

# LM Australian Income Fund - Currency Protected Lux

Established in February 2011

A Dedicated Fund of the KMG SICAV – SIF

Fund Information

Issued 17 February 2011



**LM Investment Management Ltd**

ABN 68 077 208 461 AFSL No. 220281

LM - the global pathway to Australian investment solutions

ESTABLISHED IN 1998



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# LM Australian Income Fund - Currency Protected Lux AUD

A Dedicated Fund of the KMG SICAV – SIF

## Investment Objective and Policy

The objective of the LM Australian Income Fund - Currency Protected Lux AUD is to provide a steady income stream relevant to the risk return of the Fund.

This dedicated fund acts as a feeder fund (the "Feeder Fund") seeking to obtain a favourable long term total return through income, by investing its net assets in LM Australian Income Fund - Currency Protected (the "Master Fund"). The Master Fund is registered as a Managed Investment Scheme with the Australian regulator, the Australian Securities and Investments Commission ("ASIC"), on 14 October 2008.

## Fund Assets

The assets of the Master Fund are a diversified "pool" of Australian registered first mortgages over commercial, residential, industrial, retail and vacant land and cash investments. As part of the asset allocation strategy of the Master Fund, LM Investment Management Ltd ("LM") diversifies the underlying mortgage portfolio by selecting security spread across different property sectors and geographic locations within Australia.

Approximately 95% of the total assets of the Master Fund are invested in registered first mortgages and approximately 5% of the Master Fund's total assets are invested in cash.

The Master Fund's target asset exposure for Australian registered first mortgages is to generally ensure that no single loan exceeds 10% of the Master Fund's assets. However this policy will be exceeded until the Master Fund and its assets grow to provide the diversity to achieve this policy.

The Manager has a policy of generally not exceeding the following loan to valuation ratios:-

- > 66.67% for construction and development loans; and
- > 75% for commercial loans.

The Master Fund Manager's Credit Committee considers the appropriate loan to valuation ratio based on all the factors surrounding the loan.

Full details of the Master Fund and its Lending Policies and Procedures may be obtained from LM and are available on LM's website at [www.LMAustralia.com](http://www.LMAustralia.com) and in the product disclosure statement for the LM Australian Income Fund - Currency Protected.

If after four years from the launch date of the Feeder Fund, the Master Fund has an exposure to any one single registered first mortgage loan above 30% of the Master Fund's assets, the Feeder Fund may reconsider being invested in the Master Fund.

## Currency Protection

As an Australian fund, the Master Fund's reference currency is Australian dollar. The Master Fund hedges non-Australian dollar investors' investments through the use of Forward Foreign Exchange Contracts.

## About the Master Fund Manager - LM Investment Management Ltd

LM Investment Management Ltd (LM) is the manager of the LM Australian Income Fund – Currency Protected. LM is registered with the Australian Securities and Investments Commission ("ASIC") as a Responsible Entity and Australian Financial Services Licensee.

LM is a privately owned, Australian specialist fund manager delivering its Australian investment funds globally. LM operates from its offices on the Gold Coast and in Sydney Australia, Hong Kong, London, Dubai, Auckland, Seattle and Johannesburg.

Through the global appeal and niche of its income funds, LM enjoys an established presence in the financial services markets throughout Australia, Asia, the Middle East, United Kingdom, USA, South America, South Africa, Europe and New Zealand.

## Property Related Financial Services Expertise

LM is recognised as a professional lending institution across the business and property sectors of Australia. In selecting and managing the property related assets of its investment funds, LM utilises the significant breadth of Australian property and lending expertise provided by its in-house team. The depth of knowledge and experience offered by each member of LM's team, and its collaborative and proactive approach sees repeat business from listed and unlisted multinational and smaller Australian property companies.

Over the past thirteen years, LM Investment Management Ltd has settled loans in excess of AUD5 billion. Lending and asset management are spread across a range of property sectors including residential, commercial, aged care, industrial, retail and construction opportunities throughout Australia's diverse property markets.

LM has considerable real property expertise in its property asset management team. All assets of the LM Income funds are in Australia.

## Australian Funds distributed Globally

LM has carefully developed diversity in distributing its products through an international network of licensed financial advisers, intermediaries, wholesale platforms, private banks, superannuation funds, pension funds, corporate and institutional investment consultants spanning some 55 countries.

With innovative and client focused IT offerings, LM provides its licensed intermediary network remote connectivity with 24x7 accessibility in any time zone. The LM website, [www.LMAustralia.com](http://www.LMAustralia.com) and LM Information Exchange provide licensed users access to updated industry and Australian property/economic research reports, LM product information, custom rate sheets, comprehensive fund overviews, and up to the minute reporting on their respective clients' investment portfolios.

## Corporate Governance

The LM Senior Executive Committee and the LM Board of Directors hold extensive experience and an intimate understanding of the property, finance, insurance, legal, managed funds, human resources, marketing, communication, client relations and IT sectors.

LM's clear governance model is characterised by an active awareness of risk management. The transparent, flat management style and continuous professional development encourages employee participation in process development and leads to an intelligent, engaged and stable workforce.

## Regulatory Requirement for Segregation of Fund Assets

As a Responsible Entity, LM's primary responsibility is to operate and manage its investments in accordance with the Corporations Act 2001 and the relevant fund constitution, with a first and demonstrable priority to protect investors.

The assets of the LM funds are totally separate and segregated by law from the assets of LM Investment Management Ltd. Investors, through their purchase of units in the unit trust structure of the fund, own an interest in the underlying assets of the LM funds.

LM has an in-house custodial team, and as part of its custodial license holds the necessary financial, organisational and administrative resources to facilitate efficient and secure management of its fund assets.

LM adheres to legislative requirements to ensure that:-

- > Fund assets are held securely for the LM funds and investors in the funds;
- > Fund assets are clearly identified and held separately from LM's assets and assets of any other fund; and
- > Safe keeping of the investment documents (such as title deeds) is secure.

The Feeder Fund purchases units in the unit trust structure of the Master Fund. Investors in the Feeder Fund through their purchase of shares in the Feeder Fund own an interest in the underlying assets of the Master Fund.

## Master Fund's Annual Reports

The Master Fund's financial report will be available from the Master Fund's Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com) or by telephoning +617 5584 4500.

Investors into the Feeder Fund should be aware that there may be a certain duplication of ongoing fees, such as Administrator, Custodian, Manager and Audit Fees with the Master Fund.

## Withdrawal from the Master Fund

The prime objective of the Master Fund is to deliver income to investors whilst maintaining capital value of investment in the Fund. The Master Fund has a mechanism which may be utilised to protect investors and fund capital in certain circumstances. To protect the Master Fund from volatility in external conditions, from time to time withdrawal payment timeframes may be extended or withdrawals may be suspended.

Such rules may impact on the ability of the Feeder Fund to withdraw from the Master Fund and may delay payment of redemption proceeds from the Feeder Fund.

See below for the circumstances in which this would occur.

Since inception the Master Fund has not had to implement withdrawal delays.

Generally the Master Fund's Manager is required by the constitution of the Master Fund to satisfy withdrawal requests within 180 days. In certain circumstances, that period may be extended to 365 days or the Master Fund's Manager may be entitled to suspend withdrawals in order to protect all investments. The Master Fund's Manager has a liquidity policy that is monitored by the Master Fund's Board to adequately manage payment of withdrawals within the time period specified. The liquidity policy of the Master Fund describes the methodology the Master Fund's Manager applies to ensure that the maturity of the assets and liabilities of the Master Fund do not negatively impact on the Master Fund. The Master Fund's Manager does this by continually monitoring and managing the four variables that impact on liquidity, which are:- investor inflows; investor redemptions; loan draws and loan repayments.

