CFMG Capital

Valuation and Unit Pricing Policy

February 2024

Commitment to the Policy

1. CFMG Equity and Income Funds Limited ACN 112 753 876 AFSL 291390 (**Company**) is responsible entity (**Responsible Entity**) for the following registered managed investment schemes (each a **Trust**):

   (a) CFMG Land and Opportunity Fund ARSN 602 610 006;

   (b) CFMG First Mortgage & Income Fund ARSN 118 670 705;

   (c) CFMG Monthly Income Fund ARSN 602 609 638; and

   (d) CFMG Booval Homemaker Trust ARSN 137 483 188.

2. The Board of the Company is committed to having a dedicated policy for making provision regarding the consideration to acquire an interest in a Trust, for the valuation of Trust assets and for the ongoing monitoring of the value of property securing loan made by the Trust.

3. This Valuation Policy (Policy) has been adopted by the Board and presents the framework upon which the Company will meet its regulatory obligations required under its Australian Financial Services licence (AFSL) and as a Responsible Entity of each Trust.

4. Where there is any doubt as to the requirements contained in this Policy, you should have regard to the principle that the Board will always ensure the Company conducts its financial services business in a fair, honest and professional manner in line with the regulatory objective of ensuring the confident and informed participation of consumers and investors in the Australian financial system.

5. The Board is also fully committed to the good practice principles for unit pricing as outlined in *ASIC Regulatory Guide 94 Unit pricing: Guide to good practice* (RG 94) which is a joint ASIC/APRA guide most recently updated in 2008. These principles are to:

   (a) ensure unit pricing policy and practice is consistent with the governing documents for our products (i.e. Constitution);

   (b) ensure that sound unit pricing policies are implemented consistently and kept up-to-date;

   (c) understand that adjustments to unit prices, if based on sound policy, are not errors;

   (d) understand that judgement may need to be applied to develop estimates in some circumstances; and

   (e) ensure that information for unit holders is accessible, timely and useful.

Purpose of this Policy

6. This Policy relates to the Company in its capacity as an AFSL holder and as Responsible Entity of the Trusts. The purpose of this Policy is to document the framework under which unit pricing issues, calculations and valuations are undertaken and to document the procedures and considerations applicable to the ongoing and periodic monitoring of asset value in respect of security held by the Trust

7. The aim of this Policy is to:

   (a) provide a focus within the Company on unit pricing issues;

   (b) detail the Company's general approach to valuation principles;

   (c) seek to achieve equity between unit holders in the calculation of unit prices;

   (d) document the discretions permitted under the Constitution of the Trust including those which are reasonably foreseeable;

   (e) ensure compliance with ASIC Corporations (Managed investment product consideration) Instrument 2015/847 (for schemes registered before 1 October 2013) and ASIC Class Orders 13/655 and 13/657 (for schemes registered after 1 October 2013) in making unit pricing decisions and exercising discretions;

   (f) assist the Company in complying with its legal obligations;

   (g) ensure unit pricing is undertaken in a robust and transparent manner;

   (h) ensure the timing and appointment of property and asset valuers (and the instructions and methodology upon which property and asset valuations are carried out) are appropriate having regard to the nature of the asset and market in which the asset is held; and

   (i) promote a culture of compliance and risk management.

What are the Valuation Principles

8. The Company acknowledges that it is responsible for valuing all assets held by, or on behalf of its clients and that valuation principles vary across different asset classes. The Company's general approach to valuations includes valuing assets in accordance with accounting standards and best practice principles.

Legislative and regulatory requirements

9. AFSL holders are subject to a range of requirements under the *Corporations Act 2001* (Cth) (**Act**) that are relevant to this Policy.

Corporations Act Obligations

10. Pursuant to section 912A(1)(a) of the Act, AFS licensees providing financial services have obligations to do all things necessary to ensure the services are provided efficiently, honestly and fairly and to maintain the competence to provide those services.

