

Storehouse Residential Trust

ARSN 135 812 074

Product Disclosure Statement

Issuer: K2 Asset Management Ltd

AFSL 244393 ABN 95 085 445 094

Date of issue: 5 May 2022



Storehouse

Storehouse Residential Trust

Responsible Entity

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Fund Manager

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An investment made under this Product Disclosure Statement ('PDS') represents an investment in the Storehouse Residential Trust ARSN 135 812 074 (referred to as the 'Trust'). K2 Asset Management Ltd ('K2', 'us', 'we', 'our', or 'Responsible Entity') is the Responsible Entity for the Trust. The Fund Manager is Storehouse Pty Limited (ABN 15 106 578 018) ('Storehouse' or 'Fund Manager').

Investments are subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither of K2, Storehouse, any related company of either of them or any external service providers referred to in this PDS guarantees the repayment of capital, payment of income or the performance of the Trust.

The authorised custodian, Certane CT Pty Ltd (ABN 12 106 424 088) ('**Custodian**') does not make any representation or warranty as to, nor assumes any responsibility for, the accuracy or completeness of any information (including any opinion) contained in the PDS and does not accept any liability for its contents. The Custodian has not authorised or caused the issue of the PDS. The Custodian has also not withdrawn its consent to be named in this PDS as custodian of the Trust in the form and context in which it is named.

The date of this PDS is 5 May 2022. The Responsible Entity is the issuer of this PDS and takes responsibility for its contents. The offer made in this PDS is available to persons receiving this PDS in Australia (electronically or otherwise). No offer or invitation is made by this PDS, directly or indirectly, in any other jurisdiction where the offer or invitation would breach the applicable laws or require the PDS or any other document to be lodged or registered. Information in this PDS is general information and does not take into account an investor's specific needs or circumstances. You should consult an Australian financial services licensee or authorised representative to obtain advice on an investment in the Trust.

A paper or electronic copy of the PDS is available from the registered office of the Responsible Entity or can be obtained from the Fund Manager, Storehouse Pty Limited ABN 15 106 578 018 by emailing info@storehouseinvestments.com.au or by emailing us at invest@k2am.com.au. It can also be downloaded from our website at www.k2am.com.au. Investors who obtain an electronic copy of the PDS are entitled to obtain a paper copy of the PDS free of charge.

The Corporations Act prohibits any person from passing onto another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of the PDS.

Information relating to the Trust, such as investment performance, may change from time-to-time. A copy of updated information is available free of charge on request by contacting the Fund Manager, Storehouse Pty Limited (ABN 15 106 578 018) on (02) 8404 0455 or at its website at <https://www.storehouseinvestments.com.au/> or on the Responsible Entity's website at www.k2am.com.au.

Authorised use of PDS

The Responsible Entity has authorised this PDS for the use of investors who invest directly in the Trust, as well as for investors who invest indirectly through an investor directed portfolio service, master trust, wrap account or an investor directed portfolio service-like scheme ('**IDPS**'). The operator of an IDPS is referred to in this PDS as the '**IDPS Operator**' and the disclosure document for an IDPS is referred to as the '**IDPS Guide**'. If you invest through an IDPS ('**Indirect Investor**'), your rights and liabilities will be governed by the terms and conditions of the IDPS Guide. The Responsible Entity consents to the use of this PDS by IDPS Operators who include the Trust on their investment menus but accepts no responsibility for IDPS Operators or any failure by an IDPS Operator to provide Indirect Investors with a current version of this PDS or to withdraw the PDS from circulation if required by the Responsible Entity.

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Storehouse Residential Trust

Introduction

The Storehouse Residential Trust provides investors with access to a diversified residential property based investment portfolio. The Trust's focus is assets located in Australia's major cities. The Trust is available for both retail and wholesale investors.

The Trust aims to build wealth for investors through the capital growth and income derived from a residential property based portfolio. The Trust portfolio will comprise of a combination of residential properties occupied by tenants and which may be owned directly and indirectly by the Trust, and a portfolio of Shared Equity Investments in residential properties occupied by Home Owners. The capital growth will be derived from both new and existing residential properties across diversified Australian cities.

The underlying residential properties to which the Trust has exposure through its portfolio of Shared Equity Investments will comprise of stand-alone dwellings, townhouses, units and apartments. The Trust may also invest funds not allocated to a specific property investment in listed property trusts, among other assets.

The Trust is designed to offer investors an easy way to enter this asset class without the usual burdens associated with owning and maintaining a specific property. As far as practical, investors enjoy the experience of investing in property with the Fund Manager managing all the behind the scenes issues of ownership.

The Trust gives investors access to an investment in a professionally managed residential property based investment portfolio for a minimum initial investment amount of \$5,000.



Unless otherwise specified, all images of properties in this PDS are actual pictures of buildings or property which are assets (directly or indirectly) of the Trust

Features at a Glance

Feature	Description	Where to Find More Information in this PDS
Responsible Entity	K2 Asset Management Ltd.	Key Parties and Personnel Page 6
Fund Manager	Storehouse Pty Limited. Storehouse Group had its origins in 1987 and has managed and advised on major property group and government projects across all property asset classes including office, retail, industrial, hotels and residential.	Key Parties and Personnel Page 6-7
Investment Strategy	The investment strategy of the Trust is to hold an investment portfolio based upon an exposure to residential properties, either directly or indirectly through other investments. The investments will mainly be: <ul style="list-style-type: none"> • Shared Equity Investments • Tenanted Residential Property. 	Our Investment Policies Page 8
Income Distribution	Yearly or half yearly as determined by the Responsible Entity	How the Trust Operates Page 21
How distributions are paid	Reinvested and/or paid to a financial institution nominated by you.	
Minimum initial Investment Minimum Additional Investment	\$5,000 \$1,000	Investing in the Trust Page 20
Withdrawals	Due to the nature of its investments, the Trust is highly illiquid. While the Trust is not Liquid, Unit holders are not able to withdraw their Units. Units may be transferred with the Responsible Entity's consent.	Investing in the Trust Page 20
Management Costs	Ongoing Management Costs, including fees and other costs and expenses will be payable from the Trust Assets. Details of these amounts are set out on Page 16.	Fees and Other Costs Page 16
Investment Risks	Investors should be aware that there are risks in investing in the Trust and the having an exposure to property in their portfolios. Neither the Responsible Entity nor the Fund Manager gives any guarantee as to the outcome of an investment.	Risks of Investing Page 11
Taxation	The application of tax law depends on your individual circumstances. This PDS is provided as a general statement of disclosure and does not take into consideration your personal circumstances. You should consult your financial adviser or tax accountant, as to the likely taxation implications of an investment.	Taxation Information Page 22
Minimum suggested investment timeframe	Five years.	The Trust's Investment Strategy Page 8

Key Parties and Personnel

Responsible Entity

K2 Asset Management Ltd (ABN 95 045 885 094) (AFSL 244393), a subsidiary of K2 Asset Management Holdings Ltd ABN 59 124 636 782, which is a public company listed on the Australian Securities Exchange (ASX: KAM), is the Fund's Responsible Entity and issuer of this PDS.

As responsible entity, K2 oversees the operation and management of the Trust and is required to act in the interests of investors. K2 is indemnified out of the Trust against all liabilities and expenses incurred by it in properly performing any of its duties, exercising any of its powers, or omitting to act in relation to the Trust, or attempting to do so. Subject to the Corporations Act, provided K2 acts in good faith and without negligence, it is not liable to investors for losses in relation to the Trust (except in certain circumstances, where it can be indemnified from the Trust).

Fund Manager

Storehouse Pty Limited (ABN 15 106 578 018) ('Storehouse' or 'Fund Manager') is the appointed manager of the Trust. Storehouse is part of the broader Storehouse Group.

Since the Group was established in February 1987 and has managed and advised on major property group and government projects across all property asset classes including office, retail, industrial, hotels and residential.

The key personnel of the Fund Manager are...

Peter Delaney



Peter Delaney is a principal of the Storehouse Group of companies which was formed in 1987 and holds qualifications as an Actuary and Accountant.

