfy the withdrawal request within 5 business days. However, this does not include circumstances where the Responsible Entity is unable to do so because of the act or omission of a person other than the Responsible Entity in connection with the withdrawal.</p> <p>A Member may not provide the Responsible Entity with a withdrawal notice in the following scenarios:</p> <ul style="list-style-type: none"> <li>■ after a meeting has been called to vote on a resolution to terminate CoVESTA (and before the vote has been taken);</li> <li>■ after CoVESTA is terminated; or</li> <li>■ while CoVESTA is being wound up.</li> </ul>
Transfers	<p>Interests may be transferred, together with some or all of that Member's Portfolio, by a document in any form approved by the Responsible Entity and which is signed or otherwise accepted by or on behalf of both the transferor and the transferee.</p> <p>However, the Responsible Entity is not required to provide a reason for refusing to register a transfer of an Interest or Portfolio.</p>

Key Term	Summary of provisions
<b>Powers of Responsible Entity</b>	<p>The Responsible Entity must do all things reasonably necessary or desirable to give effect to the CoVESTA Constitution including:</p> <ul style="list-style-type: none"> <li>■ acquiring, disposing of or otherwise dealing with assets of CoVESTA;</li> <li>■ acting on Member instructions;</li> <li>■ carrying out its obligations under the CoVESTA Constitution;</li> <li>■ procuring registration of the assets of CoVESTA which are in registrable form;</li> <li>■ procuring the safekeeping of all assets of CoVESTA which are not in registrable form;</li> <li>■ signing, executing and delivering documents; and</li> <li>■ maintaining records concerning each Member's Digital Wallet and Portfolio.</li> </ul> <p>The Responsible Entity may appoint an agent or delegate to perform any act or exercise any power that the Responsible Entity can in relation to CoVESTA, such as appointing a manager, sub-agent or sub-delegate.</p>
<b>Meetings</b>	<p>Because CoVESTA is a registered managed investment scheme, the convening and holding of meetings must be in accordance with any Corporations Act requirements.</p>
<b>Responsible Entity limitation of liability and indemnity</b>	<p>Except to the extent that a liability is imposed under the Corporations Act, the CoVESTA Constitution provides that the Responsible Entity is not liable in contract, tort or otherwise to Members for any loss suffered in relation to an asset of CoVESTA or a Portfolio. Subject to the Corporations Act, the Responsible Entity's liability to any person (excluding Members) in respect of the assets of CoVESTA or a Portfolio is limited to the Responsible Entity's ability to be indemnified from the assets of CoVESTA. However, the Responsible Entity is not entitled to be indemnified out of the assets of a CoVESTA Trust in relation to liabilities or expenses incurred solely for the benefit of another CoVESTA Trust.</p> <p>The Responsible Entity is entitled to be indemnified out of the assets of CoVESTA for liabilities or expenses incurred in the proper performance of its duties in respect of CoVESTA. The Responsible Entity is also entitled to enforce all indemnities without first incurring any expense or making any payment.</p>
<b>Responsible Entity's fees and expenses</b>	<p>The Responsible Entity is entitled to be paid fees in accordance with the Management and Co-operation Agreement (MCA) in relation to the proper performance of its duties in respect of CoVESTA. The payment of all expenses incurred by the Responsible Entity in relation to these duties will also be in accordance with the MCA, subject to any prohibitions on the payment or reimbursement under the Corporations Act.</p>

## 11.2 Trust deeds

Each trust deed establishing a CoVESTA Trust is on substantially the same terms.