The Master Fund's Manager may suspend withdrawals where:-

- (i) the Master Fund's cash reserves fall and remain below 5% for 10 consecutive business days being defined as business days on the Gold Coast, Queensland, Australia; or
- (ii) if in any period of 90 days, the Master Fund receives net withdrawal requests equal to 10% or more of the Master Fund's issued units and, during the period of 10 consecutive business days on the Gold Coast, Queensland, Australia falling within the 90 day period, the Master Fund's cash reserves are less than 10% of the total assets; or
- (iii) it is not satisfied that sufficient cash reserves are available to pay the withdrawal price on the appropriate date and to pay all actual and contingent liabilities of the Master Fund; or
- (iv) any other event or circumstance arises which the Master Fund's Manager considers in its absolute discretion may be detrimental to the interests of the members of the Master Fund.

## Risk Management

All investments are subject to varying risks and LM actively manages the Master Fund and advises the Feeder Fund with a view to balancing returns with security.

This is achieved by:-

- > employing experienced, professional personnel;
- > maintaining a long term vision for the Master Fund;
- > complying rigidly with its compliance program;
- > actively monitoring and managing the assets of the Master Fund; and
- > continuing to set high performance benchmarks.

For any investor the key to managing their investment is to understand and be comfortable with:-

- > the investment term;
- > the level of risk; and
- > potential volatility,

that accompanies an investment in the Feeder Fund and the Master Fund . The Master Fund's Manager actively manages risk under its risk management program. These comments are intended as a guide only and it is recommended that investors seek professional financial advice.

Risk management is a priority and the Master Fund's Manager follows a disciplined research driven approach to investment.

The Master Fund's Manager Property Research and Analysis Committee ("PRAC"), specifically targets both property locations and sectors offering growth opportunities. The Master Fund's Manager utilises the information provided by PRAC to review and assess its asset allocation strategy for the mortgage securities. As part of its asset allocation strategy the Master Fund's Manager will diversify the mortgage portfolio at a number of levels including, sector, geographic location in Australia, term and loan size.

Full details of the Master Fund and its Lending Policies and Procedures may be obtained from LM and are available on LM's website at [www.LMAustralia.com](http://www.LMAustralia.com) and in the product disclosure statement for the LM Australian Income Fund - Currency Protected.

## General Risk Factors

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<b>Capital Risk</b>	<p>The investments of the Master Fund are not capital guaranteed, and there is a risk that the value of the investment might decline. No losses have occurred, or are expected to occur at the date of this Offering Document.</p>
<b>Unit Price &amp; Share Price</b>	<p>The unit price of the Master Fund and the share price of the Feeder Fund are variable and may increase or decrease depending on the performance of the investment portfolio of the Master Fund.</p> <p>The Master Fund's Manager is constantly assessing various investment sectors in order to determine which sectors have the best potential in terms of income and/or capital security depending on the investment objective of the Master Fund.</p>
<b>Interest Distribution Rate Risk</b>	<p>This risk relates to the volatility of returns to investors. The Master Fund's Manager will stabilise interest distribution rate risk as follows:-</p> <ul style="list-style-type: none"><li>&gt; cash assets of the Feeder Fund and the Master Fund will be proactively monitored to ensure that investments at least move in line with market movements - investors should note that returns may not keep pace with inflation; and</li><li>&gt; mortgage securities in the Master Fund will utilise a combination of fixed interest rate lending and short lending terms and the Master Fund's Manager will utilise a policy of annual interest rate reviews on the anniversary of each of the mortgage securities.</li></ul> <p>The interest distribution rates are variable depending on the income earned, expenses paid and other matters relevant to the Master Fund. If the income earned is not sufficient to pay all expenses and interest distributions the returns to investors will be lower. This has not occurred at the date of this Offering Document. Past performance of the Master Fund is not an indicator of future performance.</p>
<b>Currency Risk</b>	<p>Non-Australian dollar investments in the Master Fund will be hedged in the relevant currency against Australian dollar currency movements. The Master Fund will currency hedge a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts ("FFEC"). Investors should however, be aware that any delay or shortfall in income or capital payments from the Master Fund may result in a loss for the Fund due to breaking a FFEC. In such an event, the investment will not be currency hedged and income and/or capital may be impacted.</p>
<b>No Requirement for the Assets of an Australian Managed Investment Scheme to be Held by an Independent Custodian</b>	<p>The Managed Investments Act 1998 ("MIA") (Australia) introduced a new structure for managed investment schemes so that a single "Responsible Entity" would carry full responsibility for a managed investment scheme as manager and trustee. Under the current regime managed investment schemes that are registered with the Australian Securities and Investment Commission (the Australian Regulator, "ASIC") are operated by a licensed public company acting as a single "Responsible Entity". LM Investment Management Ltd is a Responsible Entity. Assets of a managed investment scheme are not required to be held by an independent custodian if the "Responsible Entity" meets certain requirements which deliver investor protection in this respect. As the current MIA requirements allow for custody by the "Responsible Entity" as part of the duties as trustee, the "Responsible Entity" must have sufficient operational processes in place to hold the assets of each of its schemes securely and separately from assets of other schemes to which the "Responsible Entity" may operate and from the "Responsible Entity's" assets.</p> <p>Under ASIC's Regulatory Guide 166 Licensing: Financial requirements, LM Investment Management Ltd must:-</p> <ul style="list-style-type: none"><li>&gt; have total assets greater than total liabilities at all times; and</li><li>&gt; have a projection of cash flows over at least the next 3 months; and</li><li>&gt; hold at least AUD50,000 in surplus liquid funds; and</li><li>&gt; hold net tangible assets (NTA) of 0.5 per cent of the value of the assets of the registered schemes it operates with a minimum requirement of AUD50,000 and a maximum of AUD5 million; or</li><li>&gt; hold NTA of AUD5 million if operating a custodial service.</li></ul> <p>In addition, LM Investment Management Ltd must have its financial reports audited and must maintain professional indemnity insurance and insurance against fraud at a minimum of AUD5 million or the value of all registered scheme assets, whichever is less. LM Investment Management Ltd must also be a member of one or more External Disputes Resolution Schemes which cover complaints made by retail clients in relation to the provision of all of the financial services provided.</p>

