ADVANCE ASSET MANAGEMENT LIMITED
ADVANCE MORTGAGE FUND
ADDITIONAL DISCLOSURE AS AT 31 March 2011

Advance Asset Management (AAM) is the responsible entity of Advance Mortgage Fund (AMF). The underlying Investment Manager of AMF is MacarthurCook Fund Management Limited ('the Manager'), which is a wholly owned subsidiary of AIMS Financial Group. Under an Investment Management Agreement, AAM has appointed the Manager to manage both direct mortgages and an investment in the MacarthurCook Mortgage Fund (MMF).

In September 2008, ASIC issued Regulatory Guide CP 141 entitled '*Mortgage Schemes – improving disclosure for retail investors'.* Eight benchmarks have been developed by ASIC for unlisted mortgage schemes that can help retail investors understand the risks, assess the rewards being offered and decide whether these investments are suitable for them. In 2010, consultation paper as at 31 March 2011 updated RG 45. Guidance is yet to be released. However we have updated these disclosures based on the consultation paper.

AAM has addressed these benchmarks on an "if not, why not" basis and the following table set outs improved disclosure in accordance with the provisions of the Schemes' Constitution.

In addition, the AAM's Risk Management Report is available on request. This report details the Scheme's objectives, policies and processes for measuring and managing risk.

Benchmark	Disclosure against benchmarks	Commentary
1. Liquidity Understanding cash flows and ability to meet withdrawal requests	YES	• The AMF has sufficient cash and cash equivalents to meet the projected cash needs of the fund over the next twelve months. The fund is expected to continue to receive distributions and interest income from its investments and this is expected to cover outflows for projected expenses and distributions to investors. • The AMF was closed to applications and redemptions on 24 October 2008. Accordingly, the fund does not require cash to meet daily redemption requests. • Currently we are managing liquidity to maximise the amount available for likely redemption requests should a withdrawal offer be made to all investors. • The following measures have been taken: o ceased rolling maturing mortgages, o ceased to undertake new mortgages ceased re-investing distributions and o from 2009 we have been making quarterly withdrawal offers. • In line with the Corporations Act, redemption windows may be offered as we obtain further liquidity in the fund.
2. Scheme Borrowing Understanding the amount of borrowings against the assets	YES	• There are currently no borrowings by the AMF.

Benchmark	Disclosure against benchmarks	Commentary
3. Portfolio Diversification Understanding the profile of loans and ensuring they are adequately diversified	YES	The following table provides a summary of the investments of the AMF and the subsequent tables provide more detailed information in relation to the first registered mortgages managed by the AMF as at 31 March 2011.

Asset Classes (as at 31 March 2011)

Investments	**Amount in $**
First registered mortgages*	31,890,783
Investment in MMF^	931,488
Cash	1,593,670
Total Fund#	**34,415,941**

Mortgage portfolio – Default

Days in arrears	No. of mortgages & value	% of total assets
<90 days	1 $4,655,000	13.53%

<u>Notes</u>

* Managed by MacarthurCook Funds Management Limited under the terms of an Investment Management Agreement dated 30 September 2005.

^The MMF is also required to comply with the ASIC benchmarks.

Note: Derivatives are not used by the AMF either to manage our first registered mortgages or via our investment in the MMF.

Mortgage Allocation (as at 31 March 2011)

Asset class	**No.**	**Value of Loans $**	**Actual Allocation %**
Retail		16,291,208	50
Office		11,905,324	36
Industrial		2,916,085	9
Investment Residential		772,329	2
Other Specialised		937,327	3
Reverse Mortgages		0	0
Development Projects		0	0
Total		32,822,272	100

The mortgage portfolio has no exposure to reverse mortgages or development projects.

Loan Size (as at 31 March 2011)

Due to the reduction in Fund size following quarterly withdrawals and the limits on the manager to rollover the loans there are now 3 loans that are greater than 7.5% of the Fund's assets at the time the loan was granted.