Key Term	Summary of provisions
Declaration of trust	The Trustee holds, and declares that it holds, the assets on trust for the CoVESTORS.
Holding scheme property	<p>Generally, the assets must be held by the Trustee. However, if the law requires or the Trustee believes it is necessary or desirable, the Trustee can appoint a custodian to hold the assets, or alternatively, a sub-custodian appointed by the Trustee's custodian can hold the assets.</p> <p>Where an appointed custodian holds the assets, they must do so either directly (i.e. in its name or that of its sub-custodian) or indirectly (i.e. by any asset title, transfer or holding system approved by the Trustee).</p>
Termination	No Blocks may be issued or redeemed after the 80 <sup>th</sup> anniversary of the date preceding the day the trust commenced, unless that issue or redemption would not offend the common law rule against perpetuities, or any other rule of law or equity relating to the duration of trusts.
Nature of interests	Blocks are the way in which the beneficial interest in the trust is divided. Each Block confers an equal undivided interest and all Blocks have the same rights attaching to them. A Block does not confer any interest in a particular asset. CoVESTORS hold Blocks subject to the rights, restrictions and obligations attaching to those Blocks under the relevant trust deed.
Application for Blocks	<p>The Trustee may issue Blocks on accepting applications in a form or manner acceptable to it and in accordance with the Corporations Act and the trust deed.</p> <p>However, if the Trustee rejects an application in whole or in part, it may do so at its absolute discretion and is not required to provide any reasons.</p>
Payment for Blocks	<p>Payment for an issue of Blocks must accompany the application, or be received or made available to the Trustee within such period determined by the Trustee from time to time, or comprise a reinvestment of distribution.</p> <p>An issue of Blocks is void if the application money is not in cleared funds or subsequently cleared within 5 business days of receipt (or any longer period as determined by the Trustee), or the transfer of the property is not effective or is not transferred free of encumbrances.</p>
Minimum and maximum holdings	From time to time the Trustee may determine a minimum application amount and a minimum and maximum holding of Blocks that will apply for one or more applicants or CoVESTORS.
Block price	Subject to any rights, obligations and restrictions attaching to a particular Block or class, a Block must be issued at the price specified in the relevant trust deed, the price determined by the Trustee in accordance with ASIC Class Order 13/655 or as a proportion of the net asset value and transaction costs allowance.
Redemption	<p>Provided that consent of the CoVESTOR has been obtained, the Trustee may at any time redeem all or part of the Blocks held by that CoVESTOR. The price payable on redemption is calculated as a proportion of the net asset value plus transaction costs allowance. The redemption price is payable out of the assets of the trust.</p> <p>While the trust is liquid, a CoVESTOR may give the trustee a withdrawal request. The trustee is not obliged to accept a withdrawal request.</p> <p>While the trust is not liquid, a CoVESTOR may withdraw from the trust in accordance with any current withdrawal offer made by the trustee from time to time.</p>
Valuations	The Trustee may cause an asset to be valued at any time and will arrange for valuations at least once annually and when the trustee considers the value of the assets would be

Key Term	Summary of provisions
	<p>materially different to the most recent valuations of those assets.</p> <p>The value of an asset is its market value, unless the Trustee determines the market value is an inappropriate way of valuing particular assets and adopts another valuation method.</p>
Trustee powers	<p>Subject to the trust deed, the Trustee has all the powers in respect of the trust legally available to confer on a Trustee and as though it were the absolute owner of the assets. This includes, without limitation:</p> <ul style="list-style-type: none"> <li>■ to invest the whole or part of the assets as the Trustee determines;</li> <li>■ to borrow and obtain all types of financial accommodation (whether or not on security);</li> <li>■ to enter into derivative contracts (including for speculative purposes);</li> <li>■ to enter into securities lending contracts; and</li> <li>■ to incur all types of obligations and liabilities as trustee of the trust.</li> </ul> <p>The Trustee may authorise any person or persons to act as its delegate to hold title to any or all assets, perform any act or obligation or exercise any of the Trustee's discretions or powers, including but not limited to the power to sub-delegate.</p>
Indemnity	<p>The Trustee is entitled to be indemnified out of the assets of the trust for any liability incurred by the Trustee in properly performing or exercising any of its powers or duties in relation to the trust. This indemnity is in addition to any indemnity allowed by law.</p> <p>The indemnity is a continuing indemnity and, subject to the Corporations Act, applies to the Trustee after it retires or is removed as the Trustee.</p>
Trustee liability	<p>Excluding any fraud, gross negligence and wilful default by the Trustee, the Trustee will have no liability for loss suffered by a CoVESTOR. The Trustee's liability to third parties is limited to the amount the Trustee is entitled to recover from the assets of the trust.</p>
CoVESTOR liability	<p>A CoVESTOR's liability is limited to the application price which is paid or payable for a Block, subject to the trust deed and any separate agreement or acknowledgement.</p>
Distributions	<p>The Trustee may at any time distribute any amount of capital or income (in cash or by way of additional Blocks) to CoVESTORS pro rata according to the number of Blocks held as at a time decided by the Trustee.</p>
Property Management Reserve	<p>The Trustee may establish any reserve it thinks fit.</p>
Meeting of CoVESTORS	<p>The Trustee may convene a meeting of Blocks Holders at any time it considers appropriate and must convene a meeting upon request from the holders of at least 75% of the Blocks in existence at the date of the request.</p>
Remuneration and expenses	<p>The Trustee is entitled to be paid fees and be reimbursed for reasonably incurred expenses as set out in the MCA.</p>