Peter has over 30 years' experience in investing and financing property. Peter since 1998 has been a responsible manager for managed investment schemes involving investments in property and related securities. Peter has also been the responsible manager for the management of wholesale funding and securities schemes established to manage property and infrastructure projects of circa \$2 billion. Peter's experience includes residential property, commercial office, shopping centres, industrial property and hospitals. Peter has consulted State and Federal Governments since the Storehouse Group's inception. Peter's experience includes being a member of the Commonwealth Property Committee reporting to the Minister of Finance; being strategic adviser to the Defence Department on its land holdings and property disposal strategy and to Defence Housing.

Michael Scott AM



Michael Scott AM is the principal of The Treadstone Company Pty Ltd which has been the lead consultant for property in the Storehouse Group since 2006. Michael holds qualifications in applied science and urban estate planning.

Michael has over 30 years' experience in residential urban planning and development. Michael is chairman of Home World and a life member of UDIA NSW Division and life member of UDIA National. Michael is the winner of the inaugural UDIA Alan Vogan award for distinguished service to the development industry 2014 (promoting affordable housing). Michael and Treadstone are management consultants in real estate, property development and the construction industry to private sector builders/ developers, government development enterprises and housing agencies. Michael's experience includes ongoing direct advice to Government on housing affordability. Michael has been involved in various industry task forces and review groups since 2000 examining the issues of housing affordability and consumer credit implications.

Key Parties and Personnel

Continued

As Fund Manager of the Trust, Storehouse is responsible for the co-ordination and implementation of the investment strategy to locate residential properties for the Trust to acquire or to which it can obtain exposure.

- Under the investment management agreement between the Fund Manager and the Responsible Entity, the Fund Manager provides services to co-ordinate the appointment of relevant consultants for the Assets such as real estate agents, valuers, quantity surveyors and structural engineers.
- Under the Diversity Housing joint venture formed between The Treadstone Company Pty Ltd ABN 75 063 262 706 ('Treadstone') and Storehouse, Storehouse has appointed Treadstone as the residential property expert for consulting and sourcing residential properties in the master planned communities. Treadstone is an adviser to major residential groups including government authorities and large private and public enterprises.
- The Fund Manager will implement the residential property based portfolio acquisition strategy of the Trust under the terms of the investment management Agreement.
- A fee is payable to the Fund Manager for its residential property based acquisition and management services, and for the consulting services provided by the consultants appointed by the Fund Manager as part of the acquisition process.

The Fund Manager has the right to recommend and, if approved by the Responsible Entity, to arrange debt finance for the acquisition of the Tenanted Residential Property investments by the Trust.

Arranger

Where the Trust invests in Shared Equity Investments or Home Loans, these are arranged and managed by Home Affordability Solutions Pty Limited ABN 49 611 323 169 ACL 486005 ('Arranger' or 'Home Affordability Solutions'). Home Affordability Solutions is a related company to the Fund Manager through common directors and ultimate ownership. The Trust invests in a portfolio of Shared Equity Investments and Home Loans but is not directly involved in issuing individual underlying shared equity or home loan arrangements with Home Owners, nor does it deal with individual Home Owners.

- Home Affordability Solutions will locate approved Home Owners for residential properties to which the Trust has exposure through the Shared Equity Investments and any Home Loans.
- Home Owners will be required to meet Prime Credit home lending criteria.
- Home Affordability Solutions will manage the Shared Equity Investments and any Home Loans and will co-ordinate payment of amounts arising from the exposure to the underlying residential properties to the Trust. It has the direct contractual relationship with the individual Home Owners, not the Trust. The Trust has no day-to-day relationship with individual Home Owners.

Custodian

Certane CT Pty Ltd ABN 12 106 424 088 is the appointed custodian ('Custodian') to hold the Trust's Assets. For the avoidance of doubt, we may change the appointed custodian from time-to-time, without notice to you.

Home Affordability Solutions are the Trust's document custodians, they keep in safe custody the relevant documentation pertaining to the Trust's ownership and control of Shared Equity Investments and interests in Tenanted Residential Property.

The Custodian's role is to hold the Assets in its name and act on the direction of the Responsible Entity to effect cash and investment transactions. It has no supervisory role for the operation of the Trust and has no liability or responsibility to a Unit holder for any act done or omission made under the custody agreement. Its role as custodian is limited to holding the Assets of the Trust.

The Custodian does not make, or purport to make, any statement that is included in this PDS and there is no statement in this PDS which is based on any statement by the Custodian.

To the maximum extent permitted by law, the Custodian expressly disclaims and takes no responsibility for any part of this PDS. It does not guarantee the repayment of capital or any particular rate of capital or income return.

Our Investment Policies

The Trust's Investment Objective

The Fund Manager considers that the Trust is a simple and readily accessible way of investing in the most established and well-known asset class in the nation - residential property.

The Trust provides the opportunity for investors to obtain returns from an exposure to a portfolio of residential property related assets with investments for a minimum initial investment of \$5,000. The Trust aims to build long-term wealth accumulation for investors through, and exposure to, the capital growth of a portfolio of direct and indirect investments in residential properties located within greater metropolitan areas of Australian cities.

Investor suitability

The Trust may be suitable for investors looking for indirect exposure to property in their portfolios.

Target Market Determination

The Target Market Determination (TMD) for this Trust can be provided upon request by emailing invest@k2am.com.au.

The Trust's Investment Strategy

The investment strategy of the Trust is to hold an investment portfolio based upon an exposure to residential properties, either directly or indirectly through other investments.

The Trust's investment strategy is regularly reviewed by the Fund Manager. The Fund Manager retains experts in the residential property development and investment markets to formulate and refine the investment strategy of the Trust.

As at the date of this PDS the Trust's investment strategy is to allocate the Trust's Assets among the following broad asset classes:

- Shared Equity Investments – with the anticipation that in time this will represent approximately 80% of the Trust's Assets
- Tenanted Residential Property – with the anticipation that in time this will represent approximately 20% of the Trust's Assets
- Cash or cash equivalents – with the anticipation that in this time this will represent approximately 5% of the Trust's Assets
- Other investments, including Home Loans, fixed interest securities, listed and unlisted property trust investments and cash and cash equivalents.

The relative holdings of these assets will change from time-to-time depending on the availability of the assets, investment performance of and yield from the individual asset classes and general market conditions, as well as the Trust's actual and anticipated cash needs and liquidity requirements.

Changing the Investment Strategy

The investment strategy and asset allocation may be changed. If a change is to be made, investors in the Trust will be notified in accordance with the Corporations Act.

Shared Equity Investments

A Shared Equity Investment is an indirect investment in a residential property. The Trust indirectly invests together with a Home Owner who is acquiring the residential property, for a proportionate equitable investment in the residential property. The Trust is entitled to receive back its investment, an income return and a share in any capital gain at the end of the investment term. The investment is arranged and managed by the Arranger. Before the Trust will invest in a Shared Equity Investment, the Home Owner and the residential property must meet the Prime Credit criteria including that there is a first mortgage held by a third party lender to secure the primary loan.

A Shared Equity Investment provides the Trust with the opportunity to participate in the capital growth of a residential property without having to purchase the actual residential property. If there is a capital gain, the Trust is entitled to the proportion of the capital gain equal to the percentage of total value of the real property that the Shared Equity Investment represents. However, if there is a capital loss, the Trust is only entitled to receive payment of the amount paid to acquire the Shared Equity Investment together with any unpaid income return on the investment. For information in relation to the risks associated with Shared Equity Investments are set out on page 11.

Shared Equity Investments generate an annual income return payable to the Trust which, as at the date of this PDS, commences at 3.25% per annum of the Trust's investment for the first five years of each investment, and then increasing annually with the applicable CPI. The income returns on new investments are reviewed as part of the regular investment strategy review and are adjusted to reflect current market returns on rental properties.

The Fund Manager considers it prudent to have a minimum three year term to minimise the risk of a reduction in property values on refinancing or sale of the Underlying Property, and to protect all investment amounts and income returns to be received by the Trust by registering a second mortgage and/or caveat over the Underlying Property.