Benchmark	Disclosure against benchmarks	Commentary

Top 10 Largest Loans

Loan Value $	Actual Allocation %
8,850,000	27.75
4,655,000	14.60
4,000,000	12.54
1,830,000	5.74
1,425,000	4.47
1,237,000	3.88
1,100,000	3.45
833,000	2.61
792,000	2.48

Interest Rate Type (as at 31 March 2011)

Type	Actual Allocation %	Benchmark %	Range %
Fixed rate loans	20	50	20-60
Variable rate loans	80	50	40-80
Total	100	100	

Geographic Profile (as at 31 March 2011)

State	Number	Value of Loans $	Actual Allocation %
NSW		11,625,354	35
VIC		9,966,102	30
QLD		8,614,516	26
WA		2,591,056	8
SA		14,065	0
TAS/ACT		11,178	0
Total		32,822,272	100

Loan Maturity Profile (as at 31 March 2011)

Benchmark	Disclosure against benchmarks	Commentary

Range	No. of Loans	Value of Loans $	Actual Allocation %
< 1 Year	17	26,181,284	82.11
1 – 2 Years	6	5,209,500	16.34
2 – 3 Years	1	500,000	1.57
3 – 4 Years	Nil	0	0
4 – 5 Years	Nil	0	0
> 5 Years	Nil	0	0
Total	24	31,890,784	100.00

Interest Rate Range (as at 31 March 2011)

Range %	No. of Loans	Value of Loans $	Actual Allocation %
6.00 – 6.49	9	6,220,425	19.51
6.50 – 6.99	7	3,393,000	10.64
7.00 – 7.49	0	0	0.00
7.50 – 7.99	2	4,390,000	13.77
8.00 – 8.49	3	11,312,500	35.47
8.50 – 8.99	0	0	0.00
9.00 – 9.49	1	472,500	1.48
9.50 – 9.99	0	0	0.00
10.00 – 10.49	0	0	0.00
10.50 – 10.99	1	1,425,000	4.47
11.00 – 11.49	0	0	0.00
11.50 – 11.99	1	4,677,359	14.67
	24	31,890,784	100.00

Loan to Value Ratio (as at 31 March 2011)

Range %	No. of Loans	Value of Loans $	Actual Allocation %
0 – 39%	1	770,000	2.41
40 – 49%	2	758,000	2.38
50 – 59%	1	390,000	1.22
60 – 69%	9	13,401,000	42.02

Benchmark	Disclosure against benchmarks	Commentary

70 – 75%	7	12,611,784	39.55
>75%	4	3,960,000	12.42
	24	31,890,784	100.00

Additional portfolio information (as at 31 March 2011)

- All loans are secured by first ranking registered mortgages.
- There is one loan in default.
- There are no loans with interest capitalisation.
- There are no undrawn loan commitments.
- No derivatives have been utilised in the management of interest rate risk.

Lending policy

As detailed above, AAM has appointed the Manager to manage the portfolio of mortgages held by the AMF and an investment in the MMF. In accordance with the investment parameters specified by AAM, the Manager's mortgage lending team employs a conservative approach to managing mortgage investments. Mortgage loans are only made or acquired where:

- first mortgage security is held;
- the loan does not exceed 75% of the value of the property security;
- borrowers demonstrate an ability to meet loan commitments;
- a valuation is carried out by a qualified and independent valuer; and
- the loan meets other requirements under the Manager's credit rating policy.

In addition the AMF has no exposure to the following:-

- construction or developmental loans; "low doc" loans
- inter-related party loans
- loans that require interest capitalisation
- no sharemarket exposure

Valuation Rollover Policy

Generally, the AMF provides loan funding for periods of 3 to 5 years. On maturity of a loan a borrower may be offered the opportunity to renew the loan facility provided the loan continues to meet investment guidelines and a new valuation report is provided as outlined in the valuation policy.

