BALMAIN FUNDS

BALMAIN DISCRETE MORTGAGE INCOME TRUSTS (BDMIT)

ARSN 155 909 176

RG45 DISCLOSURE STATEMENT

PORTFOLIO INFORMATION AS AT 31 DECEMBER 2023

The Australian Securities and Investments Commission (ASIC) has issued a set of benchmarks and disclosure principles, contained in ASIC Regulatory Guide 45 - Mortgage schemes: Improving disclosure for retail investors (RG45), to help investors understand and access unlisted mortgage schemes, such as the Balmain Discrete Mortgage Trusts (BDMIT).

Information contained in the benchmarks, including how the Trust measure against them is set out in the Benchmarks Section. Information relevant to the disclosure principles is set out in the Disclosures Principles Section.

The Trust is a pooled mortgage scheme that is structured so that upon initially investing in the Trust, your monies are invested in a Cash Management Account and you receive Cash Units with the option to participate in an individual Loan investment within a Sub-trust, offered via a Supplementary PDS. At your discretion, some or all of your Cash Units can be converted into a new class of Loan Unit which relates to that specific Loan. At no stage are your investments pooled with other Loan Units. Whilst some Investors may elect to invest in multiple loans, others may elect only to obtain exposure to a single loan.

The information is current as at 31 December 2023 and has been provided to keep you informed and to assist you in better understanding the nature of this investment.

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BENCHMARK & DISCLOSURE PRINCIPLE 1
LIQUIDITY

BENCHMARK

The benchmark states that for a pooled mortgage scheme, the Responsible Entity has cash flow estimates for the scheme that

1. demonstrate the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months;
2. are updated at least every three months and reflect any material changes; and
3. are approved by the directors of the Responsible Entity at least every three months.

Does the Trust meet the benchmark? If not why not?

The Trust does not meet the benchmark.

When a person invests in the Trust, they are issued Cash units in the Trust. These subscription monies are invested in a cash management account with an Australian bank. Investors in the Trust then have an opportunity to invest in Loan units. The Trust is structured so that investors in Loan units are exposed only to that relevant loan. Each individual mortgage loan is housed in an individual Sub-Trust. The details of each class of Loan unit is set out in the Supplementary PDS pertaining to that Loan. This means that each mortgage loan is bankruptcy remote.

The Credit and Investment Committee (CIC) meets at least once a month and more frequently if required. The CIC discusses each loan and directs the Credit Team to make various investigations based on changes to the market, changes to interest rates or other matters that may impact the loan.

A cashflow forecast for the Trust will not be meaningful to investors in Cash Units or an individual Loan.

DISCLOSURE PRINCIPLES

1. The Trust continues to write new loans. The Investment Manager and the Responsible Entity are committed to achieving returns to investors in line with market conditions.
2. The main risk factor that could affect the liquidity of the Trust remains the failure of borrowers to repay loans to the Sub-Trust and/or to meet contracted interest payments or repayments dates. Together with the ability to realise loan securities where the Sub-Trust is acting as mortgagee in possession and working through the sale of security assets.

BENCHMARK & DISCLOSURE PRINCIPLE 2
SCHEME BORROWING

BENCHMARK

The Responsible Entity in its capacity as Responsible Entity of the Trust does not have current borrowings and does not intend to borrow on behalf of the scheme.

Does the Trust meet the benchmark? If not why not?

The Trust meets the benchmark as it does not have current borrowings and as the Responsible Entity does not intend to borrow on behalf of the Trust.

DISCLOSURE PRINCIPLES

Not applicable as the Trust does not have any borrowings and the Responsible Entity does not have an intention to borrow on behalf of the Trust going forward.

BENCHMARK & DISCLOSURE PRINCIPLE 3

LOAN PORTFOLIO AND DIVERSIFICATION

BENCHMARK

For a pooled mortgage scheme:

a) the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region;

b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets;

c) the scheme has no single borrower who exceeds 5% of the scheme assets; and

d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).

Does the Trust meet the benchmark? If not why not?

The Trust does not meet the benchmark.

There is currently one (1) loan which exceeds 5% of the total scheme assets. The Trust is a pooled mortgage scheme but due to its Sub-Trust structure it is specifically designed to allow Investors the opportunity to select the loans into which they wish to invest in by investing in a specific sub-trust. Whilst some Investors may elect to invest in multiple loans, others may elect only to obtain exposure to a single loan.