The terms of the underlying shared equity arrangement and second mortgage are set out in an agreement between the Home Owner and Home Affordability Solutions.

Tenanted Residential Property

The Trust may hold a portfolio of Tenanted Residential Properties, either directly or indirectly for the purpose of acquiring Tenanted Residential Property.

The Trust will invest directly or indirectly in residential homes, townhouses, units and apartments in affordable sectors of the property market with capital growth potential.

- The residential properties will predominantly be new properties in master planned communities and established residential properties, in greater Sydney, Melbourne and Brisbane metropolitan areas. Over time the Trust's investment strategy is expected to expand to include tenanted real property invested across the metropolitan areas of other Australian capital cities.
- Where the Trust enters into house and land packages in master planned communities, the residential properties will be acquired at a fixed price building contract.
- Residential properties held directly or indirectly by the Trust will be tenanted and the Trust will receive net rental income derived from the tenants.
- The Trust will seek to obtain capital gains on the properties over a medium to long term. Properties are expected to be held for 8 to 10 years, but the timing of any sale will be determined by market conditions.
- Licensed real estate agents selected and monitored by the Fund Manager will undertake the property management and location of tenants. The residential properties are to be maintained in good order.
- The Trust's investment strategy is to invest in newly constructed residential properties as a preferred investment option, resulting in lower maintenance costs for the Trust and provide the Trust with builder warranty insurance cover against building defects.
- The Fund Manager will consult with Treadstone to identify cost effective house and land packages in master planned communities as referred to on Page 7.

Other Investments

The Trust holds other investments to provide the flexibility to acquire Shared Equity Investments and Tenanted Residential Properties as they come to market. In addition, funds are held to provide the Trust with running yield.

Other investments may include the following:

- **Home Loans**

An investment in a Home Loan may be arranged and managed by the Arranger on behalf of the Trust, which in light of the rights and nature of the Home Loan will entitle the Trust to an equitable interest in the underlying home loan.

Any Home Loan investments arranged and managed by the Arranger, a licensed credit provider, must meet Prime Credit home lending criteria and be made only to Home Owners who are primarily borrowing from a third party lender who holds a first registered mortgage, and where the value of the residential property that secures that mortgage meets the required loan-to-valuation ratio.

- The Fund Manager will seek to target an investment in Home Loans for the Trust's portfolio which are predominantly located in the preferred capital growth areas identified under the Trust's investment strategy.
- The Trust will receive principal and interest or interest only returns on the Home Loans in the portfolio, which is protected by a second mortgage and/or caveat over the Underlying Property.
- The portfolio of Home Loans will include exposure to traditional variable rate and fixed rate home loans, the terms of the underlying home loan and second mortgage are set out in an agreement between the Home Owner and Home Affordability Solutions.

Our Investment Policies

Continued

- **Property trusts**

The Fund Manager may invest in listed and unlisted property trusts to provide the Trust with further exposure to real property. These investments will normally be held pending investment into Shared Equity Investments or Tenanted Residential Properties.

- **Cash and fixed interest**

Investments in cash and fixed interest securities provide the Trust with liquidity for day-to-day expenses and distributions.

Gearing

The Constitution provides the Trust with power to borrow and incur debt. If the Trust does enter into borrowing arrangements, the terms will usually be that the financier will:

- provide finance to the Trust on market terms and conditions, secured by mortgages over Tenanted Residential Properties held by the Trust; and
- receive regular principal and interest repayments from the Trust.

The Trust will keep its gearing ratio below 40%. That is, the Trust will maintain a level of borrowings below \$400 for every \$1,000 of Assets.

The Trust will not enter into borrowing arrangements if doing so would result in the Trust's gearing ratio exceeding 40% of the Gross Asset Value of the Trust.

Investors should be aware that where the Trust acquires an indirect investment in a residential property through a special purpose vehicle, that vehicle may borrow for the acquisition, or during the term of the holding, of that property. This borrowing will be treated as a borrowing of the Trust.

As at the date of this PDS, the Trust indirectly incurs borrowing or debt through a sub-trust which has borrowed to purchase a property that is being constructed.

The borrowing of this sub-trust is taken into account when the Fund Manager monitors the Trust's compliance with its gearing policy.

Trust Valuation Policies

Valuations of real property will be undertaken under the Trust's valuation policy.

An independent valuation by an appropriately qualified valuer will be conducted before the purchase of any Tenanted Residential Property. Home Affordability Solutions must also ensure that for any Shared Equity Investment or Home Loan, the Underlying Property meets the loan-to-valuation ratio adopted by the Trust.

A valuation will also be undertaken within 2 months if we believe that there has been a material change in value post an independent valuation.

Labour Standards, Environmental, Social and Ethical Considerations

Whilst we intend to conduct our affairs in an ethical and sound manner, our investment criteria do not take into account labour standards, environmental, social or ethical considerations for the purpose of selecting, retaining or realising an investment of the Trust.

Risks of Investing

Due to the illiquid nature of the Trust, it has been determined to be a high-risk investment. Real property assets tend to be less liquid than other forms of investment and since the Trust's Assets are directly or indirectly invested in real property, there is a risk that it will take longer to withdraw from the Trust.

All investments carry risks. Different investment strategies may carry different levels of risk, depending on the assets acquired under the strategy.

The level of risk for each person will vary depending on a range of factors, including age, investment timeframes, where other parts of your wealth are invested and your risk tolerance.

Risks that should be considered when investing in the Trust include, but are not limited to, the following:

Risk	Details	Possible Consequences
Market Risk	Supply/Demand for property affects market value, and the sale price.	Capital growth may not occur or may be only a small percentage increase on the original Purchase Price of Property Investments so that the Trust may receive little or no capital gains on Underlying Properties, leading to a reduction or elimination of net realised capital gains distributed to Unit holders over a particular period.
	Sale price of the home is less than the aggregate amounts owing and secured by mortgage against the property including unpaid interest and costs.	The Trust may have to bear a capital loss leading to a decrease in the value of Units.
Tenancy Risk	The Tenanted Residential Properties might not be tenanted for some time.	Periods of tenant vacancy will reduce the rental income of the Trust, leading to a reduction of the Distributable Income (if any) of the Trust. To mitigate this risk, the Trust will seek to invest in low tenant vacancy areas.
Concentration Risk	As the Trust is highly concentrated and dependent on the one type of asset, the performance of the Trust will be more sensitive to the movements of the property prices and the ability of Home Owners to meet their obligations.	Concentration risk is the potential for a loss in value of the Trust which may arise if a major tenant, several tenants or Home Owners default. This will result in changes to liquidity or withdrawal availability which may arise when a significant investor or group of investors divest their investment at the same time or within a short period of time.
Insurance Coverage Risk	Insurance may not cover certain events which may affect Property Investments in the portfolio.	<p>If a Property Investment is affected by events that are not covered by insurance, this may mean that the Trust may require unbudgeted capital outlays from the Assets of the Trust to repair the damage to the property to protect or maintain subsequent rental income and/or capital gains.</p> <p>The performance of the Trust may be adversely affected where any unforeseen event results in losses to the Trust due to uninsurable or underinsured risks or the cost of the insurance premiums being in excess of those forecasted. Any failure by an insurer or reinsurer may also adversely affect the Trust's ability to make claims under an insurance policy. These occurrences may result in a loss of capital, in turn reducing the price of units and amounts that may be available for distribution by the Trust.</p>
Investment Risk	The Home Owner may attempt to borrow against entire property value including the Trust's equity portion.	This could adversely affect the ability of the Trust to recover its investment and may increase the risk of default and a forced sale of the Underlying Property. To mitigate this risk, the Trust will have the benefit of a second ranking mortgage and/or caveat over the Underlying Property.