### 11.3 Management and Co-operation Agreement

The Manager and the Responsible Entity have entered into a CoVESTA Management and Co-operation Agreement dated 26 February 2018.

Under the MCA, the Responsible Entity appoints CoVESTA Pty Ltd as manager to perform various functions in relation to CoVESTA outlined below. Both parties agree to cooperate in relation to CoVESTA's operation.

Key Term	Summary of provisions
Manager's duties	<p>Broadly, the Responsible Entity has appointed the Manager to manage and invest CoVESTA's assets, promote CoVESTA and to perform administration and other services for CoVESTA.</p> <p>The Manager's duties as manager include:</p> <ul style="list-style-type: none"> <li>(i) managing CoVESTA (e.g. providing asset and property management services and valuation services);</li> <li>(ii) undertaking any dealings or communications with Members in respect of CoVESTA; and</li> <li>(iii) (providing any other services, including marketing, in relation to CoVESTA.</li> </ul>
Manager's recommendations	<p>Generally, the Responsible Entity is required to obtain the Manager's recommendation in relation to any matter concerning CoVESTA. The Responsible Entity must not exercise its powers or duties in of CoVESTA which are inconsistent with any recommendation given by the Manager, except where such recommendation would result in the Responsible Entity losing a right of indemnity, incurring a liability that would not otherwise have been incurred or is in breach of the CoVESTA Constitution or law.</p>
Responsible Entity and CoVESTA co-operation obligations	<p>The Responsible Entity and the Manager must co-operate with each other, including to:</p> <ul style="list-style-type: none"> <li>(i) obtain and maintain the registration of CoVESTA;</li> <li>(ii) comply with legal obligations as they relate to CoVESTA and each CoVESTA Trust;</li> <li>(iii) adopt consistent accounting and valuation policies;</li> <li>(iv) consult before taking any action (or omitting to take any action) which may materially affect the value of Blocks;</li> <li>(v) report to CoVESTORS consistently and at the same time;</li> <li>(vi) facilitate the operation of the sale facility; and</li> <li>(vii) co-ordinate the financial reporting and other disclosure in relation to CoVESTA, including in relation to the announcement and payment of distributions.</li> </ul>
Indemnities	<p>The Responsible Entity indemnifies the Manager as manager against any liability incurred to the extent it arises out of or in connection with the Manager or any of its officers or agents acting under the MCA or any negligence, default, wilful misconduct, fraud, dishonesty or breach of the MCA by the Responsible Entity or its agents, except to the extent such liability is caused by the negligence, default, wilful misconduct, fraud, dishonesty or breach of the MCA by the Manager or its agents.</p> <p>The Manager indemnifies the Responsible Entity, as responsible entity of CoVESTA, trustee of each CoVESTA Trust and personally, against any liabilities incurred arising out of or in connection with any negligence, fraud, default, wilful misconduct or dishonesty of the Manager, breach of the MCA by the Manager or any act or omission of the Manager or its agents except to the extent that liability is caused or contributed to by the negligence, default, fraud, wilful misconduct or dishonesty of the Responsible Entity or its agents.</p> <p>The indemnities referred to given by either the Responsible Entity or the Manager do not extend to indirect or consequential loss.</p>
Remuneration	<p>The Responsible Entity receives fees from the Manager as set out in the MCA. The fees payable to the Responsible Entity include an annual fee of \$48,000 per annum for the first three years (subject to review after the initial three years, and annually thereafter) as consideration for its engagement as responsible entity, an annual custody fee of \$20,000 per annum plus 0.035% of trust value for each trust on CoVESTA. The Responsible Entity is also entitled to receive fees to cover operating costs, including ASIC fees, investor reporting, audit fees, compliance costs, legal costs, property valuations, statutory charges in relation to assets in CoVESTA, insurance, property insurance and letting fees and any other costs directly incurred by, and payable from,</p>