Please note that Investors receive a Supplementary PDS for each Loan which discloses the total loan amount and term, valuation details of the security property, Loan to Valuation Ratio (LVR), Borrower information and the address and description of the security property.

DISCLOSURE PRINCIPLES

BDMIT Portfolio Information as at 31 December 2023

LOAN PORTFOLIO STATUS

Number of loans	172
Weighted average loan to value ratio	57.97%
Largest loan size	$111,265,000
Undrawn loan commitments	$0

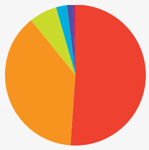
1. Loans by class of activity

CLASS OF ACTIVITY

	RESIDENTIAL	INDUSTRIAL	COMMERCIAL	RETAIL	RURAL	TOTAL
No. of Loans	112	13	33	2	12	172
% of MUM	54.83	10.94	20.43	1.22	12.58	100
Exposure ($)	761,436,264	151,972,423	283,728,464	16,883,328	174,779,479	1,388,799,958

2. Loans by geographic region

GEOGRAPHIC DIVERSIFICATION



	NSW	VIC	QLD	WA	SA	ACT	TAS
No. of Loans	74	72	18	0	3	3	2
% of MUM	51.21	38.18	6.37	0.00	2.30	1.45	0.49
Exposure ($)	711,150,585	530,177,824	88,529,138	-	31,975,000	20,112,411	6,855,000

3. The proportion of loans that are in default or arrears for more than 30 days; (A Responsible Entity should disclose, by number and value, the proportion of loans that are in both default and arrears if these terms have different meanings in the Trust's lending policy.)

   The Trust has a well-developed arrears recovery policy to ensure that defaulting loans are either brought back into order by the borrower at the earliest possible time, or the property used as security for the loan is ultimately sold by us as mortgagee.

   We commence formal recovery action once a borrower has defaulted on two monthly interest payments. This action continues until we gain possession of any property used as security for a loan, or until the borrower rectifies the arrears on the loan.

   If at any time we determine that there will not be full recovery on any defaulting loan we cease the accrual of income on that loan and subsequent payment in the distribution (of course the interest and penalties continue to accrue to the borrowers loan account). If we determine that the principal outstanding is at risk of not being recovered in part or full we make a provision for a bad and doubtful debt in the accounts of the Trust.

   In recovery situations we may on occasion undertake capital improvements to property used as security where we believe the expenditure will enhance its saleability. We may also consider re-zoning applications or other value add activities to improve the saleability of a property. As well, we may defer the sale of a property if we believe the return to investors would be greater by selling the property at a later date.

LOANS IN ARREARS

	NO. OF LOANS	% OF MUM	VALUE ($)
1 - 29 days	4	2.53	35,184,031
30 - 59 days	2	1.01	14,067,392
60+ days	4	1.44	19,982,283

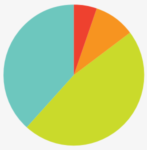
4. The nature of the security for loans made by the Trust (e.g. first or second ranking);
    - All loans in the Trust are first ranking.
5. Loans that have been approved but have funds that have yet to be advanced;
    - As at 31 December 2023 there are no undrawn loan commitments.
6. The maturity profile of all loans in increments of not more than 12 months;

MATURITY PROFILE

	< 6 MONTHS	6 - 12 MONTHS	1 - 2 YEARS	2 - 3 YEARS
No. of Loans	92	59	21	0
% of MUM	43.38	42.30	14.31	0.00
Exposure ($)	602,498,350	587,520,611	198,780,997	-

7. Loan-to-valuation ratios for loans, in percentage ranges;

LVR PROFILE



	<40.01%	40.01%-50.00%	50.01%-60.00%	60.01%-70.00%	70.01%-80.00%	80.01%-90.00%	>90.00%
No. of Loans	17	23	68	64	0	0	0
% of MUM	5.28	9.51	47.00	38.21	0.00	0.00	0.00
Exposure ($)	73,266,680	132,142,885	652,794,743	530,595,649	-	-	0