Loans provided for a period of five years will be subject to an updated valuation report on the third anniversary of the loan confirming that the loan to value ratio is not greater than 75% as at that date. A borrower may request the third anniversary valuation of the property be waived. If the loan to value ratio was less than 60% at the time

Benchmark	Disclosure against benchmarks	Commentary
		the loan was entered into, and having regard to factors such as rental income and market conditions the Manager may consider the request. Approval will be based on an analysis of updated information of the property and if, in the opinion of the Manager, the loan to value ratio is unlikely to be greater than 75%. However, in the event that the LVR is greater than 75% the Manager will re-negotiate the terms of interest and repayments. Basically, higher amounts will be sought to bring the LVR below 75% or the Manager will request the loan be re-financed with another lender. AAM receives monthly and quarterly reports from the Manager regarding the nature of the loan portfolio, including loans profile and arrears profiles. These reports, along with monthly, quarterly and annual meetings with the Manager enable us to ensure that the Manager continues to satisfy the above policies in relation to the AMF's investments. AAM will also monitor the Manager's compliance with the unlisted mortgage scheme benchmarks in respect of the MMF. **<u>Loan Arrears Policy</u>** The Manager applies the relevant penalty on all payments that are overdue (more than seven days) and the loan will be considered to be "Interest in Arrears". Shortly after the 15th of the month, the Manager will receive a copy of the Advance Mortgage Fund bank statement, which will include drawings under the Direct Debit system, if any have been dishonored. The Manager will immediately advise the relevant Originator of those borrowers that have not met their commitment and it is the Originator's responsibility to collect the amount and forward it by cheque to the Manager or direct credit it to the Advance Mortgage Fund bank account. If the borrower has failed to make the payment eight days after the due date, the Mortgage Originator is to invoice the borrower the higher amount and forward a copy of the correspondence to the Manager. When the Mortgage Originator receives the higher amount, it is to be banked in the Advance Mortgage Fund bank account. **<u>Loan Default</u>** A loan will be considered to be in default if the borrower does not meet a second consecutive interest payment. The Mortgage Originator will not be entitled to a trailing commission whilst the loan is in default. The Manager will be responsible for the management of the file whilst the loan is in default. Under the direction of the Manager on behalf of Advance Mortgage Fund, a formal notice of default is to be prepared and issued by a Panel Solicitor. Further action as to management of the default loan and security if required will be discussed by the Manager and AAM to determine an appropriate course of action to protect investor funds. The Panel solicitor will be responsible for the conduct of the legal proceedings to recover amounts owing under the direction of the Manager and AAM.

<table>
<tr><th>Benchmark</th><th>Disclosure against benchmarks</th><th>Commentary</th></tr>
<tr><td></td><td></td><td><u>Loan Default Reporting</u>

The Head of Mortgages will report to the Board of the Manager and AAM on any loans in arrears or in default on a monthly basis.</td></tr>
<tr><td>4. Related Party Transactions

Understanding if there is a risk of transactions which are less likely to be on arm’s length commercial terms</td><td>YES</td><td>The AMF does not enter into related party transactions and furthermore it is not the Manager’s policy to enter into related party transactions.</td></tr>
<tr><td>5. Valuation Policy

Understanding that the valuations are prepared properly or by appropriately qualified and experienced valuers</td><td>YES</td><td>Our Valuation Policy is to value the loans every 3 years or on maturity whichever is the lesser. However formal valuations of mortgaged property maybe required sooner if a loan term is to be extended or the amount of the loan is increased or if there are any loans in arrears.

The valuation of the property offered as security must be confirmed on an “as is” basis by an independent Licensed Valuer approved by the Manager.

All properties are valued by an experienced licensed valuer registered in their respective State or Territory and who have been approved by the Manager. All Fund valuers provide the Manager with evidence that they have professional indemnity insurance cover, which must be maintained at a minimum cover of $5 million. No one valuer conducts more than one-third of the Manager’s valuation work, calculated by value of loans.

A valuation report must not be more than 3 months old on the date of the first draw down of the relevant loan agreement.