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<b>Property Market Risk</b>	<p>Property market risk is the risk that negative movements in the property market may impact on the capacity to fully recover the amount owing on a mortgage.</p> <p>The Master Fund's Manager will manage this risk by strictly complying with its lending guidelines, loan to valuation ratio policies, compliance program and the efficiency of its collections systems.</p> <p>The constitution of the Master Fund allows the Manager to lend funds provided that all mortgages are secured over property and the amount which may be advanced to a borrower does not exceed an LVR of 75% of the value of the security property on initial settlement. After a loan has settled and where the Manager considers it is in the best interests of the members of the Fund, the Manager may approve an LVR not to exceed 85% of the value of the security property. The LVR of a loan that is in default may exceed 85%. This could occur for example, where interest is being capitalised while the security property is being marketed and sold, or where the Manager determines that expenditure should be incurred to improve the security property prior to sale (the Manager considers a loan to be in default when interest payments have not been received in breach of the loan agreement, or the loan term has expired without repayment of principal).</p> <p>Full details of the Master Fund and its Lending Policies and Procedures may be obtained from LM and are available on LM's website at <a href="http://www.LMAustralia.com">www.LMAustralia.com</a> and in the product disclosure statement for the LM Australian Income Fund – Currency Protected.</p>
<b>Development or Construction Risk</b>	<p>In development or construction mortgages held by the Master Fund there could be delays in payment of interest or repayment of capital due to the timing, completion and sale of the development.</p> <p>The Master Fund's Manager's personnel have considerable experience in dealing with construction and development loans. For each loan an "as is" and an "on completion" valuation will be obtained. Funding of the loan will be controlled by the Master Fund's Manager on a "cost to complete basis". The Master Fund's Manager has specific procedures in place that will be adhered to both prior to and during a project to ensure that the security is maintained and risks minimised.</p> <p>Investors should also refer to the paragraph headed "Interest Capitalisation Risk" below as construction and development loans may have capitalised interest.</p>
<b>Interest Capitalisation Risk</b>	<p>Loans made from the Master Fund may require the interest to be paid periodically during the term of the loan or in the case of a construction and development loan a provision for interest may be built into the facility within the approved loan to valuation ratio. As a risk management measure, this provision for interest is built into the loan facility along with a contingency. This enables the Master Fund's Manager to control the interest payments and ensure that they are met within the approved loan to valuation ratio limit. In addition to this, a detailed financial analysis is conducted on each borrower to ensure that the borrower has sufficient resources to cover interest commitments if required. There is a risk that interest payments may not be recoverable because of:-</p> <ul style="list-style-type: none"> <li>&gt; changed circumstances of the borrower;</li> <li>&gt; changed circumstances of the security property; or</li> <li>&gt; other economic conditions.</li> </ul> <p>Where this occurs there may be insufficient cash-flow in the Master Fund to meet interest distributions or redemption requests.</p> <p>All loans will be monitored by experienced personnel employed by the Master Fund's Manager in its mortgage management division.</p>
<b>Credit Risk</b>	<p>This is the risk that a borrower may not meet its obligations in full and/or on time to pay interest and repay capital financial obligations. The Master Fund's Manager will mitigate this risk by utilising a conservative lending strategy in relation to the mortgages and following strict lending guidelines.</p>
<b>Liquidity Risk</b>	<p>A delay in meeting an investor's withdrawal request is possible where there are a significant number of withdrawal requests received at the same time, which absorb the cash reserves of the Feeder Fund and if assets of the Master Fund are not sufficiently liquid.</p> <p>In certain circumstances the Master Fund may be entitled to slow the payment of or suspend withdrawals for such periods as it determines. Refer to the paragraph headed "Withdrawals from the Master Fund".</p>
<b>Arrears of the Master Fund's Mortgage Portfolio</b>	<p>There are no mortgages in arrears at the date of this investment offering. The Master Fund's Manager utilises its property expertise and its Arrears Management Policies and Procedures to secure realisation and exit strategies for any arrears loans which may include subordinating the priority of a first mortgage as part of a structured exit strategy for a loan.</p>

## Information Regarding an Investment into the LM Australian Income Fund - Currency Protected Lux AUD

<b>Investment Adviser</b>	LM Investment Management Ltd
<b>Global Investment Manager</b>	KMG Capital Markets Luxembourg S.A.
<b>Investment Adviser Fee</b>	Nil at the Luxembourg Feeder Fund level. (See Master Fund Fees and Charges below for details).
<b>Dedicated Fund Setup Fee</b>	A maximum fee of €22,500 plus VAT will be charged for the setup of the Luxembourg Feeder Fund. This fee will be amortised as an expense to the fund over sixty (60) months.
<b>Reference Currency</b>	AUD
<b>Valuation Day</b>	Daily on each Luxembourg business day.
<b>Investment Terms</b>	Investors can choose the following investment terms:- <ul style="list-style-type: none"><li>&gt; 12 months (Class A)</li><li>&gt; 24 months (Class B)</li><li>&gt; 36 months (Class C)</li></ul>
<b>Distribution Rates</b>	Interest distribution rates are variable and will depend on the income earned and expenses paid by the Australian Master Fund from time to time. The distributions will be reflected in the growth of the NAV per share (share price) for the investment.
<b>Reinvestment/Payment of Distributions</b>	<p>Investors can request upon subscription that the number of shares equivalent to the increase in the value of the investment be redeemed quarterly and paid to their nominated bank account. Such distribution amount must be at least AUD 500 before payment will be made.</p> <p>The distribution will be paid within 20 Luxembourg business days at the end of each quarter, such quarters being March, June, September and December. Investors should note that financial institutions may charge a remittance fee which will be deducted from the investor's distribution amount. Such distribution will not be subject to any redemption charges.</p> <p>If an investor wants to change the distribution instructions it can only be changed at the end of the investment term with written notice to the Registrar &amp; Transfer Agent at least 15 Luxembourg business days prior to the term end date.</p>
<b>Automatic Rollover of Investment</b>	<p>If a redemption request is not received at least 15 Luxembourg business days prior to the maturity date, the following default process will apply:-</p> <ul style="list-style-type: none"><li>&gt; At the end of the investment term the investor's investment and accrued distribution is automatically reinvested in the same share class and for a further investment term of the same length.</li></ul> <p>Investors should consult their adviser for the most recent distribution rates of the fund.</p>
<b>Subscription Price / Redemption Price</b>	<p>Investors will have their Shares allotted at the Net Asset Value per Share as of the relevant Valuation Day.</p> <p>When Shares are redeemable, they will be redeemed at their Net Asset Value per Share as of the relevant Valuation Day less any applicable early withdrawal charges.</p>

<b>Classes of Shares</b>	<p>Class A AUD: 12 month term: Class offered to Well-Informed Investors and Institutional Investors.</p> <p>Class B AUD: 24 month term: Class offered to Well-Informed Investors and Institutional Investors.</p> <p>Class C AUD: 36 month term: Class offered to Well-Informed Investors and Institutional Investors.</p> <p>Class I AUD: Class offered to Well-Informed Investors specifically accepted by the Board of Directors.</p>
<b>Categories of Shares</b>	<p>Class A AUD: Capitalisation of income</p> <p>Class B AUD: Capitalisation of income</p> <p>Class C AUD: Capitalisation of income</p> <p>Class I AUD: Capitalisation of income</p>
<b>Initial Subscription Period</b>	<p>Class A AUD: 3 January 2011 to 28 February 2011</p> <p>Class B AUD: 3 January 2011 to 28 February 2011</p> <p>Class C AUD: 3 January 2011 to 28 February 2011</p> <p>Class I AUD: To be advised</p>
<b>Initial Subscription Day</b>	<p>Class A AUD: 1 March 2011</p> <p>Class B AUD: 1 March 2011</p> <p>Class C AUD: 1 March 2011</p> <p>Class I AUD: To be advised</p>
<b>Initial Subscription Price</b>	<p>Class A AUD: AUD 100 per share</p> <p>Class B AUD: AUD 100 per share</p> <p>Class C AUD: AUD 100 per share</p> <p>Class I AUD: AUD 1.00 per share</p>
<b>Minimum Initial Investment</b>	<p>Class A AUD: AUD 5,000</p> <p>Class B AUD: AUD 5,000</p> <p>Class C AUD: AUD 5,000</p> <p>Class I AUD: AUD 1,000</p>
<b>Minimum Subsequent Investment</b>	<p>Class A AUD: AUD 5,000</p> <p>Class B AUD: AUD 5,000</p> <p>Class C AUD: AUD 5,000</p> <p>Class I AUD: AUD 1,000</p>
<b>Subscription, Redemption and Conversion Between Classes of Shares Deadline</b>	<p>For subscriptions - 12p.m. Luxembourg time on each Valuation Day. Applications received by the Registrar and Transfer Agent after this time will be deemed to have been received on the following business day.</p> <p>For redemptions and switch to another investment term - 12p.m. Luxembourg time 15 Luxembourg business days prior to investment terms. Applications received by the Registrar and Transfer Agent after this time will be deemed to have been received on the following business day and will be automatically reinvested in the same share class and for a further investment term of the same length.</p>

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**Subscription Charge & Redemption Charge**

There are no subscription charges applicable to investments in the Feeder Fund.

There are no redemption charges applicable to the Feeder Fund or the Master Fund where you withdraw your investment at the end of its investment term.