8. Interest rates on loans, in percentage ranges;

INTEREST RATE PROFILE

	NO. OF LOANS	% OF MUM	EXPOSURE ($)
0.00%-5.99%	1	0.12	1,643,328
6.00%-6.49%	-	0.00	-
6.50%-6.99%	3	0.99	13,774,000
7.00%-7.49%	1	0.30	4,200,000
7.50%-7.99%	-	0.00	-
8.00%-8.49%	1	0.19	2,655,000
8.50%-8.99%	-	0.00	-
9.00%-9.49%	3	1.84	25,620,000
9.50%-9.99%	5	2.92	40,590,500
10.00%-10.49%	19	5.60	77,793,886
10.50%-10.99%	50	31.70	440,225,839
11.00%-11.49%	59	28.87	400,994,027
11.50%-11.99%	22	16.27	225,952,682
12.00%-12.49%	2	1.12	15,542,000
12.50%-12.99%	2	8.66	120,314,545
13.00%-13.49%	1	0.56	7,800,000
15.00%-15.49%	2	0.48	6,676,304
15.50%-15.99%	1	0.36	5,017,847
Total	172	100.00	1,388,799,958

9. Loans where interest has been capitalised;

- There are no loans with capitalising interest.

10. The proportion of the total loan money that has been lent to the largest borrower and the 10 largest borrowers;

BORROWER PROFILE

	% OF PORTFOLIO (BY VALUE)	LOAN AMOUNT $
Top 10 Borrowers	31.46	436,920,423
Largest Borrower	8.01	111,265,000

11. The percentage of loans (by value) that are secured by second-ranking mortgages;

- 0%

12. The Trust's use of derivatives

- The Trust does not use derivatives.

13. A clear description of the non-mortgage assets of the Trust, including the value of such assets; and

TRUST ASSET ALLOCATION

	CASH & LIQUID ASSETS	PROVISION FOR LOSS	MORTGAGES
No. of Loans	0	0	172
% of FUM	6.72	0	93.28
Exposure ($)	100,096,000	0	1,388,799,958

14. The Trust's diversification policy and how the assets correlate with that policy;

The Trust does not have a diversification policy. The Trust is a pooled mortgage scheme but due to its Sub-Trust structure it is specifically designed to allow Investors the opportunity to select the loans into which they wish to invest in by investing in a specific Sub-Trust.

BENCHMARK & DISCLOSURE PRINCIPLE 4

RELATED PARTY TRANSACTIONS

BENCHMARK

The Responsible Entity does not lend to related parties of the Responsible Entity or to the scheme's investment manager.

Does the Trust meet the benchmark? If not why not?

The Trust meets the benchmark.

DISCLOSURE PRINCIPLE

BDMIT does not lend to related parties, nor borrow from them, and it is the intention of the Responsible Entity not to undertake related party transactions in the future. Were a circumstance to arise where this were to occur, the arrangements would be subject to the conditions of related party transactions set out by Balmain Fund Administration Limited in their Related Party policy. This policy is available on request.

The Trust pays a management fee of up to 1.65% of the Net Asset Value to the Responsible Entity. No other amounts are paid to the Responsible Entity, or any related party of the Responsible Entity by the Fund. The Responsible Entity applies this fee to pay the operating costs of the Trust, including payments to related parties of the Responsible Entity.

The Responsible Entity has appointed the Investment Manager, Balmain Funds Management Pty Ltd to manage the Trust. The Investment Manager is paid by the Responsible Entity from the management fee paid by the Trust.

Mortgages may also be originated by, and mortgage broking services may be provided to borrowers by, related parties including Balmain Corporation. Balmain Corporation may receive an up-front fee from borrowers when a new loan is advanced to that borrower, or rolled-over by the Trust. The size of the fee varies from loan to loan but is typically within the range of 0.25% to 1.75% of the size of the loan and up to 50% of this fee may be shared with Investment Manager. This fee is paid by the borrower and is not paid by the Trust.

All related party arrangements are undertaken on arm's length commercial terms and present no additional risks to the Trust as a result. As these appointments were made on commercial terms and at an arm's length basis, investor approval is not required.

There are policies and procedures in place for the managing of actual or perceived conflicts of interest as a result of related party transactions. All related party transactions between entities relating to the Trust are reviewed by the both the independent compliance committee and the Responsible Entity's Board of directors on a regular basis and the resultant decisions are documented. The Balmain Group has a Code of Conduct which is issued to all employees when they commence employment and adherence to the Code of Conduct is a condition of continued employment.

BENCHMARK & DISCLOSURE PRINCIPLE 5

VALUATION POLICY

BENCHMARK

In relation to valuations for the scheme's mortgage assets and their security property, the board of the Responsible Entity requires:

a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;

b) a valuer to be independent;

c) procedures to be followed for dealing with any conflict of interest;

d) the rotation and diversity of valuers;

e) in relation to security property for a loan, an independent valuation is to be obtained:

   a. before the issue of a loan and on renewal:

      i. for development property, on both an 'as is' and 'as if complete' basis; and

      ii. for all other property, on an 'as is' basis; and

      iii. within two months after the directors form a 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.