Risks of Investing

Continued

Risk	Details	Possible Consequences
Property Risk	Value of direct and indirect property assets are closely linked to rental income, tenancy or Home Owner quality, location, supply and demand factors and environmental risks (such as land contamination or cost of removing hazardous materials)	<p>Changes to any elements that are linked to the property assets will affect the value of the Underlying Property and ultimately the value of the Trust's investments.</p> <p>While in the day to day operations of the Trust there is an allowance for known capital works and maintenance, unforeseen repairs and works can lead to the reduction of income available for distribution.</p>
Gearing Risk	The Trust may borrow to invest in more properties without being able to meet its borrowing obligations.	The Trust may not be able to meet its current and ongoing obligations if it is highly geared, which can lead to the Assets of the Trust being at risk. To mitigate this risk, the Trust's policy sets a maximum gearing ratio and a minimum Interest Cover Ratio on borrowings.
Valuation Risk	The valuation of the Underlying Properties may be defective or unable to be relied upon by the Trust.	This is only a risk to investors if the amount realised on realisation of the investment that was entered into following a valuation is insufficient to cover the capital and other amounts due to the Trust. The valuation policy for the Trust is that the valuation is from a valuer registered in the locality of the property who is independent and experienced, and as far as possible if the valuation is not obtained by the Trust it receives the benefit of the valuation. There is also a risk that even if a valuation is negligent or otherwise defective, liability may be denied by the valuer's insurer.
Construction and Development Risk	Construction of new properties will not be completed on time, or the construction costs may be higher than expected. Other risks include the developer being unable to complete the project at all or the developer or its contractors going into liquidation.	Delays and increased costs in construction contracts may result in the completed property value being less than the aggregate construction cost and land cost. The Trust will not lend to developers of properties. To mitigate this risk, the Trust will seek fixed price construction contracts and to reduce other risks, the Fund Manager will undertake extensive due diligence and/or take out appropriate insurance.
Law and Government Policy/ Taxation Risk	Changes in taxation treatment, monetary policy may adversely affect the Trust, the investors or the market generally.	Changes to Government policies can either promote or discourage investments. Whilst no entity has control over these policies, the Trust will continue to monitor these events and attempt to minimise any exposure to these changes by seeking expert advice.
Economic Conditions/ Interest Rate Risk	Inflation, unemployment, changes in interest rates and changes in consumer demand.	<p>A decrease in consumer demand for property and an increase in interest rates may adversely affect the property market, leading to possible decrease in the value of the Assets of the Trust, and income from them.</p> <p>Adverse effects can also be experienced in the form of a stagnant period brought on by the effects of rising inflation and unemployment rates.</p>
National/Global factors	Natural disasters, global pandemics, social upheaval, terrorism.	National and global crisis can discourage investments as consumers may not focus on wealth accumulation or increase their investments in this period. This will affect the Trust and can lead to a plateau in the income of the Trust.

Risks of Investing

Continued

Risk	Details	Possible Consequences
Illiquidity Risk	There is no secondary market for Units. Redemption of your investment may not be possible.	Withdrawals from the Trust are permitted only if the Trust is Liquid when the request for withdrawal is received. Due to the nature of property investments, the Trust is a highly illiquid Trust and is not Liquid within the meaning of the Corporations Act. Lack of liquidity does not affect the ability to transfer Units. However, there is no secondary market for Units so that Units cannot be transferred readily.
Distributions Risk	Distributions derived from capital gains are dependent on timing of the sales of Assets.	It is expected that capital growth from a refinance or disposal of an Underlying Property will be realised from year 5 onwards. However, this is not and cannot be guaranteed. There may be other variable factors – both national and global – such as the Global Financial Crisis, which may reduce the capital growth or eliminate the anticipated capital growth of Underlying Properties, leading to a reduction of net realised capital gains distributed to Unit holders.
	Distributions derived from capital gains and running yield will be affected by the level and pace of investment in the Trust.	Any reduction of property investment or property disposal activity will lower the level of income and capital gain of the Trust and any distributions to Unit holders will be affected.
	Distributions derived from capital gains will also be affected by property values.	The lower the growth in value of properties in the Trust's portfolio, the lower the capital gain obtained on sale or refinance of the Underlying Property. A lower capital gain reduces the share of the capital gain that the Trust obtains from the portfolio, leading to a reduction of net realised capital gains distributed to Unit holders.
Related Party Risk	The risk of the Trust dealing with related parties not being on reasonable commercial terms.	The Responsible Entity has policies in place to deal with related party transactions.
Service Provider Dependence Risk	Heavy reliance on the Fund Manager and the Arranger to arrange and manage investments of the Trust.	<p>The Trust's success depends on the skill and acumen of the Fund Manager and the Arranger, as well as on the persons, including experts, that they engage to provide services to the Trust. The performance of the Trust could be adversely affected if these service providers or their respective key personnel cease to be involved in the active management of or the provision of services to the Trust, or if there is a significant change in their businesses.</p> <p>The Fund Manager has agreed to cap certain expenses of the Trust and thereafter meet these from its own resources, as explained on Page 18. Nevertheless, should the Fund Manager fail to do so for any reason, those expenses must be met from the Assets of the Trust and will decrease the value of the Units.</p>

Risks of Investing

Continued

Risk	Details	Possible Consequences
Operations Risk	<p>A breakdown in administrative procedures or operational controls may cause a disruption of day-to-day Trust operations.</p>	<p>Operational risk relevant to the Trust includes system failures, the risk of errors, fraud or other criminal activity, and events that might disrupt the normal course of operating the Trust and may lead to delays, or at worst, failures for functions that investors rely on.</p> <p>This includes any failures by the Responsible Entity, the Fund Manager, the Arranger, and other service providers to the Trust, such as the Trust Administrator, the Registry and the Custodian and third parties. This includes the risk associated with reliance on the effective operation and security of a number of computing and systems processes.</p> <p>Whilst each party has procedures in place for these occurrences and manages administration risk by monitoring these procedures, operational risk cannot be mitigated entirely.</p>
Structural Risk	<p>Investing into assets through a managed investment scheme may give outcomes different from those that flow from investing directly into those assets.</p>	<p>Investing in the Trust as a managed fund is not like investing directly in the Assets. A managed fund takes into consideration all applications and withdrawals made by all Unit holders, which can result in different income or capital gains outcomes when compared with investing directly.</p> <p>As a result income from the Trust may be different to that received from investing directly in the Assets including the taxation treatment, liquidity of the investment and control over the investment.</p>

How you can reduce risk

There are ways you can reduce your investment risk, including:

- Obtain professional investment advice. A professional financial adviser will help ensure that the investment decisions you make are appropriate, bearing in mind your investment objectives, financial and personal situation, risk tolerance and level of investment experience.
- Diversify your investments across varying asset classes, markets and countries. This can help reduce the impact that events affecting one asset class, market or country will have on your overall investment.



Fees and Other Costs

Consumer Advisory Warning

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 investment 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 administration fees.
Ask your 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) has a managed investment fee calculator to help you check out different fee options.

Fees and Costs Summary

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 Trust as a whole. Taxes are set out in another part of this document on Page 23.

You should read all the information about fees and costs because it is important to understand their impact on your investment. For Indirect Investors, the fees listed in the 'Fees and Other Costs' section of this PDS are in addition to any other fees and charges charged by your IDPS Operator.