Investment terms are fixed so withdrawal during the investment term is generally NOT permitted from the Feeder Fund or the Master Fund. The Master Fund Manager may allow early withdrawal at its complete discretion, however, it generally only allows early withdrawal in the event of death or in cases of medical or financial hardship. If the Master Fund Manager allows an early withdrawal the Master Fund may charge:-

- > a maximum fee equal to the last three months interest distributions paid or payable on the amount being withdrawn;
- > where an adviser is paid an upfront adviser fee the Master Fund will charge an additional fee of 2.2% per year (including Goods and Services Tax in Australia) of the investment amount, calculated on a pro rata basis for the length of time remaining to maturity.

The above fees will be deducted from the redemption amount payable to the Feeder Fund and will be reflected in the net redemption amount paid to the investor. Investors should note that the above fees do not necessarily reflect the only impact of an early withdrawal. Other impacts (including fees and charges that may be payable to the financial institution which provides the FFEC) can only be calculated at the time the request for early withdrawal is made, because there are a number of variable factors, including currency market rates and length of time to maturity. Investors can contact the Master Fund Manager, LM, if they want to withdraw early, and LM can at that time provide details of the total withdrawal costs, fees and other possible financial impacts.

Investors should note that the financial impacts on an investor who breaks an investment term with an early withdrawal are likely to result in the investor receiving less than the original amount invested.

**Such rules may impact on the ability of the Feeder Fund to withdraw from the Master Fund and may delay payment of redemption proceeds from the Feeder Fund.**

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**Master Fund - Fees & Charges****Management Costs for the LM Australian Income Fund - Currency Protected**

At time of issue of the Feeder Fund, the management fee being paid on the Master Fund is 1.5%pa. The Master Fund has a regulatory requirement to provide a maximum parameter for fees for the Master Fund. The maximum parameter in the Master Fund is 5.5%pa.

- > Adviser fees are fees paid to your adviser for professional financial advice. Any such fees are paid from the Master Fund as an expense, as a lump sum and/or trail commission. These are estimated at 2.2%pa.
- > The Master Fund's Manager is reimbursed for all expenses properly and reasonably incurred in managing the Fund. This includes any bank and government fees, charges and duties levied in connection with payments to and by the Fund. The estimate of Management Costs referred to above is based on current financial information, but the actual expenses will depend on the amount incurred during each particular year. The Master Fund expenses are expected to be 1.10%pa.

There will be no management or advisory fee directly payable to LM Investment Management Ltd by the Feeder Fund; however LM Investment Management Ltd will earn a fee at the Master Fund level which will include the Feeder Fund's overall investments.

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**Feeder Fund - Fees & Charges**

There will be no advisory fee charged by the Investment Adviser to the Feeder Fund. The Luxembourg service providers costs, including but not limited to Auditor, Transfer Agent, Paying Agent, Custodian, Administrator and Global Investment Manager and legal fees will be charged to the Feeder Fund and reimbursed by the Manager, LM Investment Management Ltd.

The Feeder Fund will be charged transaction costs such as (but not limited to) banking charges, charges associated with subscriptions and redemptions, regulatory and other taxes and third party costs.

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**Reporting Fund Status for UK Investors**

It is intended that the LM Australian Income Fund - Currency Protected Lux AUD will seek Reporting Fund status for the purposes of UK tax legislation.

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## Disclaimer

KMG SICAV – SIF has no intention to make any offer. This document shall be specifically considered as a simple communication of information on a security or an issuer without securities being offered for purchase or subscription. The issuer is exempted from the obligation to publish a prospectus within the scope of Part II of Luxembourg law on prospectuses for securities.

This communication is directed only at institutional investors, professional investors and other well-informed investors. It should not be distributed to, or relied on by, any other investors. The Fund is a Luxembourg Specialised Investment Funds scheme; it cannot be promoted to investors for whom it has not been deemed appropriate. If you do not fall into these categories do not read this document.

The information contained herein is confidential and is intended only for the persons to whom it is transmitted by the company. Any reproduction of this document in whole or in part, or the divulgence of any of its contents, without the prior written consent of the company, is prohibited.

Each interested investor shall be responsible for carrying out his own examination and consulting, if necessary, his own legal advisers in order to evaluate, in respect to his personal situation, the appropriateness of an investment in the KMG SICAV – SIF (the "Fund"). The investor's attention is drawn to the fact that the tax treatment that will be applied to investment in the Fund depends on his particular circumstances and may change. Therefore it is recommended that each investor consult with his tax adviser.

More specifically, the attention of potential investors is drawn to the risks associated with this investment, which are detailed in the Offering Document and it is strongly recommended that each potential investor consult this Document. Past yields of similar investments are no indication of future returns on investments that the Fund will carry out, as past performance is no guarantee of future results. Some legal, tax, or regulatory changes may occur during the life of the Fund, and may have an unfavourable effect on the performance of the Fund. There is no guarantee that the Fund's targeted returns will be achieved. Hence, potential investors must form their own opinion on the risks of this investment opportunity prior to taking the decision to invest in the Fund.

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# LM Australian Income Fund - Currency Protected Lux EUR

A Dedicated Fund of the KMG SICAV – SIF

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## About the Master Fund Manager - LM Investment Management Ltd

LM is the manager of the LM Australian Income Fund – Currency Protected. LM is registered with the Australian Securities and Investments Commission ("ASIC") as a Responsible Entity and Australian Financial Services Licensee.

LM is a privately owned, Australian specialist fund manager delivering its Australian investment funds globally. LM operates from its offices on the Gold Coast and in Sydney Australia, Hong Kong, London, Dubai, Auckland, Seattle and Johannesburg.

Through the global appeal and niche of its income funds, LM enjoys an established presence in the financial services markets throughout Australia, Asia, the Middle East, United Kingdom, USA, South America, South Africa, Europe and New Zealand.

## Property Related Financial Services Expertise

LM is recognised as a professional lending institution across the business and property sectors of Australia. In selecting and managing the property related assets of its investment funds, LM utilises the significant breadth of Australian property and lending expertise provided by its in-house team. The depth of knowledge and experience offered by each member of LM's team, and its collaborative and proactive approach sees repeat business from listed and unlisted multinational and smaller Australian property companies.

Over the past thirteen years, LM Investment Management Ltd has settled loans in excess of AUD\$5 billion. Lending and asset management are spread across a range of property sectors including residential, commercial, aged care, industrial, retail and construction opportunities throughout Australia's diverse property markets.

LM has considerable real property expertise in its property asset management team. All assets of the LM Income funds are in Australia.

## Australian Funds Distributed Globally

LM has carefully developed diversity in distributing its products through an international network of licensed financial advisers, intermediaries, wholesale platforms, private banks, superannuation funds, pension funds, corporate and institutional investment consultants spanning some 55 countries.

With innovative and client focused IT offerings, LM provides its licensed intermediary network remote connectivity with 24x7 accessibility in any time zone. The LM website, [www.LMAustralia.com](http://www.LMAustralia.com) and LM Information Exchange provide licensed users access to updated industry and Australian property/economic research reports, LM product information, custom rate sheets, comprehensive fund overviews, and up to the minute reporting on their respective clients' investment portfolios.

## Corporate Governance

The LM Senior Executive Committee and the LM Board of Directors hold extensive experience and an intimate understanding of the property, finance, insurance, legal, managed funds, human resources, marketing, communication, client relations and IT sectors.

LM's clear governance model is characterised by an active awareness of risk management. The transparent, flat management style and continuous professional development encourages employee participation in process development and leads to an intelligent, engaged and stable workforce.

## Regulatory Requirement for Segregation of Fund Assets

As a Responsible Entity, LM's primary responsibility is to operate and manage its investments in accordance with the Corporations Act 2001 and the relevant fund constitution, with a first and demonstrable priority to protect investors. The assets of the LM funds are totally separate and segregated by law from the assets of LM Investment Management Ltd. Investors, through their purchase of units in the unit trust structure of the fund, own an interest in the underlying assets of the LM funds.