Does the Trust meet the benchmark? If not why not?

The Trust meets the benchmark.

DISCLOSURE PRINCIPLE

1. The Trust's valuation policy is available by request to the Investment Manager or the Responsible Entity.
2. In the loan approval process, the Investment Manager and the Responsible Entity value income producing properties on a 'capitalisation of income' basis, value development properties on both an 'as is' and 'as if complete' basis and, value properties for future development on a 'comparable sale' basis and/or on a 'residual site value' basis. Valuations are generally only obtained for properties once throughout the lifetime of a loan with a 3 year revaluation clause in place, or as needed should the Investment Manager believe there have been significant changes to either the value of the property or to the circumstances of the loan.
3. The Investment Manager uses a set panel of qualified valuers who undertake valuations on its behalf, with no individual valuer undertaking more than one third of the valuations of the portfolio based on the total number of loans.

BENCHMARK & DISCLOSURE PRINCIPLE 6

LENDING PRINCIPLES - LOAN-TO-VALUATION RATIOS

BENCHMARK

a) where the loan relates to property development - funds are provided to the borrower in stages based on independent evidence of the progress of the development;

b) where the loan relates to property development - the scheme does not lend more than 70% on the basis of the latest 'as if complete' valuation of property over which security is provided;

c) and in all other cases the scheme does not lend more than 80% on the basis of the latest market valuation of property over which security is provided; and

Does the Trust meet the benchmark? If not, why not?

The Trust meets the benchmark. All individual Loans have LVR's within the benchmarks listed above, however the Supplementary PDS for each Loan details the LVR and the investor chooses each Loan to invest in.

DISCLOSURE PRINCIPLE

Please refer to Disclosure principle 3 for information on LVRs.

From time to time, the LVR's of the Loans may be higher than those outlined above. This will generally only occur in the instances of arrears or defaults where the Manager elects to increase the exposure to a higher level as the most efficient method of managing and exiting the loan.

BENCHMARK & DISCLOSURE PRINCIPLE 7

DISTRIBUTION PRACTICES

BENCHMARK

The Responsible Entity will not pay current distributions from scheme borrowings.

Does the Trust meet the benchmark? If not why not?

The Trust meets the benchmark.

DISCLOSURE PRINCIPLE

1. The Responsible Entity does not pay current distributions from Trust borrowings.
2. All income generated by the Sub-Trusts of BDMIT is derived from interest paid by borrowers to a particular Sub-Trust and paid to the relevant unitholders in each Sub-Trust, while all interest derived from the cash units of BDMIT is paid to the unitholders of BDMIT cash units.
3. The Responsible Entity intends to make monthly distributions paid in arrears for Cash Units, until the date the Trust is terminated and monthly distributions paid in arrears for Loan Units, until the date the relevant Sub-Trust is terminated.
4. Each Sub-Trust promotes a target return of distribution.

DISTRIBUTION RISK	CHANGE RISK	SENSITIVITY ANALYSIS
Interest rate change	Changes in interest rates for mortgages and cash rate for cash.	A negative change in the underlying cash or mortgage interest rate will have a negative impact on the Trusts distribution. The impact is dependent on the scale of the rate change.
Borrower risk	A borrower fails to meet payment obligations or otherwise meet the terms of the Loan or has other financial difficulties.	This would have an immediate impact on the relevant Sub-Trust's returns. While every effort is made by the Investment Manager to pre-vet the credit worthiness of the borrower prior to the loan being offered, it is beyond the Investment Manager's control if the borrower defaults on the loan.
Enforcement risk	Where the Trustee on behalf of the Sub-Trust takes enforcement action in respect of a defaulting loan, the cost incurred by the Sub-Trust in doing so could be substantial and could significantly erode any monies recovered from the borrower for the Sub-Trust.	The risk is subject to the total cost of the enforcement action taken and also the time taken to complete the enforcement and therefore is difficult to determine.
General Economy	Economic downturn in Australia or globally.	This could affect the income from an underlying Security Property which in turn may adversely affect the Borrower's capacity to meet payment obligations.
Taxation risk	Changes in tax laws affecting the Trust, could result in lower returns than anticipated.	The sensitivity analysis is unable to be quantified since it is dependent on legislation and regulatory policy and therefore the Investment Manager is unable to determine the impact on the Trust until the tax change is announced.