Fees and Other Costs

Continued

Fees and Other Costs

STOREHOUSE RESIDENTIAL TRUST		
Type of Fee or Cost	Amount	How and When Paid
Ongoing Annual Fees and Costs^{1 2}		
Management Fees and Costs²³ <i>The fees and costs for managing your investment.</i>	3.17% p.a. of NAV ³	The management fee component of the managements fees and costs are payable monthly in arrears from the Trust's Assets and reflected in the Unit Price. Otherwise, the fees and costs are variable and reflected in the Unit Price as they are incurred.
Performance fees <i>Amounts deducted from your investment for the performance of the product</i>	Nil	Not applicable
Transaction costs <i>The costs incurred by the scheme when buying or selling Assets</i>	0.40% p.a. of NAV	The costs associated in the acquisition and disposal of property and any other assets by the Trust.
Member Activity Related Fees and Costs (fees for services or when your money moves in or out of the product)⁴		
Establishment Fee <i>The fee to open your investment</i>	Nil	Not applicable
Contribution Fee <i>The fee on each amount contributed to your investment</i>	Nil	Not applicable
Buy-sell spread <i>An amount deducted from your investment representing costs incurred in transactions by the scheme</i>	Nil	Not applicable
Withdrawal Fee <i>The fee on each amount you take out of your investment</i>	Nil	Not applicable
Exit Fee <i>The fee to close your account</i>	Nil	Not applicable
Switching Fee <i>The fee for changing investment options</i>	Nil	Not applicable

Notes:

1. The basis on which the percentages above are calculated is explained below in Additional Explanation of Fees and Costs. Except where indicated, all percentages are rounded to 2 decimal points. All amounts are inclusive of GST less any applicable RITCs.
2. The total Management Costs of 3.17% p.a. of NAV represents the aggregate of the management fees, ongoing legal and marketing costs, and Intellectual Property (Royalty) Fees which we will charge for the duration of this PDS. These are explained further below in Additional Explanation of Fees and Costs.
3. From the date of this PDS, 0.35% of the total Management Costs of 3.17% relate to capitalized costs which will be amortised over 5 years. After 5 years, these costs will not be incorporated into the Management Costs.
4. If you have a financial adviser, then you may also have to pay additional fees to your adviser. Details of those fees should be set out in the Statement of Advice given to you by your adviser.

Fees and Other Costs

Continued

Example of Annual Fees and Costs

The table below gives an example of how the fees and costs for the Trust can affect your investment over a one year period. You should use this table for comparison with other managed investment products.

Type of Fee or Cost		Balance of \$50,000 investment with a contribution of \$5,000 during year
Contribution Fees	Nil	For an additional \$5,000 you put in, you will be charged \$0..
PLUS Management Fees and Costs	3.17% p.a. of the NAV	And, for every \$50,000 you have in the Trust you will be charged \$1,585.00 each year.
PLUS Transaction Costs	0.40% p.a. of the NAV	And, you will be charged or have deducted from your investment \$200.00 in transaction costs.
EQUALS Cost of Trust		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of \$1,785.00. What it costs you will depend on the fees you negotiate with the Trust or your financial adviser.

Notes:

1. Additional fees may apply. See the Additional Explanation of Fees and Costs commencing on Page 19 of the PDS. These are not included in the above numbers as they are dependent on an event, including the disposition or sale of Property Investments, the timing of which cannot be pre-determined.
2. This example assumes the \$5,000 contribution occurs at the end of the year and so Management Costs are calculated using initially the \$50,000 balance only (which is an amount net of the Establishment Fee paid on investment of the initial investment) and then on the \$55,000 balance plus the Contribution Fee paid.
3. All numbers shown are inclusive of GST less any applicable RITCs.

Fees and Other Costs

Continued

Additional Explanation of Fees and Costs

Management Fees and Costs

Management fees and costs include amounts payable for administering and operating the Trust, investing the Assets of the Trust, expenses, and reimbursements for the Trust and indirect costs if applicable.

Management Costs do not include transaction costs, which are disclosed separately.

The Management Costs of 3.17% p.a. of the NAV include management fees, administration costs (e.g., unit registry, administration, audit, and custody), other expenses and reimbursements.

Other expenses and reimbursements incorporated into the Management Costs of 3.17% include:

- A conditional exit fee charged to the Trust at 0.56% of the settlement amount of a Shared Equity investment when the gain exceeds 3.00% of the purchase price. Settlement amount in this instance is defined as the balance outstanding as at the date of settlement plus the share of capital gain (gross increase of value of the property from the date the property was purchased or refinanced with Home Affordability Solutions to the date the property is sold or refinanced). As at the date of this PDS, conditional exit fees amounted to 0.04% of the 3.17% of the Management Costs however this may vary from time to time.
- An Intellectual Property Licence (Royalty) Fee charged monthly to the Fund of 0.21% p.a. of the NAV is payable from the Assets of the Trust.
- Capitalised costs representing 0.35% of the NAV. These will be amortised over 5 years. After 5 years, these costs will not be incorporated into the Management Costs.

The Constitution allows for the Management Fee to be taken quarterly in advance. However, we only charge this fee monthly in arrears.

Abnormal Expenses

We are entitled to be reimbursed from the Assets of the Trust for abnormal expenses, such as the cost of Unit holder meetings, retirement or replacement of the responsible entity, defending legal proceedings, special valuation of Assets and the costs of terminating the Trust. These abnormal expenses are not generally incurred during the day-to-day operation of the Trust and are not necessarily incurred in any year. The timing and costs incurred in these events cannot be predicted with any certainty. If they arise, we reserve our right to deduct these

abnormal expenses from the Assets of the Trust except where otherwise specified in the PDS.

Transaction Costs

The transaction costs of buying and selling real estate in Australia, compared with other asset classes, is high.

These costs are generally incurred regardless of whether an individual or the Trust is making the transaction.

Transaction costs will differ depending on the type of Assets bought or sold and will be paid out of the Trust's Assets.

We estimate that the Trust's transaction costs will be approximately 0.40% of the NAV of the Trust. For Tenanted Residential Property Assets, these costs include real estate agent's fees, buyer's agent fees, legal costs, stamp duty, environment, land and water charges and other government charges. In the case of Shared Equity Investments, these costs also include fees paid to Home Affordability Solutions. These costs are included in the total cost of an investment purchased or made by the Trust and are deducted from the proceeds of an investment sold or realised by the Trust. As a result, these costs are not included in or covered by the Management Fees and Costs described in the Fees and Costs Table on Page 17.

Investment Acquisition and Home Affordability Solutions Fees

Investment acquisition fees are payable when the Trust acquires an Asset and an exit fee is paid to Home Affordability Solutions payable when the Trust disposes of an Asset. These fees form part of the Trust's transaction costs.

IDPS Investors

For Indirect Investors in IDPS, the fees listed in the 'Fees and Other Costs' section of this PDS are in addition to any other fees and charges by your IDPS Operator.

Maximum Fees

Fee Type	Maximum fees chargeable under the Constitution
Management Fee	2.56% p.a. (less the Intellectual Property Licence Fee and Investment Acquisition Fee)
Establishment Fee	10.00%
Investment Acquisition Fee	10.45%
Performance Fee	20.50%

Fees and Other Costs

Continued

Waiver and deferral of fees and costs

We may waive part or all of any of the Management Costs described in this 'Fees and Other Costs' section of this PDS at our absolute discretion, or defer payment of fees and costs to which we are otherwise entitled. A waiver may operate for a period of time only, and we may cease the waiver in whole or in part at any time at our absolute discretion.

We may defer the payment of any part of the Management Costs for this period and on the terms we determine. The Management Costs become payable when the deferral ceases.

Differential Fees

We may from time to time negotiate a different fee arrangement (by way of a rebate or waiver of fees) with certain investors who are wholesale investors (as defined by the Corporations Act).

Can the fees change?

Yes, all fees can change without unit holder consent, subject to the maximum fee amounts specified in the Constitution.

You will be given at least 30 days' written notice if, within the limits imposed by the Constitution, the fees payable by the Trust are to increase.

Adviser Service Fee

If you have a financial adviser, a service charge may be separately negotiated with your financial adviser and deducted from your investment moneys before they are invested to buy Units.

This payment is separate from the costs referred to on Page 17 of the PDS.

Details of any service charge should be set out in the Statement of Advice given to you by your financial adviser.

Tax

Information on tax can be found on Page 23 of the PDS.

Investing in the Trust

Initial Investment

Before you apply for Units, you should read this PDS in its entirety to consider whether this investment is suitable for you. This PDS contains general financial product advice only. It has not been personalised for any individual investor. Accordingly, nothing in this PDS should be construed as a recommendation by the Responsible Entity, the Fund Manager or any other person, regarding an investment in Units.

You should consider seeking professional advice from your accountant, stockbroker or other professional adviser before deciding whether to invest in Units.

The minimum initial investment is \$5,000. Any subsequent investments (other than by way of a reinvestment of a distribution) must be a minimum of \$1,000.

In order to apply for Units, please see Page 28, 'How to Apply'.