LM has an in-house custodial team, and as part of its custodial license holds the necessary financial, organisational and administrative resources to facilitate efficient and secure management of its fund assets.

LM adheres to legislative requirements to ensure that:-

- > Fund assets are held securely for the LM funds and investors in the funds;
- > Fund assets are clearly identified and held separately from LM's assets and assets of any other fund; and
- > Safe keeping of the investment documents (such as title deeds) is secure.

The Feeder Fund purchases units in the unit trust structure of the Master Fund. Investors in the Feeder Fund through their purchase of shares in the Feeder Fund own an interest in the underlying assets of the Master Fund.

## Master Fund's Annual Reports

The Master Fund's financial report will be available from the Master Fund's Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com) or by telephoning +617 5584 4500.

Investors into the Feeder Fund should be aware that there may be a certain duplication of ongoing fees, such as Administrator, Custodian, Manager and Audit Fees with the Master Fund.

## Withdrawal from the Master Fund

The prime objective of the Master Fund is to deliver income to investors whilst maintaining capital value of investment in the Fund. The Master Fund has a mechanism which may be utilised to protect investors and fund capital in certain circumstances. To protect the Master Fund from volatility in external conditions, from time to time withdrawal payment timeframes may be extended or withdrawals may be suspended.

Such rules may impact on the ability of the Feeder Fund to withdraw from the Master Fund and may delay payment of redemption proceeds from the Feeder Fund.

See below for the circumstances in which this would occur. Since inception the Master Fund has not had to implement withdrawal delays.

Generally the Master Fund's Manager is required by the constitution of the Master Fund to satisfy withdrawal requests within 180 days. In certain circumstances, that period may be extended to 365 days or the Master Fund's Manager may be entitled to suspend withdrawals in order to protect all investments. The Master Fund's Manager has a liquidity policy that is monitored by the Master Fund's Board to adequately manage payment of withdrawals within the time period specified. The liquidity policy of the Master Fund describes the methodology the Master Fund's Manager applies to ensure that the maturity of the assets and liabilities of the Master Fund do not negatively impact on the Master Fund. The Master Fund's Manager does this by continually monitoring and managing the four variables that impact on liquidity, which are:- investor inflows; investor redemptions; loan draws and loan repayments.

The Master Fund's Manager may suspend withdrawals where:-

- (i) the Master Fund's cash reserves fall and remain below 5% for 10 consecutive business days being defined as business days on the Gold Coast, Queensland, Australia; or
- (ii) if in any period of 90 days, the Master Fund receives net withdrawal requests equal to 10% or more of the Master Fund's issued units and, during the period of 10 consecutive business days on the Gold Coast, Queensland, Australia falling within the 90 day period, the Master Fund's cash reserves are less than 10% of the total assets; or
- (iii) it is not satisfied that sufficient cash reserves are available to pay the withdrawal price on the appropriate date and to pay all actual and contingent liabilities of the Master Fund; or
- (iv) any other event or circumstance arises which the Master Fund's Manager considers in its absolute discretion may be detrimental to the interests of the members of the Master Fund.

## Risk Management

All investments are subject to varying risks and LM actively manages the Master Fund and advises the Feeder Fund with a view to balancing returns with security.

This is achieved by:-

- > employing experienced, professional personnel;
- > maintaining a long term vision for the Master Fund;
- > complying rigidly with its compliance program;
- > actively monitoring and managing the assets of the Master Fund; and
- > continuing to set high performance benchmarks.

For any investor the key to managing their investment is to understand and be comfortable with:-

- > the investment term;
- > the level of risk; and
- > potential volatility,

that accompanies an investment in the Feeder Fund and the Master Fund. The Master Fund's Manager actively manages risk under its risk management program. These comments are intended as a guide only and it is recommended that investors seek professional financial advice.

Risk management is a priority and the Master Fund's Manager follows a disciplined research driven approach to investment.

The Master Fund's Manager Property Research and Analysis Committee ("PRAC"), specifically targets both property locations and sectors offering growth opportunities. The Master Fund's Manager utilises the information provided by PRAC to review and assess its asset allocation strategy for the mortgage securities. As part of its asset allocation strategy the Master Fund's Manager will diversify the mortgage portfolio at a number of levels including, sector, geographic location in Australia, term and loan size.

Full details of the Master Fund and its Lending Policies and Procedures may be obtained from LM and are available on LM's website at [www.LMAustralia.com](http://www.LMAustralia.com) and in the product disclosure statement for the LM Australian Income Fund - Currency Protected.

## General Risk Factors

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<b>Capital Risk</b>	<p>The investments of the Master Fund are not capital guaranteed, and there is a risk that the value of the investment might decline. No losses have occurred, or are expected to occur at the date of this Offering Document.</p>
<b>Unit Price &amp; Share Price</b>	<p>The unit price of the Master Fund and the share price of the Feeder Fund are variable and may increase or decrease depending on the performance of the investment portfolio of the Master Fund.</p> <p>The Master Fund's Manager is constantly assessing various investment sectors in order to determine which sectors have the best potential in terms of income and/or capital security depending on the investment objective of the Master Fund.</p>
<b>Interest Distribution Rate Risk</b>	<p>This risk relates to the volatility of returns to investors. The Master Fund's Manager will stabilise interest distribution rate risk as follows:-</p> <ul style="list-style-type: none"><li>&gt; cash assets of the Feeder Fund and the Master Fund will be proactively monitored to ensure that investments at least move in line with market movements – investors should note that returns may not keep pace with inflation; and</li><li>&gt; mortgage securities in the Master Fund will utilise a combination of fixed interest rate lending and short lending terms and the Master Fund's Manager will utilise a policy of annual interest rate reviews on the anniversary of each of the mortgage securities.</li></ul> <p>The interest distribution rates are variable depending on the income earned, expenses paid and other matters relevant to the Master Fund. If the income earned is not sufficient to pay all expenses and interest distributions the returns to investors will be lower. This has not occurred at the date of this Offering Document. Past performance of the Master Fund is not an indicator of future performance.</p>
<b>Currency Risk</b>	<p>Non-Australian dollar investments in the Master Fund will be hedged in the relevant currency against Australian dollar currency movements. The Master Fund will currency hedge a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts ("FFEC"). Investors should however, be aware that any delay or shortfall in income or capital payments from the Master Fund may result in a loss for the Fund due to breaking a FFEC. In such an event, the investment will not be currency hedged and income and/or capital may be impacted.</p>
<b>No Requirement for the Assets of an Australian Managed Investment Scheme to be Held by an Independent Custodian</b>	<p>The Managed Investments Act 1998 ("MIA") (Australia) introduced a new structure for managed investment schemes so that a single "Responsible Entity" would carry full responsibility for a managed investment scheme as manager and trustee. Under the current regime managed investment schemes that are registered with the Australian Securities and Investment Commission (the Australian Regulator, "ASIC") are operated by a licensed public company acting as a single "Responsible Entity". LM Investment Management Ltd is a Responsible Entity. Assets of a managed investment scheme are not required to be held by an independent custodian if the "Responsible Entity" meets certain requirements which deliver investor protection in this respect. As the current MIA requirements allow for custody by the "Responsible Entity" as part of the duties as trustee, the "Responsible Entity" must have sufficient operational processes in place to hold the assets of each of its schemes securely and separately from assets of other schemes to which the "Responsible Entity" may operate and from the "Responsible Entity's" assets.</p> <p>Under ASIC's Regulatory Guide 166 Licensing: Financial requirements, LM Investment Management Ltd must:-</p> <ul style="list-style-type: none"><li>&gt; have total assets greater than total liabilities at all times; and</li><li>&gt; have a projection of cash flows over at least the next 3 months; and</li><li>&gt; hold at least AUD50,000 in surplus liquid funds; and</li><li>&gt; hold net tangible assets (NTA) of 0.5 per cent of the value of the assets of the registered schemes it operates with a minimum requirement of AUD50,000 and a maximum of AUD5 million; or</li><li>&gt; hold NTA of AUD5 million if operating a custodial service.</li></ul> <p>In addition, LM Investment Management Ltd must have its financial reports audited and must maintain professional indemnity insurance and insurance against fraud at a minimum of AUD5 million or the value of all registered scheme assets, whichever is less. LM Investment Management Ltd must also be a member of one or more External Disputes Resolution Schemes which cover complaints made by retail clients in relation to the provision of all of the financial services provided.</p>