Key Term	Summary of provisions
	<p>CoVESTA assets as required.</p> <p>The Manager is entitled to be reimbursed for all its expenses reasonably and properly incurred in performing services under the MCA.</p>
Termination	<p>The MCA may be terminated by either party giving the other party at least 90 days' written notice.</p> <p>The Manager may terminate the MCA immediately by giving the Responsible Entity written notice and paying the Responsible Entity 3 months' worth of fees.</p> <p>The Responsible Entity may terminate the MCA immediately with written notice to the Manager if:</p> <ul style="list-style-type: none"> <li>(i) CoVESTA terminates;</li> <li>(ii) the Manager becomes insolvent;</li> <li>(iii) the Manager ceases, or proposes to cease, to carry on any part of its business in relation to operating CoVESTA and which will materially affect its capacity to perform its obligations under the MCA;</li> <li>(iv) at any time and in any circumstances, the MCA is legally required to terminate; or</li> <li>(v) the Manager materially breaches the MCA or any law where the breach remains unremedied for 14 days after notice of the breach is served by the Responsible Entity upon the Manager, or for any other reasonable period as the Responsible Entity may determine.</li> </ul> <p>The Manager may terminate the MCA immediately with written notice to the Responsible Entity if:</p> <ul style="list-style-type: none"> <li>(i) the Responsible Entity or CoVESTA becomes insolvent;</li> <li>(ii) at any time and in any circumstances, the MCA is legally required to terminate;</li> <li>(iii) during the term of the MCA, a change of control occurs in the Responsible Entity without the Manager's consent; or</li> <li>(iv) the Responsible Entity materially breaches the MCA or a law where the breach remains unremedied for 14 days after notice of the breach is served by the Manager upon the Responsible Entity, or for any other reasonable period as the Manager may determine.</li> </ul>

## 11.4 Policies

Policy	Summary
Related party transactions policy	<p>The Responsible Entity has obligations under the Corporations Act to have adequate arrangements in place to identify and manage any related party transactions and material personal interests. The Responsible Entity has a policy for dealing with such transactions which is reviewed at least annually.</p>
Conflicts of interest policy	<p>The Responsible Entity has a conflicts of interest policy. The policy seeks to address potential conflicts of interest between schemes managed by the Responsible Entity and any conflicts within CoVESTA generally.</p> <p>The policy applies to the Responsible Entity and its related bodies corporate when issuing interests in and operating registered managed investment schemes, as well as to the staff of the Responsible Entity, including directors, employees and authorised representatives.</p>
Valuation policy	<p>The Responsible Entity maintains a valuation policy which is reviewed annually.</p> <p>The valuation policy is designed to meet the Responsible Entity's obligation under the Corporations Act to ensure that scheme property is valued at regular intervals appropriate to the nature of the property. The policy sets out the method and frequency of valuation of each security type of the scheme property.</p> <p>The policy also outlines that the Responsible Entity can engage external service providers to value the scheme property, however the Responsible Entity must follow a monitoring process and rectify incorrect scheme valuations if an error in the valuation is identified, as set out in the policy.</p> <p>The Manager will provide a semi-annual independent valuation of each property which will be published on the corresponding property page. The Manager will also reflect this updated property valuation in an updated Blocks valuation.</p>
Policy on Property Inspections and Conveyancing Reports	<p>As part of the process to purchase a property for Property Led Syndicates, the Manager, or the appointed Buyers Agent will work with the Vendor to finalise the purchase price, complete the conveyancing, and obtain any required property inspection reports (building inspection, pest or strata reports). Where possible the Manager will seek to obtain and review inspection reports before the Syndicate closes.</p> <p>Where an issue material to the purchase decision is identified, Members of the Syndicate will be contacted on the details provided during the registration process and asked to consider whether to proceed within the Syndicate or not. Each individual Member will have the opportunity to read the relevant information and decide whether to continue in the Syndicate, or withdraw. No penalty will be imposed for withdrawal. Once a potentially material issue has been identified, that information (including property inspection and conveyancing reports) will be made available on the CoVESTA Website for all new potential investors to review prior to making a decision to purchase Blocks.</p> <p>For Funds First Syndicate, after the Syndicate has successfully closed and a property has been selected by the Members (from two properties matching the investment criteria), the Manager will notify the Members via the Platform of the potential purchase. Similar to the Property Led syndicate, the Manager will obtain and review due diligence materials and property inspection reports. The reports will be available on the CoVESTA Website to all of the Members participating in the Syndicate.</p> <p>If the reports identify an issue material to the purchase of the property, this information will be made available to Members during the voting process to decide which property to acquire.</p>
Privacy policy and collection of personal information	<p>Information provided by applicants is collected for the primary purpose of issuing Interests in CoVESTA.</p> <p>The information will also be used to forward periodic information to you relating to your investment in CoVESTA and from time to time provide to you information of a generic or marketing nature relating to CoVESTA. Your personal information will not be made available to any third party, other than as disclosed in our privacy policy, as required by law and to service providers for permitted related purposes (for example, auditors, consultants and advisers) for the purpose of administering the investment.</p> <p>By completing and submitting an application, you provide your consent to CoVESTA and the Responsible Entity to disclose your information to such service providers and to use your information for the purposes referred to above. If you wish to request access to your</p>