All properties must be valued using the Fund’s standard Valuers Letter of Instruction. The valuation reports must contain consideration by the valuer of the following factors:

• Legal description and title details of security property
• Location factors (surrounding development, accessibility)
• Property improvements (condition of property, size, age)
• Marketability and future demand for the property
• Environmental issues</td></tr>
</table>

<table>
<tr><th>Benchmark</th><th>Disclosure against benchmarks</th><th>Commentary</th></tr>
<tr><td></td><td></td><td>

Estimate of Replacement Cost Insurance Coverage (building and loss of rental)
Confirmation that property is suitable for investment of trust funds
Confirmation that the valuer has no pecuniary interest that could conflict with the proper valuation of the property
Confirmation that the valuation complies with all relevant industry standards and codes.

Due to the reduction in Fund size following quarterly withdrawals and the limits on the manager to rollover the loans there are now 3 loans that are greater than 7.5% of the Fund’s assets at the time the loan was granted.
<table>
<tr><th>Date of last valuation</th><th>Property Valuation $</th><th>Loan Value $</th><th>LVR %</th><th>Actual Allocation %</th></tr>
<tr><td></td><td></td><td>8,850,000</td><td></td><td>27.75</td></tr>
<tr><td></td><td></td><td>4,655,000</td><td></td><td>14.60</td></tr>
<tr><td></td><td></td><td>4,000,000</td><td></td><td>12.54</td></tr>
</table>
There is presently 1 loan that is above 5% but below 7.5% of the Fund’s assets as shown below: -
<table>
<tr><th>Date of last valuation</th><th>Property Valuation $</th><th>Loan Value $</th><th>LVR %</th><th>Actual Allocation %</th></tr>
<tr><td></td><td></td><td>1,830,000</td><td></td><td>5.74</td></tr>
</table>
</td></tr>
<tr><td>6. Lending Principles – Loan to Valuation Ratios

Understanding how conservative or aggressive lending practices are.</td><td>YES</td><td> The maximum loan to value ratio is 75% for all types of income producing properties on an “as is” basis. The Fund does not provide construction or development loans. </td></tr>
<tr><td>7. Distribution practices

Understanding the transparency of the scheme’s distribution practices</td><td>YES</td><td> Distributions continue to be paid monthly in arrears based upon the net taxable income of the fund for the month. Income payments received from MMF as well as loan interest payments continue to provide net taxable income to fund these distributions. Income is not included in the unit price but rather is earned and accrued to the unitholder each day. As such, distributions are paid on a cent per unit day basis and the unit price of the fund generally remains at $1. Therefore, if a unitholder redeems prior to the end of the month they will still receive a distribution for the period of time they were invested during the month. </td></tr>
<tr><td>8. Withdrawal arrangements</td><td>YES</td><td>The maximum withdrawal period allowed under the AMF Constitution is 60 business days. This applies unless in the interests of investors we have exercised our discretion under the Fund’s Constitution to suspend withdrawals.</td></tr>
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Benchmark	Disclosure against benchmarks	Commentary
Transparency of the responsible entity's approach to withdrawals of investments.		This may be the case for example if there are large withdrawal requests and sufficient assets cannot be realised at an appropriate price or on adequate terms in order to satisfy those requests. If the AMF becomes illiquid under the meaning of the Corporations Act, investors can only withdraw if we make a withdrawal offer to all investors. The fund will be regarded as illiquid if less than 80% of its assets are cash, bank accepted bills, marketable securities or assets that we reasonably expect to be able to sell at market value within the maximum withdrawal period. The AMF is currently closed to new investments and withdrawals. The unit price of the AMF is currently $1. In circumstances where defaults occur and the proceeds on sale of the mortgaged properties are less than the book value of the loans, there is a risk that the losses incurred may not be offset by the net income of the AMF. The unit price is determined by dividing the net asset value of the AMF by the number of units on issue so where this is the case, the net asset value of the AMF will fall and the unit price will be less than $1. Whilst there is a recommended timeframe for investment there is no mandatory fixed investment term as such the fund has no policy or requirements regarding the rollover of your investment at the end of the recommended investment timeframe. Our intention is to continue making ongoing withdrawal offers to investors at least quarterly.