<b>Property Market Risk</b>	<p>Property market risk is the risk that negative movements in the property market may impact on the capacity to fully recover the amount owing on a mortgage.</p> <p>The Master Fund's Manager will manage this risk by strictly complying with its lending guidelines, loan to valuation ratio policies, compliance program and the efficiency of its collections systems.</p> <p>The constitution of the Master Fund allows the Manager to lend funds provided that all mortgages are secured over property and the amount which may be advanced to a borrower does not exceed an LVR of 75% of the value of the security property on initial settlement. After a loan has settled and where the Manager considers it is in the best interests of the members of the Fund, the Manager may approve an LVR not to exceed 85% of the value of the security property. The LVR of a loan that is in default may exceed 85%. This could occur for example, where interest is being capitalised while the security property is being marketed and sold, or where the Manager determines that expenditure should be incurred to improve the security property prior to sale (the Manager considers a loan to be in default when interest payments have not been received in breach of the loan agreement, or the loan term has expired without repayment of principal).</p> <p>Full details of the Master Fund and its Lending Policies and Procedures may be obtained from LM and are available on LM's website at <a href="http://www.LMAustralia.com">www.LMAustralia.com</a> and in the product disclosure statement for the LM Australian Income Fund - Currency Protected.</p>
<b>Development or Construction Risk</b>	<p>In development or construction mortgages held by the Master Fund there could be delays in payment of interest or repayment of capital due to the timing, completion and sale of the development.</p> <p>The Master Fund's Manager's personnel have considerable experience in dealing with construction and development loans. For each loan an "as is" and an "on completion" valuation will be obtained. Funding of the loan will be controlled by the Master Fund's Manager on a "cost to complete basis". The Master Fund's Manager has specific procedures in place that will be adhered to both prior to and during a project to ensure that the security is maintained and risks minimised.</p> <p>Investors should also refer to the paragraph headed "Interest Capitalisation Risk" below as construction and development loans may have capitalised interest.</p>
<b>Interest Capitalisation Risk</b>	<p>Loans made from the Master Fund may require the interest to be paid periodically during the term of the loan or in the case of a construction and development loan a provision for interest may be built into the facility within the approved loan to valuation ratio. As a risk management measure, this provision for interest is built into the loan facility along with a contingency. This enables the Master Fund's Manager to control the interest payments and ensure that they are met within the approved loan to valuation ratio limit. In addition to this, a detailed financial analysis is conducted on each borrower to ensure that the borrower has sufficient resources to cover interest commitments if required. There is a risk that interest payments may not be recoverable because of:-</p> <ul style="list-style-type: none"> <li>&gt; changed circumstances of the borrower;</li> <li>&gt; changed circumstances of the security property; or</li> <li>&gt; other economic conditions.</li> </ul> <p>Where this occurs there may be insufficient cash-flow in the Master Fund to meet interest distributions or redemption requests.</p> <p>All loans will be monitored by experienced personnel employed by the Master Fund's Manager in its mortgage management division.</p>
<b>Credit Risk</b>	<p>This is the risk that a borrower may not meet its obligations in full and/or on time to pay interest and repay capital financial obligations. The Master Fund's Manager will mitigate this risk by utilising a conservative lending strategy in relation to the mortgages and following strict lending guidelines.</p>
<b>Liquidity Risk</b>	<p>A delay in meeting an investor's withdrawal request is possible where there are a significant number of withdrawal requests received at the same time, which absorb the cash reserves of the Feeder Fund and if assets of the Master Fund are not sufficiently liquid.</p> <p>In certain circumstances the Master Fund may be entitled to slow the payment of or suspend withdrawals for such periods as it determines. Refer to the paragraph headed "Withdrawals from the Master Fund".</p>
<b>Arrears of the Master Fund's Mortgage Portfolio</b>	<p>There are no mortgages in arrears at the date of this investment offering. The Master Fund's Manager utilises its property expertise and its Arrears Management Policies and Procedures to secure realisation and exit strategies for any arrears loans which may include subordinating the priority of a first mortgage as part of a structured exit strategy for a loan.</p>

## Information Regarding an Investment into the LM Australian Income Fund - Currency Protected Lux EUR

<b>Investment Adviser</b>	LM Investment Management Ltd
<b>Global Investment Manager</b>	KMG Capital Markets Luxembourg S.A.
<b>Investment Adviser Fee</b>	Nil at the Luxembourg Feeder Fund level. (See Master Fund Fees and Charges below for details).
<b>Dedicated Fund Setup Fee</b>	A maximum fee of €22,500 plus VAT will be charged for the setup of the Luxembourg Feeder Fund. This fee will be amortised as an expense to the fund over sixty (60) months.
<b>Reference Currency</b>	EUR
<b>Valuation Day</b>	Daily on each Luxembourg business day.
<b>Investment Terms</b>	<p>Investors can choose the following investment terms:-</p> <ul style="list-style-type: none"> <li>&gt; 12 months (Class A)</li> <li>&gt; 24 months (Class B)</li> <li>&gt; 36 months (Class C)</li> </ul>
<b>Distribution Rates</b>	Interest distribution rates are variable and will depend on the income earned and expenses paid by the Australian Master Fund from time to time. The distributions will be reflected in the growth of the NAV per share (share price) for the investment.
<b>Reinvestment/Payment of Distributions</b>	<p>Investors can request upon subscription that the number of shares equivalent to the increase in the value of the investment be redeemed quarterly and paid to their nominated bank account. Such distribution amount must be at least EUR 500 before payment will be made.</p> <p>The distribution will be paid within 20 Luxembourg business days at the end of each quarter, such quarters being March, June, September and December. Investors should note that financial institutions may charge a remittance fee which will be deducted from the investor's distribution amount. Such distribution will not be subject to any redemption charges.</p> <p>If an investor wants to change the distribution instructions it can only be changed at the end of the investment term with written notice to the Registrar &amp; Transfer Agent at least 15 Luxembourg business days prior to the term end date.</p>
<b>Automatic Rollover of Investment</b>	<p>If a redemption request is not received at least 15 Luxembourg business days prior to the maturity date, the following default process will apply:-</p> <ul style="list-style-type: none"> <li>&gt; At the end of the investment term the investor's investment and accrued distribution is automatically reinvested in the same share class and for a further investment term of the same length.</li> </ul> <p>Investors should consult their adviser for the most recent distribution rates of the fund.</p>
<b>Subscription Price / Redemption Price</b>	<p>Investors will have their Shares allotted at the Net Asset Value per Share as of the relevant Valuation Day.</p> <p>When Shares are redeemable, they will be redeemed at their Net Asset Value per Share as of the relevant Valuation Day less any applicable early withdrawal charges.</p>