BENCHMARK & DISCLOSURE PRINCIPLE 8

WITHDRAWAL ARRANGEMENTS

BENCHMARK

For non-liquid schemes, the Responsible Entity intends to make withdrawal offers to investors at least quarterly.

Does the Trust meet the benchmark? If not why not?

The Trust does not meet the benchmark as it does not make withdrawal offers to Investors on a quarterly basis.

Investors may withdraw while invested in a Cash Unit with 7 Business Days' notice to the Responsible Entity.

Investors have no right to withdraw from a Loan Unit during the Loan Term.

The Responsible Entity has the power to redeem an Investor's Cash Units or Loan Units at any time at the prevailing Unit price.

Investors should be aware that the Constitution of the Trust provides that the Responsible Entity may take up to 12 months to process withdrawals. The Responsible Entity may suspend withdrawals in certain circumstances, including where it is believed to be in the best interests of Investors. Refer to Section 12 of the Balmain Discrete Mortgage Income Trusts PDS, dated 22 April 2022, for further information regarding withdrawals of Cash Units and Loan Units.

DISCLOSURE PRINCIPLES

1. The Trust allows all investors in cash units to withdraw with 7 days notice. All other classes of units are invested for the length of the individual Sub-Trust term of the loan as outlined in the supplementary PDS for that sub trust. The Sub-Trust units are not liquid and therefore investors have no ability to withdraw even though the cash units are liquid and can withdraw with 7 days notice.
2. The ability of investors to withdraw from cash units is directly related to the cash manager of the cash units being the NAB Cash Management Fund allowing withdrawals. Currently the cash management fund is deemed liquid by NAB.
3. The ability of investors to receive withdrawal proceeds from an investment in a subtrust are dependent on the ability of the borrower meeting the terms and conditions of the loan.
4. At the end of the term of a subtrust, if the borrower has repaid the loan on time, investors will receive their funds back in full. There are no renewals or rollovers of a loan. If the loan does not repay on time and goes into default, investors will receive their funds back once it has been repaid.
5. The Responsible Entity may as per the constitution has the right to refuse or suspend withdrawal requests if the scheme is not liquid then a member is has no right to withdraw from the scheme other than pursuant to a withdrawal offer which is made and administered in accordance with sections 601KB to 601KE (inclusive) of the Corporations Act.
6. Due to the structure of the scheme, the Responsible Entity does not have a policy on balancing the maturity of its assets with the scheme's liabilities in the Sub-Trusts, as each Sub-Trust is "quarantined" from other Sub-Trusts, meaning that any liabilities within each Sub-Trust are quarantined and therefore not dependent on the other Sub-Trusts in regard to any potential liability of those Sub-Trusts, but are liable for the individual's sub-trust liabilities only.

HOW TO CONTACT US

For enquiries and information about the Trust, please contact the Balmain Private Investments Team on:

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Related documents
You can obtain our Target Market Determination (TMD) by either scanning the QR Code or visiting www.balmainprivate.com.au

Target Market Determination (**TMD**)
Product Disclosure Statement (**PDS**)

TMD PDS

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Each person should obtain a copy of the Product Disclosure Statement (PDS) relating to the Trusts and consider that PDS before making any decision about the product. A copy of the PDS may be obtained from Balmain Funds Management Pty Limited or Balmain Fund Administration Limited by contacting our investor relations personnel on 1800 225 624, by visiting our website www.balmainprivate.com.au or from a financial planner. If interests in the Trusts are acquired, Balmain Funds Management Pty Limited and Balmain Fund Administration Limited may receive fees and other benefits, which are disclosed in the PDS for the product. We, and our employees, do not receive any specific commission or remuneration for any advice provided to you.

The information contained in this report has been prepared by Balmain Funds Management Pty Limited. The information is current as at the date of this report and is subject to change without notice. Past performance is not an indicator of future performance.

This update contains certain forward looking statements. The words 'likely', 'anticipated', 'expected', 'projections', 'forecast', 'estimates', 'could', 'may', 'target', 'consider' and 'will' and other similar expressions are intended to identify forward looking statements. Forward looking statements, opinions and estimates provided in this update are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance that actual outcomes will not differ materially from these statements. To the full extent permitted by law, Balmain Fund Administration Limited and Balmain Funds Management Pty Limited and its directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

Investment in the Trusts is subject to investment risk, including possible delays in payment and loss of income and principal invested. Neither Balmain Funds Management Pty Limited nor Balmain Fund Administration Limited nor their respective associates, officers, related entities or directors guarantee the performance of the Trusts or the repayment of monies invested.

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