Policy	Summary
	<p>information or if you have any complaint in relation to the manner in which your information has been handled, please contact the Compliance Manager at Global Merces at <a href="mailto:compliance@globalmerces.com.au">compliance@globalmerces.com.au</a>.</p> <p>The privacy policies for the Manager and the Responsible Entity state how each entity will collect, use, store and manage personal information. The policies are available on each entity's website (for <b>CoVESTA</b>, see <a href="#">here</a>; for <b>Global Merces</b>, see <a href="#">here</a>).</p> <p>To access or update your personal information, please log into your account on the CoVESTA Website, open 'Dashboard', open 'Profile' and click 'Edit Profile' or contact the Manager on 1300 134 412 or <a href="mailto:info@covesta.com.au">info@covesta.com.au</a>.</p>
<p>AML/CTF compliance</p>	<p>The AML/CTF Act regulates financial services and transactions in a way that is designed to detect and prevent money laundering and terrorism financing. Applications to acquire Interests are subject to the requirements of the AML/CTF Act.</p> <p>Under the AML/CTF Act, the Responsible Entity as a Reporting Entity is required to (among other obligations):</p> <ul style="list-style-type: none"> <li>(i) adopt and maintain an AML/CTF Programme which sets out the procedures implemented by the Reporting Entity to ensure compliance with the AML/CTF Act;</li> <li>(ii) collect and verify information about an Applicant's identity before providing services (including before a Block is sold); and</li> <li>(iii) where a Member supplies documentation relating to that Member's identity, keep a record of this documentation for seven years after the end of a CoVESTOR's relationship with CoVESTA</li> <li>(iv) In the context of CoVESTA, the Responsible Entity has customer identification and verification procedures to meet its obligations under the AML/CTF Act.</li> </ul> <p>Customer identification and verification information is collected at the point an individual or entity becomes a CoVESTOR as detailed in this Document. In some instances, such as in the case of determining the beneficial owner of an applicant, a Reporting Entity may require further information such as information concerning business activities, structure and source of funds.</p> <p>As a result:</p> <ul style="list-style-type: none"> <li>(i) transactions may be delayed or refused where further information is required regarding an applicant's identity or the entity has reasonable grounds to believe that the transaction breaches the law or sanctions of Australia or any other country; and</li> <li>(ii) where transactions are delayed or refused, the Reporting Entity is not liable for any loss an applicant suffers (including consequential loss) as a result of the entity's compliance with the AML/CTF Act.</li> </ul> <p>Each Reporting Entity has certain reporting obligations under the AML/CTF Act and is prevented from informing an applicant that any such reporting has taken place. Where required by law, the entity may disclose an applicant's information to regulatory or law enforcement agencies, including, but not limited to, the Australian Transaction Reports and Analysis Centre, which is responsible for administering the AML/CTF Act.</p>