<b>Classes of Shares</b>	<p>Class A EUR: 12 month term: Class offered to Well-Informed Investors and Institutional Investors.</p> <p>Class B EUR: 24 month term: Class offered to Well-Informed Investors and Institutional Investors.</p> <p>Class C EUR: 36 month term: Class offered to Well-Informed Investors and Institutional Investors.</p> <p>Class I EUR: Class offered to Well-Informed Investors specifically accepted by the Board of Directors.</p>
<b>Categories of Shares</b>	<p>Class A EUR: Capitalisation of income</p> <p>Class B EUR: Capitalisation of income</p> <p>Class C EUR: Capitalisation of income</p> <p>Class I EUR: Capitalisation of income</p>
<b>Initial Subscription Period</b>	<p>Class A EUR: 3 January 2011 to 28 February 2011</p> <p>Class B EUR: 3 January 2011 to 28 February 2011</p> <p>Class C EUR: 3 January 2011 to 28 February 2011</p> <p>Class I EUR: To be advised</p>
<b>Initial Subscription Day</b>	<p>Class A EUR: 1 March 2011</p> <p>Class B EUR: 1 March 2011</p> <p>Class C EUR: 1 March 2011</p> <p>Class I EUR: To be advised</p>
<b>Initial Subscription Price</b>	<p>Class A EUR : EUR 100 per share</p> <p>Class B EUR: EUR 100 per share</p> <p>Class C EUR: EUR 100 per share</p> <p>Class I EUR: EUR 1.00 per share</p>
<b>Minimum Initial Investment</b>	<p>Class A EUR: EUR 5,000</p> <p>Class B EUR: EUR 5,000</p> <p>Class C EUR: EUR 5,000</p> <p>Class I EUR: EUR 1,000</p>
<b>Minimum Subsequent Investment</b>	<p>Class A EUR: EUR 5,000</p> <p>Class B EUR: EUR 5,000</p> <p>Class C EUR: EUR 5,000</p> <p>Class I EUR: EUR 1,000</p>
<b>Subscription, Redemption and Conversion Between Classes of Shares Deadline</b>	<p>For subscriptions - 12p.m. Luxembourg time on each Valuation Day. Applications received by the Registrar and Transfer Agent after this time will be deemed to have been received on the following business day.</p> <p>For redemptions and switch to another investment term - 12p.m. Luxembourg time 15 Luxembourg business days prior to investment terms. Applications received by the Registrar and Transfer Agent after this time will be deemed to have been received on the following business day and will be automatically reinvested in the same share class and for a further investment term of the same length.</p>

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**Subscription Charge & Redemption Charge**

There are no subscription charges applicable to investments in the Feeder Fund.

There are no redemption charges applicable to the Feeder Fund or the Master Fund where you withdraw your investment at the end of its investment term.

Investment terms are fixed so withdrawal during the investment term is generally NOT permitted from the Feeder Fund or the Master Fund. The Master Fund Manager may allow early withdrawal at its complete discretion, however, it generally only allows early withdrawal in the event of death or in cases of medical or financial hardship. If the Master Fund Manager allows an early withdrawal the Master Fund may charge:-

- > a maximum fee equal to the last three months interest distributions paid or payable on the amount being withdrawn;
- > where an adviser is paid an upfront adviser fee the Master Fund will charge an additional fee of 2.2% per year (including Goods and Services Tax in Australia) of the investment amount, calculated on a pro rata basis for the length of time remaining to maturity.

The above fees will be deducted from the redemption amount payable to the Feeder Fund and will be reflected in the net redemption amount paid to the investor. Investors should note that the above fees do not necessarily reflect the only impact of an early withdrawal. Other impacts (including fees and charges that may be payable to the financial institution which provides the FFEC) can only be calculated at the time the request for early withdrawal is made, because there are a number of variable factors, including currency market rates and length of time to maturity. Investors can contact the Master Fund Manager, LM, if they want to withdraw early, and LM can at that time provide details of the total withdrawal costs, fees and other possible financial impacts.

Investors should note that the financial impacts on an investor who breaks an investment term with an early withdrawal are likely to result in the investor receiving less than the original amount invested.

Such rules may impact on the ability of the Feeder Fund to withdraw from the Master Fund and may delay payment of redemption proceeds from the Feeder Fund.

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**Master Fund - Fees & Charges****Management Costs for the LM Australian Income Fund - Currency Protected**

At time of issue of the Feeder Fund, the management fee being paid on the Master Fund is 1.5%pa. The Master Fund has a regulatory requirement to provide a maximum parameter for fees for the Master Fund. The maximum parameter in the Master Fund is 5.5%pa.

- > Adviser fees are fees paid to your adviser for professional financial advice. Any such fees are paid from the Master Fund as an expense, as a lump sum and/or trail commission. These are estimated at 2.2%pa.
- > The Master Fund's Manager is reimbursed for all expenses properly and reasonably incurred in managing the Fund. This includes any bank and government fees, charges and duties levied in connection with payments to and by the Fund. The estimate of Management Costs referred to above is based on current financial information, but the actual expenses will depend on the amount incurred during each particular year. The Master Fund expenses are expected to be 1.10%pa.

There will be no management or advisory fee directly payable to LM Investment Management Ltd by the Feeder Fund; however LM Investment Management Ltd will earn a fee at the Master Fund level which will include the Feeder Fund's overall investments.

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**Feeder Fund - Fees & Charges**

There will be no advisory fee charged by the Investment Adviser to the Feeder Fund. The Luxembourg service providers costs, including but not limited to Auditor, Transfer Agent, Paying Agent, Custodian, Administrator and Global Investment Manager and legal fees will be charged to the Feeder Fund and reimbursed by the Manager, LM Investment Management Ltd.

The Feeder Fund will be charged transaction costs such as (but not limited to) banking charges, charges associated with subscriptions and redemptions, regulatory and other taxes and third party costs.

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**Reporting Fund Status for UK Investors**

It is intended that the LM Australian Income Fund - Currency Protected Lux EUR will seek Reporting Fund status for the purposes of UK tax legislation.

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## Disclaimer

KMG SICAV – SIF has no intention to make any offer. This document shall be specifically considered as a simple communication of information on a security or an issuer without securities being offered for purchase or subscription. The issuer is exempted from the obligation to publish a prospectus within the scope of Part II of Luxembourg law on prospectuses for securities.

This communication is directed only at institutional investors, professional investors and other well-informed investors. It should not be distributed to, or relied on by, any other investors. The Fund is a Luxembourg Specialised Investment Funds scheme; it cannot be promoted to investors for whom it has not been deemed appropriate. If you do not fall into these categories do not read this document.

The information contained herein is confidential and is intended only for the persons to whom it is transmitted by the company. Any reproduction of this document in whole or in part, or the divulgence of any of its contents, without the prior written consent of the company, is prohibited.

Each interested investor shall be responsible for carrying out his own examination and consulting, if necessary, his own legal advisers in order to evaluate, in respect to his personal situation, the appropriateness of an investment in the KMG SICAV – SIF (the "Fund"). The investor's attention is drawn to the fact that the tax treatment that will be applied to investment in the Fund depends on his particular circumstances and may change. Therefore it is recommended that each investor consult with his tax adviser.

More specifically, the attention of potential investors is drawn to the risks associated with this investment, which are detailed in the Offering Document and it is strongly recommended that each potential investor consult this Document. Past yields of similar investments are no indication of future returns on investments that the Fund will carry out, as past performance is no guarantee of future results. Some legal, tax, or regulatory changes may occur during the life of the Fund, and may have an unfavourable effect on the performance of the Fund. There is no guarantee that the Fund's targeted returns will be achieved. Hence, potential investors must form their own opinion on the risks of this investment opportunity prior to taking the decision to invest in the Fund.

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# LM Australian Income Fund - Currency Protected Lux GBP

A Dedicated Fund of the KMG SICAV – SIF

## Investment Objective and Policy

The objective of the LM Australian Income Fund - Currency Protected Lux GBP is to provide a steady income stream relevant to the risk return of the Fund.