Trust Constitution Requirements

11. The Trust constitution requires the following valuation principles:

    (a) The Company may at its discretion cause all or any Assets to be valued by an Approved Valuer. The cost of any valuation is an expense.

    (b) The Company may, at any time, ascertain the Trust Value, and must do so when the Company considers it in the best interest for Members to do so.

    (c) The most recently calculated Trust Value must be recorded by the Company, but if the Company reasonably believes that the value is inaccurate, incomplete or out of date, then the Company must recalculate the Trust Value or have the Trust Value revalued by an Approved Valuer.

    (d) The Company's determination of the Trust Value or the value of an Asset binds all the Members.

    (e) The Company must maintain a record of the value of the Assets.

    (f) In calculating Net Trust Value and Trust Liabilities, the Company may confer with the Auditor to ensure the methodology used is consistent with the Applicable Standards.

    (g) While the Trust is Registered, an Approved Valuer appointed by the Company must:

        (i) not be a related entity or Associate of the Company; and

        (ii) have sufficient experience in valuing a particular kind of asset or property to be valued.

Requirements as to appointing Valuers

12. The following requirements must be met in the selection of a valuer:

    (a) Only a valuer who is:

        (i) a member of an appropriate professional body in the State or Territory where the real property the subject of the Loan Investment is situated and

        (ii) has a minimum of 5 years experience in valuing the type of property they are being instructed to value;

        (iii) is registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists),

        (iv) be independent of the Company or any related body corporate of the Company;

    (b) no one valuer conducts more than one third of the total valuation work undertaken for funds managed by the Company, calculated by the number of security properties;

(c) valuers must include a statement in their valuation reports as to whether the valuation complies with all relevant industry standards and codes;

(d) valuers will be required to hold professional indemnity insurance;

(e) the instructions for the valuer will be prepared in accordance with the Trust's investment strategy and may need to incorporate valuation criteria as set out in debt facility agreements;

(f) no valuer will undertake more than two consecutive valuations of the same real property asset;

(g) valuers will be appointed to the panel of valuers based on their experience in valuing assets of the nature owned by the Trust and in the geographical location of the Trust;

(h) valuations to be obtained in accordance with a set timetable; and

(i) for each real property which is security for a loan made by a Trust managed by the Company, an independent valuation to be obtained:

   (i) before the loan is advanced (or renewed/extended where the LVR is more than 80%, where the security property comprises completed, individually titled residential allotments, or 70%, where the security property comprises real property which is a development site), and the security property is valued on an 'as is' basis and an 'as if complete' basis (as set out in paragraph 16 below); and

   (ii) if the Board of the Responsible Entity considers it is in the best interests of its members they may cause property to be valued.

Frequency of Valuations

13. All valuations must not be more than three (3) months old as at the date of making an initial advance of loan funds to any SPV Developer for a Loan Investment and must be updated within two (2) months of the Board of the Responsible Entity forming the view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant (but in any event no less often than every 3 years).

Other instances in which revaluations may be ordered or required

14. At the discretion of the Board of the Responsible Entity, valuations may also be obtained when the following occurs:

   (a) a material change in the terms of a loan, including as to the amount, duration, or interest rate on renewal relating to a Loan Investment;

   (b) a delay with timing for any Loan Investment; and

   (c) information is discovered that leads the Responsible Entity to believe that there may be a variation in the security value relating to a Loan Investment

15. In determining whether there needs to be a new valuation where a Loan Investment is being extended, or there is an increase in the amount of the borrowing, or a change in the interest rate, the Board of the Responsible Entity may take into account a number of factors such as the SPV Developer (as borrower) loan history, the amount of the loan outstanding, the duration of the extension, and other information from local agents and valuers, such as recent sales and settlements.

Valuation Methodology

16. Before the issue of a loan and on renewal, for development property, on both an 'as is' and 'as if complete' basis and, for all other property, on an 'as is' basis.

Reasonableness of discretions

17. The Board is of the view that it is reasonable to exercise each of the discretions in relation to the valuation of scheme property in accordance with the policy as they are in accordance with accounting standards and best practice principles.

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