Withdrawing

The Trust is an illiquid investment. Unit holders should expect to withdraw their investment in the Trust only in the circumstances set out in this section.

While the Trust is not Liquid, a Unit holder has no right to request redemption of Units. Further, while the Trust is not Liquid, a withdrawal from the Trust is permitted only under the requirements of the Corporations Act, that is, when the Responsible Entity makes a withdrawal offer to all investors on a pro-rata basis. On the recommendation of and in consultation with the Fund Manager, the Responsible Entity may look to making periodically a withdrawal offer during the term of the Trust, for instance when Underlying Properties or other assets are sold. There is absolutely no guarantee that any offer will be made.

If the Trust were ever to be Liquid, Unit holders may request that some or all of their Units be withdrawn with the express consent of the Responsible Entity. Where the Responsible Entity has provided their consent, a Unit holder may withdraw their investment by written request to invest@k2am.com.au.

Units may be withdrawn where we determine, in our absolute discretion, the offer to be made to a Unit holder in these circumstances. Units will be withdrawn at the Unit Price last determined immediately before the withdrawal of the Units.

We cannot guarantee, or guarantee the timing, of the withdrawals. We have absolute discretion to deny, fully or partially redeem, or to match withdrawals with other buyers of Units.

A liquidity event may occur as a result of a sale of an Underlying Property or another asset of the Trust. This means that investors may withdraw their investments in the Trust. We will provide Unit holders with at least 60 days' notice if this

occurs. The total withdrawal amount may be pro-rated under all withdrawal requests received.

Transfer of Units

Investors may transfer their Units under the Constitution. This may be done at any time, irrespective of whether the Trust is Liquid or not Liquid. Transfers will not be effective until registered by us. We will make every effort to try and match the Unit holders wishing to withdraw with those that are wishing to buy Units.

Indirect Investors

Indirect Investors, being those who invest through an IDPS which are also known as platforms or wraps may rely on the information in this PDS to give a direction to the operator of the IDPS to invest in the Trust on their behalf. If the Responsible Entity enters into arrangements with IDPS Operators, the Responsible Entity agrees to provide notice to the operators of the IDPS promptly of any supplementary or replacement PDS that is issued under the Corporations Act.

Importantly, investors who invest in the Trust through an IDPS do not become Unit holders of the Trust. In those instances, the Unit holder of the Trust is the operator of the IDPS. Any rights of a Unit holder set out in this PDS may only be exercised by the operator of the IDPS on behalf of the investor for whom they have acquired the Units.

Indirect Investors should read this PDS in conjunction with the IDPS Guide issued by their IDPS Operator for details of your rights and liabilities for your investment through an IDPS. For applications or withdrawals from an IDPS, Indirect Investors should complete the relevant documents for their IDPS or IDPS-like scheme and provide these documents directly to their IDPS Operator. Indirect Investors may receive reports concerning the Trust from their IDPS Operator. Enquiries should be directed to the IDPS Operator.

How the Trust Operates

Unit Prices

The calculation of unit prices is set out in the Trust's Constitution and performed by the Trust's Administrator each Valuation Day.

Broadly, the NAV per unit is calculated by:

1. calculating the NAV plus any Transaction Costs that would be incurred as at the relevant Valuation Day; and
2. then dividing by the number of units on issue, this amount being rounded to the nearest cent (0.5 of a cent will be rounded up).

Unit Prices and thus the amounts payable on application may fluctuate over time, reflecting the value of the underlying assets of the Trust.

The Responsible Entity may exercise certain discretions in determining the price of Units on application and withdrawal in the Trust. Current Unit Prices and those for the last year will be displayed on the Fund Manager's website at: www.storehouseinvestments.com.au/ and the Responsible Entity's website at: www.k2am.com.au. Older prices can be obtained by contacting the Fund Manager.

Distributions

It is intended that distributions will be made on a half yearly or yearly basis as determined by the Responsible Entity, out of the Distributable Income of the Trust and may include both capital and income. The capital distributions may be realised capital gains or capital from the realisation of assets.

Income may comprise of rental income from Tenanted Residential Properties, interest from Home Loans, distributions from property trusts, and interest from cash balances held.

Interim distributions or capital or income may also be made at other times determined by the Responsible Entity in consultation with the Fund Manager.

Neither the Responsible Entity nor the Fund Manager guarantees a distribution in any period.

Indirect Investors should review their IDPS Guide for information on how and when they receive any distribution from the IDPS.

You have the option to:

- reinvest any distributions that you may be entitled to when you apply to the Trust; or
- the distributions may be paid to your nominated account.

If you did not opt to reinvest any distributions when you initially applied for Units, you can write to us at a later time and request that we reinvest any future distributions received for the Units you hold.

Keeping you Informed

To keep you up-to-date with your investments, we will provide you with confirmation of your investment and any withdrawals. We will also send you periodic reports – showing distributions, additional investments, withdrawals and changes in the value of your investment in the Trust since the last statement.

You will also be provided with an annual tax statement which will detail any income paid to you in the financial year, which should assist you in completing your annual tax returns. The annual tax statement will also show the distributions that have been reinvested in the Trust for additional Units.

Taxation Information

The following tax information is of a general nature and should not be considered as taxation advice as it is not tailored for any specific individual and does not take into account the specific circumstances of each individual investor.

It is recommended that each individual seek independent tax advice before making any investment decision to fully understand how this investment may affect them.

As the Australian taxation system is complex and each individual's circumstance is different, we recommend that all investors seek professional taxation advice before investing in the Trust.

Any general taxation information is provided assuming that:

- the investor is an Australian resident for income tax purposes and not under any legal disability;
- the investor will hold Units on capital account for Australian income tax purposes; and
- the investor does not acquire Units in the Trust in the course of carrying on a business of investing in financial instruments and does not hold the Units as trading stock or on revenue account for income tax purposes.

Tax Position of the Trust

All taxable income of the Trust, including net capital gains, is distributed to Unit holders each year. This means that under existing Australian tax law, provided that a registered managed investment scheme distributes sufficient income (which may include net realised gains) to Unit holders, the scheme will not pay tax on behalf of members. Rather, members will be assessed for tax on the income and capital gains generated by the scheme.

Tax on Distributions

Your share of Trust distributions for a financial year is part of your assessable income for the year and will be subject to tax at your marginal tax rate. This is the case whether or not your distribution is reinvested or if you receive the distribution in the following financial year. Distributions can be made up of income, net capital gains and capital.

Tax on Withdraw

Partial or full withdrawals from the Trust, including the withdrawal of Units to meet adviser service fees, transfer and redemption of units are treated as a disposal for tax purposes and you may be subject to capital gains tax ('CGT').

If you are an individual and you hold an investment in the Trust for more than 12 months, you may be entitled to reduce your CGT liability by 50%; other tax payers (for example, complying superfunds), may be entitled to a 33 1/3% CGT concession.

A capital loss of a Unit holder may be used to offset capital gains of the Unit holder. The receipt of tax free or tax deferred distributions (including returns of capital) may not need to be included in the assessable income reported on your tax return, but these amounts will generally reduce the cost base of your investment upon withdrawal for capital gains tax purposes.

AMIT

A new regime for the taxation of managed investment trusts that qualify as an 'Attribution Managed Investment Trust' ('AMIT Rules') was introduced in 2016. The Responsible Entity is endeavouring to structure the Trust so that it is eligible to apply the AMIT Rules. If the Trust is eligible to apply the AMIT Rules, the Responsible Entity intends to make an irrevocable AMIT election.