# 12 Dictionary

Defined term	Meaning
\$	means Australian dollars.
AFSL	means an Australian financial services licence issued by ASIC under the Corporations Act.
Affiliates	has the meaning given in the Corporations Act.
AML/CTF Act	means the Anti Money Laundering and Counter Terrorism Financing Act 2006 (Cth) and associated rules and regulations.
Application	means an application to acquire an Interest completed online at <a href="http://www.CoVESTA.com.au">www.CoVESTA.com.au</a> .
ARSN	means Australian registered scheme number.
ASIC	means Australian Securities and Investments Commission.
Associates	has the meaning given in the Corporations Act.
ASX	means Australian Securities Exchange.
Australian Privacy Principles	means the principles under Schedule 1 of the <i>Privacy Act 1988</i> (Cth).
Balance Due	means the amount equal to the difference between the Block Price payable by a Member in respect of an application to acquire one or more Blocks and the deposit paid by the Member for those Blocks.
Block	means an undivided share in the beneficial interest of (a unit in) a CoVESTA Trust, which represents a Member's interest in a property.
Block Price	means the price payable to acquire a Block in a specific CoVESTA Trust, calculated as set out in the FAQ on ' <a href="#">Block Pricing</a> '.
Business Days	means a day which is not a Saturday, Sunday or Public Holiday in New South Wales.
Buyers Agent	means the Manager staff member or the Manager appointed agent that will work on behalf of an established CoVESTA to undertake the necessary tasks to complete a property acquisition.
Closed Syndicate	means a Syndicate in which 100% of Blocks have been purchased.
Communication Facility	means the online facility for Members to send direct messages to one another and post comments on properties or Syndicates, in accordance with the <a href="#">Communication Facility Rules</a> .
Compliance Committee	means the compliance committee in respect of CoVESTA established by the Responsible Entity under Part 5C.5 of the Corporations Act.
Compliance Plan	means the compliance plan for CoVESTA, as amended from time to time.
CoreLogic	means RP Data Pty Ltd trading as CoreLogic Asia Pacific (ABN 67 087 759 171).
Corporations Act	means the Corporations Act 2001 (Cth).

Defined term	Meaning
Manager	means CoVESTA Pty Limited (ABN 46 612 165 572).
CoVESTA	means the registered managed investment scheme known as CoVESTA (ARSN 625 053 803) established by the CoVESTA Constitution.
CoVESTA Account	means a Member's account on the CoVESTA Website which, for the avoidance of doubt, is not a deposit with an authorised deposit taking institution.
CoVESTA Constitution	means the constitution of CoVESTA as amended from time to time.
CoVESTA Trust	means a unit trust holding a property acquired through a Syndicate on the CoVESTA.
CoVESTA Website	means <a href="http://www.CoVESTA.com.au">www.CoVESTA.com.au</a> .
CoVESTOR	means a Member whose name is entered in the Register as the holder of a Block (including persons registered jointly).
CPI	means the consumer price index (all groups) for the weighted average of the eight Australian capital cities as first published for a quarter by the Australian Bureau of Statistics. If the index is no longer published, the CPI will be another index determined by CoVESTA.
Custodian	means Perpetual Corporate Trust Limited (ABN 99 000 341 533 / AFSL 392673).
Dashboard	means that part of the CoVESTA Website dedicated to a Member where they can access a broad range of information unique to that Member, including their profile, messages, investments, Syndicate memberships, properties of interest, and their Document Centre.
Digital Wallet	means the account opened and maintained by the Responsible Entity on behalf of each Member through which Members are able to transfer funds to acquire Blocks and receive funds in connection with Blocks, including distributions and the proceeds of a disposal of Blocks.
Document	means this PDS and includes content incorporated electronically and by reference.
Document Centre	means the place in a Member's Dashboard where downloaded reports and documents are stored.
FSG	means financial services guide.
Funds First	means a Syndicate formed for the purpose of purchasing a property matching the criteria established within the Syndicate for a nominated purchase price.
Global Merces	means Global Merces Funds Management Ltd (ABN 26 168 869 163 / AFSL 460883).
GST	means a goods and services tax or similar value added tax, levied or imposed under the GST Law.
GST Law	has the meaning given to it in the A New Tax System (Goods and Services Tax) Act 1999 (Cth).
Interest	means an interest in CoVESTA.
Invest & Rent Member	means a Member who has applied and been conditionally approved to become an invest and rent member and is able to start a syndicate and be the tenant (subject to final approval) in that property
Invest & Rent Syndicate	means a Syndicate in which one or more CoVESTORS have been conditionally approved as an Invest & Rent Member.