Where an election is made, some of the key consequences of the AMIT Rules include (but are not limited to):

- the allocation of taxable income to investors based on 'attribution' rather than present entitlement to the income of the Trust. The amount attributed to investors will be advised in an AMIT Member Annual Statement ('AMMA Statement'). The AMMA Statement will set out the amount attributed to investors and other relevant tax information;
- the ability to carry forward 'unders' and 'overs' distributions of income to future income years, rather than requiring amendment to the tax calculation or annual tax statements of the income year to which they relate;
- CGT cost base reduction in an investor's Units where the taxable income attributed to an investor is less than the cash distribution for an income year;

- CGT cost base increase in an investor's Units where the taxable income attributed to an investor is greater than the cash distribution for an income year;
- the Trust will be deemed to be a 'fixed trust' for tax law purposes; and
- in general, foreign investors who invest into an AMIT are eligible for a 15% withholding tax rate of taxable distributions provided the investor is located in an Exchange of Information Country (for example, Singapore). However, from 1 July 2019, any assessable income of the Trust that is attributable to an asset that is residential housing (other than affordable housing) is treated as non-concessional MIT income and subject to withholding tax at a rate of 30% (regardless of which country the foreign investor is located). A transitional rule ensures that eligible Trusts directly or indirectly holding residential property have a 10 year transitional period before the increased withholding tax rate applies to assets held on 14 September 2017.

The acquisition, redemption and transfer of Units in the Trust should not be subject to GST. Distributions made by the Trust should also not give rise to any GST consequences.

Investors are advised to seek their own professional advice for individual financial and taxation matters relating to an investment in the Trust.

Goods and Services Tax

The application and withdrawal of Units in the Trust is not subject to GST. There is no GST applicable to any distributions that you receive on your investment. Any fees and costs indicated, relating to the Trust are inclusive of GST less any available reduced input tax credits ('RITCs').

Tax File Number (TFN) Withholding Tax

You are not required to quote your Tax File Number ('TFN') however if one is not provided, the Trust is required to withhold tax on income distributions at the highest marginal tax rate and levies.

Your Rights and Ours

Constitution

The Trust is a registered managed investment scheme and governed by the Constitution and a compliance plan. The statements in this PDS are only a summary of the provisions in the Constitution. Investors may inspect a copy of the constitution at request to the Responsible Entity.

The Constitution allows for more than one class of Units to be offered to Unit holders. There is currently only one class of Units on issue.

Cooling off period

Whilst the Trust is illiquid, the cooling off period does not apply. If the Trust is Liquid, a cooling off period applies so that we will return your money to you and no fees will apply (but the refund may be adjusted to reflect any change in Unit Prices, positively or negatively, and there may be some tax or duties payable) if you cancel your investment in writing. The 14-day cooling off period commences on the earlier of you receiving confirmation that your investment has been accepted or five Business Days after the day on which Units were issued to you. Cooling off does not apply to amounts under the distribution reinvestment plan. Nor do they apply to investors who are wholesale investors.

Indirect Investors should seek advice from their IDPS Operator as to whether cooling off rights apply. Cooling off rights may not apply if you are an Indirect Investor. The terms and conditions of the IDPS Guide will govern your investment in the Trust.

The Life of the Trust and Termination

The Trust has a life of 80 years less one day after its commencement on 1 August 2012 unless:

- it is terminated earlier under the Constitution or by law including by us when permitted to do so; or
- before the end of the term, the Unit holders vote by special resolution to amend the Constitution to extend the life of the Trust.

On termination, the Trust will be wound up in an orderly fashion and the net proceeds distributed to Unit holders in proportion to the Units held by them under the terms of the Constitution.

Rights of the Responsible Entity

We are not liable to any Unit holder for making tax or similar payments. We may accept or decline all or part of an application without giving any reason. We are entitled to be indemnified out of the property of the Trust for any liability incurred by us in properly performing any of our duties or exercising any of our powers concerning the Trust or attempting to do so. We are not liable to Unit holders in the Trust to any greater extent than the assets held in the Trust except to the extent of any negligence, default, breach of trust or duty of the Responsible Entity.

Replacement of Responsible Entity

The Responsible Entity may retire effective on appointment of a new responsible entity. Any retirement and appointment of the replacement responsible entity must be under the Corporations Act and the Constitution.

Related party contracts and conflict of interests

In its position, as responsible entity and trustee of the Trust, the Responsible Entity may from time-to-time face conflicts between its duties to the Trust as trustee and responsible entity, its duties to other funds that it manages and its own interests. The Responsible Entity will manage any conflicts under the Corporations Act, the Constitution, ASIC policy, its conflicts of interest policy, and the law.

Neither the Fund Manager nor any other member of the Storehouse Group is a related party of the Responsible Entity. The contractual arrangements between it and Fund Manager are negotiated at arm's length between parties.

The Responsible Entity may from time-to-time enter into other transactions with other related entities. All transactions will be effected at market rates or at no charge, and under the Corporations Act.

The Responsible Entity and the Fund Manager have policies on proposed or potential related party transactions to ensure that any actual or potential conflicts of interest are identified and appropriately dealt with. Copies of the Responsible Entity's policy on related party transactions are available by contacting it on invest@k2am.com.au.

Members of the Storehouse Group (and their directors and associated parties) may invest from time-to-time in the Trust on the same basis as other Unit holders. In carrying out its management duties and obligations to the Trust, the Fund Manager may use the services provided by companies related to it on arm's length terms, such as Home Affordability Solutions.

Home Affordability Solutions will be entitled to remuneration at normal commercial rates for its services in arranging and managing the Shared Equity Investments and any Home Loans, and coordinating payments of amounts arising from the exposure to the underlying residential properties to the Trust.

Trust accounts

The Responsible Entity is responsible for maintaining the accounts of the Trust under the Corporations Act. The annual financial report of the Trust is audited and available free of charge by calling the Responsible Entity on (03) 9691 6111 or the Fund Manager on (02) 8404 0455. Further contact details for each are in the Corporate Directory. The Trust auditor audits the Trust and reports on the accounts and other matters as required by the Corporations Act.

Other Information

Continuous Disclosure and Updated Information

The Trust is a disclosing entity for the purposes of the Corporations Act and will be subject to regular reporting and disclosure obligations. The Responsible Entity will follow ASIC's good practice guidance in satisfying its continuous disclosure obligations via website notices.

Information about the Trust, including its performance, can be accessed by contacting the Fund Manager on (02) 8404 0455 or at its website at www.storehouseinvestments.com.au/ and the Responsible Entity's website at www.k2am.com.au.

The above information may at our discretion be provided to you by email or through other electronic means except as required by law. Your financial adviser may ask us to provide them with information about your investment and may also view your account details online where available. It is our policy to supply this information unless you have instructed us in writing not to do so.

You can obtain a copy free of charge of the annual financial report most recently lodged with ASIC for the Trust.

Complaints Resolution

If you have a complaint about any aspect of your investment, please call us on: (03) 9691 6111 , send us an email at compliance@k2am.com.au or write to:

K2 Asset Management Ltd

Level 32, 101 Collins Street
Melbourne VIC 3000

We will acknowledge your complaint within 24 hours of receiving it, or as soon as practicable. We will use reasonable endeavours to resolve your complaint fairly and as quickly as we can and within the maximum response timeframe. The maximum response timeframe is 30 days for standard complaints. Other types of complaints and complex complaints may have a different maximum response timeframe. We will let you know if a different maximum timeframe will apply to your complaint.

If you are unsatisfied with our determination, then you may have the right to complain to:

Australian Financial Complaints Authority

Phone 1800 931 678

Post GPO Box 3, Melbourne VIC 3001

Email info@afca.org.au

Web www.afca.org.au

Please quote our AFCA membership number: 12481

If you are an Indirect Investor, then enquiries and complaints should be directed to the operator of the IDPS.

Privacy

You should read the important information about how our privacy policy works, before making a decision. Please read the Responsible Entity's Privacy Policy , which can be downloaded at www.k2am.com.au.

Anti-Money Laundering and Counter-Terrorism Financing Act

Australia's AML/CTF laws require the Responsible Entity to adopt and maintain a written AML/CTF Program. A fundamental part of the AML/CTF Program is that up-to-date information must be maintained about investors (including beneficial owner information).

To meet this legal requirement, we may need to collect certain identification information (including beneficial owner information) and documentation (**KYC Documents**) from new investors. Existing investors may also be asked to provide KYC Documents as part of an ongoing customer due diligence/verification process to comply with AML/CTF laws.

In order to comply with AML/CTF laws, the Responsible Entity may also disclose information including your personal information that it holds about the applicant, an investor, or any beneficial owner, to its related bodies corporate or service providers, or relevant regulators of AML/CTF laws (whether inside or outside Australia). We may be prohibited by law from informing applicants or investors that such reporting has occurred.

The Responsible Entity shall not be liable to applicants or investors for any loss you may suffer because of compliance with the AML/CTF laws.

Foreign Tax Compliance Disclosure

Foreign Account Tax Compliance Act ('FATCA') is tax legislation that enables the Internal Revenue Service of the United States of America ('USA') to identify and collect tax from USA residents that invest in assets through non-US entities. The OECD Common Reporting Standards for Automatic Exchange of Financial Account information ('CRS') is a similar global regime aimed at collecting and reporting on investor's tax status. If you are a foreign resident for tax purposes, then you should note that the Trust will comply with its FATCA and CRS obligations by collecting, retaining and reporting about certain investors to the Australian Taxation Office ('ATO').

In order for the Trust to comply with its FATCA and CRS obligations, we may require potential investors to provide certain information about themselves including their country of tax residence, and may include providing their US Taxpayer Identification Number ('TIN') or CRS status as appropriate.

How to Apply

To apply, you must:

1. Read this PDS carefully and in its entirety. It is available at www.storehouseinvestments.com.au/ and at www.k2am.com.au or by calling the Registry on (02) 8188 1510.
2. You should seek independent legal, financial planning/taxation advice before applying for units in the Trust. If there is anything that you do not understand you should ask questions.
3. Complete the Application Form, and the sections that are relevant to you, available at www.storehouseinvestments.com.au/ and at www.k2am.com.au or by calling the Registry on (02) 8188 1510.
4. Your application will not be considered complete and capable of being processed until the Responsible Entity has received:
 - a. a correctly completed Application Form signed by all relevant parties;
 - b. application moneys in cleared funds transferred in the manner described in the Application Form; and
 - c. your identification documents under the AML/CTF requirements and any other tax
 - d. payer identification requirements described in the Application Form.

Please note that as part of the application process the Responsible Entity is required by law to verify your identity before accepting your application. Please refer to the Anti-Money Laundering and Counter-Terrorism Financing Act referred to on Page 28.

Application Forms for Units must be received before 2.00pm Sydney time not less than three Business Days before the Valuation Day. Completed Application Forms received before the cut-off time will be processed using the Issue Price determined as at the last day of the applicable month. Completed Application Forms received after this cut-off time will be taken to have been received before the cut-off time of the next or following month as applicable (that is a Business Day) at the applicable Issue Price. The manner in which the Issue Price is determined is set out in 'Unit Prices' referred to on Page 22.

Units will be allotted or issued on the next Business Day after your Application Form is accepted.

Glossary

ACL	Australian Credit Licence.
AFSL	Australian Financial Services Licence.
Application Form	The form that accompanies this PDS which persons wishing to invest in Units must complete and lodge with the Registry.
AML/CTF Program	The AML/CTF Program required by the <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (Cth).
Arranger	Home Affordability Solutions.
ASIC	The Australian Securities and Investment Commission.
Assets	All of the property, investments, rights and income of the Trust from time-to-time.
Business Day	A day other than a Saturday, Sunday or public holiday in Sydney, New South Wales
Constitution	The Constitution of the Trust dated 25 March 2009 as amended.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
CPI	All Groups Consumer Price Index as further described in the relevant agreement and may change from time-to-time under that agreement.
Custodian	The Custodian for the Trust is Certane CT Pty Ltd ABN 12 106 424 088 Australian Financial Services Licence Number 258829.
Distributable Income	Distributable Income has the meaning given to that term in the Constitution.
Fund Manager	Storehouse Pty Limited ABN 15 106 578 018.
Gross Asset Value or GAV	The total value of Assets of the Trust.
GST	Goods and services tax as defined in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth) as amended.
Home Affordability Solutions	Home Affordability Solutions Pty Limited ABN 49 611 323 169 Australian Credit Licence Number 486005.
Home Loan	A loan that is made to a Home Owner by Home Affordability Solutions towards the purchase or refinance of an Underlying Property with money indirectly provided by the Trust.
Home Owner	A person who owns an Underlying Property.
IDPS	Investor directed portfolio service. An IDPS is a vehicle through which an Indirect Investor purchases a range of underlying investment options from numerous investment managers.
IDPS Operator	An entity that operates and offers an IDPS.
Indirect Investor	Indirect Investor has the meaning given on Page 21 of this PDS.
Interest Cover Ratio	A ratio used to determine how easily a person can pay interest on their outstanding debt. The interest coverage ratio is calculated by dividing a person's income and earnings for a period by their interest and debt expenses of the same period.

Issue Price	The Issue Price of a Unit from time-to-time as calculated under the section How the Trust Operates on Page 22.
Liabilities	At any time, the aggregate of the following at that time as calculated by the Responsible Entity: (a) each liability of the Trust or, where appropriate, a proper provision under Australian accounting standards for that liability; (b) each other amount payable out of the Trust or, where appropriate, a proper provision under Australian accounting standards for that liability; and (c) other appropriate provisions under Australian accounting standards.
Liquid	Liquid has the meaning given by section 601KA(4) of the Corporations Act. A scheme is only liquid if liquid assets account for 80% or more of the value of the scheme property. Assets are liquid if the responsible entity of the scheme reasonably expects them to be able to be realised for market value within the time provided in the constitution of that scheme for satisfying withdrawal requests while the scheme is liquid which, in the case of the Trust, is a reasonable time after the receipt of the request.
Net Asset Value or NAV	The value of Assets of the Trust less the value of the liabilities of the Trust.
PDS	Product Disclosure Statement.
Prime Credit	A Prime Credit is determined by a satisfactory report on an individual borrower obtained from an independent credit history-reporting agency, a satisfactory independent valuation of the subject property, minimum servicing and minimum deposit requirements as determined by a panel of Australian home lenders selected by Home Affordability Solutions.
Property Investment	A Property Investment means each Tenanted Residential Property and Shared Equity Investment.
Purchase Price	The price paid by the Trust to acquire the Property Investment.
Realisation Price	The amount received by the Trust on the sale, realisation or other disposal of the Property Investment.
Register	The Unit register maintained by the Registry.
Registry	The unit registry appointed from time to time by the Responsible Entity.
Responsible Entity	K2 Asset Management Ltd ABN 95 085 445 094 AFSL 244393
RITC	Reduced input tax credits.
Shared Equity Investment	An indirect investment in a residential property under which the Trust indirectly invests together with a Home Owner who is acquiring the residential property, for a proportionate equitable investment in the residential property that entitles the Trust to receive back its investment, an income return and a share in any capital gain at the end of the investment term.
Tenant	A person who pays rent for a Tenanted Residential Property held by the Trust.
Tenanted Residential Property	A residential property that is acquired directly or indirectly by the Trust with the purpose that it will be tenanted.
Transaction Costs	The Responsible Entity's estimate of the total expenses related to acquiring the Assets (including costs, commissions, brokerage, fees, taxes and duties), excluding the actual cost of the Assets, or a lesser amount determined by the Responsible Entity (to the extent permitted by the Corporations Act).
Treadstone	The Treadstone Company Pty Ltd ABN 75 063 262 706.
Trust	Storehouse Residential Trust ARSN 135 812 074.

Glossary

Continued

Trust Administrator	The trust administrator appointed from time to time by K2.
Underlying Property	A home that is purchased or refinanced by the Home Owner using funds partially provided by the Trust.
Unit	A unit in the Trust.
Unit holder/member	A holder of a Unit.
Unit Price	The price of a Unit from time-to-time as calculated under the section How the Trust Operates on Page 22.
Valuation Day	Last day of each calendar month or as determined by the Responsible Entity.
Withdrawal Offer	An offer made by the Responsible Entity to redeem Units made under section 601KB of the Corporations Act.
Withdrawal Price	The Withdrawal Price of a Unit from time-to-time as determined under the section How the Trust Operates on Page 22.

Responsible Entity

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