Defined term	Meaning
KYC	means “know your customer”.
Lead Investor	means a Member who has started a Syndicate.
Management and Co-operation Agreement or MCA	means the agreement between the Responsible Entity and the Manager, the key terms of which are summarised at section 11.3.
Mandated Funds First	means a Syndicate formed for the purpose of purchasing a property, matching the criteria established within the Syndicate under mandate from a Buyers Agent, for a nominated purchase price.
Member	means a person whose name is entered in the Register as the holder of an Interest (including persons registered jointly).
PDS	means product disclosure statement.
Portfolio	means, for a Member, their sole and separate interest in: <ul style="list-style-type: none"> <li>(a) the undivided proportional beneficial interest held by a Member in any property or properties, which is represented by the number of Blocks held by that Member in the CoVESTA Trust that holds such property or properties; and</li> <li>(b) any accretions to or income from the properties not paid out to the Member.</li> </ul>
Property Led	means a Syndicate formed for the purpose of purchasing an identified property.
Property Management Reserve	means the reserve of cash held by the Responsible Entity as trustee of each CoVESTA Trust.
Reduced Input Tax Credit	has the meaning given to it in the GST Law.
Register	means the registers of Members and CoVESTORS maintained by the Manager on behalf of the Responsible Entity.
Registered User	means a person who has provided verifiable identification information to CoVESTA, created a password and agreed to the Terms and Conditions.
Responsible Entity, our, us, we	means Global Mercers.
RG46 Schedule	means the schedule in which CoVESTA makes disclosures against the principles and benchmarks contained in ASIC Regulatory Guide 46, as updated from time to time and at least each six months.
Selling Agent	means the Manager staff member or the Manager appointed agent that will work on behalf of an established CoVESTA to undertake the necessary tasks to complete a property sale.
Settlement Date	means the date at which final payment is made by a CoVESTA Trust to acquire a property.
Syndicate	means a group of Members who are seeking sufficient funds to purchase a property.
Tax	means a tax or duty imposed by an Australian government agency, except where the context requires otherwise.
Tax Law	means any Australian law relating to Tax as the context requires.
Terms and Conditions	means the terms and conditions to access the Platform which are available at <a href="https://www.covesta.com.au/terms_and_conditions">https://www.covesta.com.au/terms_and_conditions</a> .
Trustee	means the Responsible Entity in its capacity as trustee of a CoVESTA Trust.

Defined term	Meaning
Vendor	means the seller of a property.



# 13 Corporate Directory

Entity	Contact details
Responsible Entity	<p><b>Global Merces Funds Management Ltd</b></p> <p>ABN: 26 168 869 163</p> <p>AFSL number: 460883</p> <p>Physical Address: Level 5, 201 Leichhardt Street, Spring Hill. QLD 4000</p> <p>Contact telephone number: +61 2 8117 8175</p>
The Manager	<p><b>CoVESTA Pty Ltd</b></p> <p>ABN: 46 612 165 572</p> <p>Physical Address: Level 2, 68 Moncur Street, Woollahra NSW 2025</p> <p>Contact telephone number: 1300 134 412</p>
Legal Advisers	<p><b>Gilbert + Tobin</b></p> <p>ABN: 88 775 098 848</p> <p>Physical Address: Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo, NSW, 2000</p> <p>Contact telephone number: +61 2 9263 4000</p>
Auditors	<p><b>Logicca Chartered Accountants</b></p> <p>ABN 95 367 029 860</p> <p>Physical Address: Level 6, 151 Macquarie Street, Sydney NSW 2000</p> <p>Contact telephone number: +61 2 8238 6900</p>