This dedicated fund acts as a feeder fund (the "Feeder Fund") seeking to obtain a favourable long term total return through income, by investing its net assets in LM Australian Income Fund - Currency Protected (the "Master Fund"). The Master Fund is registered as a Managed Investment Scheme with the Australian regulator, the Australian Securities and Investments Commission ("ASIC"), on 14 October 2008.

## Fund Assets

The assets of the Master Fund are a diversified "pool" of Australian registered first mortgages over commercial, residential, industrial, retail and vacant land and cash investments. As part of the asset allocation strategy of the Master Fund, LM Investment Management Ltd ("LM") diversifies the underlying mortgage portfolio by selecting security spread across different property sectors and geographic locations within Australia.

Approximately 95% of the total assets of the Master Fund are invested in registered first mortgages and approximately 5% of the Master Fund's total assets are invested in cash.

The Master Fund's target asset exposure for Australian registered first mortgages is to generally ensure that no single loan exceeds 10% of the Master Fund's assets. However this policy will be exceeded until the Master Fund and its assets grow to provide the diversity to achieve this policy.

The Manager has a policy of generally not exceeding the following loan to valuation ratios:-

- > 66.67% for construction and development loans; and
- > 75% for commercial loans.

The Master Fund Manager's Credit Committee considers the appropriate loan to valuation ratio based on all the factors surrounding the loan.

Full details of the Master Fund and its Lending Policies and Procedures may be obtained from LM and are available on LM's website at [www.LMAustralia.com](http://www.LMAustralia.com) and in the product disclosure statement for the LM Australian Income Fund - Currency Protected.

If after four years from the launch date of the Feeder Fund, the Master Fund has an exposure to any one single registered first mortgage loan above 30% of the Master Fund's assets, the Feeder Fund may reconsider being invested in the Master Fund.

## Currency Protection

As an Australian fund, the Master Fund's reference currency is Australian dollar. The Master Fund hedges non-Australian dollar investors' investments through the use of Forward Foreign Exchange Contracts.

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Through the global appeal and niche of its income funds, LM enjoys an established presence in the financial services markets throughout Australia, Asia, the Middle East, United Kingdom, USA, South America, South Africa, Europe and New Zealand.

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As a Responsible Entity, LM's primary responsibility is to operate and manage its investments in accordance with the Corporations Act 2001 and the relevant fund constitution, with a first and demonstrable priority to protect investors.

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- > Fund assets are held securely for the LM funds and investors in the funds;
- > Fund assets are clearly identified and held separately from LM's assets and assets of any other fund; and
- > Safe keeping of the investment documents (such as title deeds) is secure.

The Feeder Fund purchases units in the unit trust structure of the Master Fund. Investors in the Feeder Fund through their purchase of shares in the Feeder Fund own an interest in the underlying assets of the Master Fund.

## Master Fund's Annual Reports

The Master Fund's financial report will be available from the Master Fund's Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com) or by telephoning +617 5584 4500.

Investors into the Feeder Fund should be aware that there may be a certain duplication of ongoing fees, such as Administrator, Custodian, Manager and Audit Fees with the Master Fund.

## Withdrawal from the Master Fund

The prime objective of the Master Fund is to deliver income to investors whilst maintaining capital value of investment in the Fund. The Master Fund has a mechanism which may be utilised to protect investors and fund capital in certain circumstances. To protect the Master Fund from volatility in external conditions, from time to time withdrawal payment timeframes may be extended or withdrawals may be suspended.

Such rules may impact on the ability of the Feeder Fund to withdraw from the Master Fund and may delay payment of redemption proceeds from the Feeder Fund.

See below for the circumstances in which this would occur.

Since inception the Master Fund has not had to implement withdrawal delays.

Generally the Master Fund's Manager is required by the constitution of the Master Fund to satisfy withdrawal requests within 180 days. In certain circumstances, that period may be extended to 365 days or the Master Fund's Manager may be entitled to suspend withdrawals in order to protect all investments. The Master Fund's Manager has a liquidity policy that is monitored by the Master Fund's Board to adequately manage payment of withdrawals within the time period specified. The liquidity policy of the Master Fund describes the methodology the Master Fund's Manager applies to ensure that the maturity of the assets and liabilities of the Master Fund do not negatively impact on the Master Fund. The Master Fund's Manager does this by continually monitoring and managing the four variables that impact on liquidity, which are:- investor inflows; investor redemptions; loan draws and loan repayments.

The Master Fund's Manager may suspend withdrawals where:-

- (i) the Master Fund's cash reserves fall and remain below 5% for 10 consecutive business days being defined as business days on the Gold Coast, Queensland, Australia; or
- (ii) if in any period of 90 days, the Master Fund receives net withdrawal requests equal to 10% or more of the Master Fund's issued units and, during the period of 10 consecutive business days on the Gold Coast, Queensland, Australia falling within the 90 day period, the Master Fund's cash reserves are less than 10% of the total assets; or
- (iii) it is not satisfied that sufficient cash reserves are available to pay the withdrawal price on the appropriate date and to pay all actual and contingent liabilities of the Master Fund; or
- (iv) any other event or circumstance arises which the Master Fund's Manager considers in its absolute discretion may be detrimental to the interests of the members of the Master Fund.

## Risk Management

All investments are subject to varying risks and LM actively manages the Master Fund and advises the Feeder Fund with a view to balancing returns with security.

This is achieved by:-

- > employing experienced, professional personnel;
- > maintaining a long term vision for the Master Fund;
- > complying rigidly with its compliance program;
- > actively monitoring and managing the assets of the Master Fund; and
- > continuing to set high performance benchmarks.

For any investor the key to managing their investment is to understand and be comfortable with:-

- > the investment term;
- > the level of risk; and
- > potential volatility,

that accompanies an investment in the Feeder Fund and the Master Fund . The Master Fund's Manager actively manages risk under its risk management program. These comments are intended as a guide only and it is recommended that investors seek professional financial advice.

Risk management is a priority and the Master Fund's Manager follows a disciplined research driven approach to investment.

The Master Fund's Manager Property Research and Analysis Committee ("PRAC"), specifically targets both property locations and sectors offering growth opportunities. The Master Fund's Manager utilises the information provided by PRAC to review and assess its asset allocation strategy for the mortgage securities. As part of its asset allocation strategy the Master Fund's Manager will diversify the mortgage portfolio at a number of levels including, sector, geographic location in Australia, term and loan size.

Full details of the Master Fund and its Lending Policies and Procedures may be obtained from LM and are available on LM's website at [www.LMAustralia.com](http://www.LMAustralia.com) and in the product disclosure statement for the LM Australian Income Fund - Currency Protected.

## General Risk Factors

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<b>Capital Risk</b>	<p>The investments of the Master Fund are not capital guaranteed, and there is a risk that the value of the investment might decline. No losses have occurred, or are expected to occur at the date of this Offering Document.</p>
<b>Unit Price &amp; Share Price</b>	<p>The unit price of the Master Fund and the share price of the Feeder Fund are variable and may increase or decrease depending on the performance of the investment portfolio of the Master Fund.</p> <p>The Master Fund's Manager is constantly assessing various investment sectors in order to determine which sectors have the best potential in terms of income and/or capital security depending on the investment objective of the Master Fund.</p>
<b>Interest Distribution Rate Risk</b>	<p>This risk relates to the volatility of returns to investors. The Master Fund's Manager will stabilise interest distribution rate risk as follows:-</p> <ul style="list-style-type: none"><li>&gt; cash assets of the Feeder Fund and the Master Fund will be proactively monitored to ensure that investments at least move in line with market movements – investors should note that returns may not keep pace with inflation; and</li><li>&gt; mortgage securities in the Master Fund will utilise a combination of fixed interest rate lending and short lending terms and the Master Fund's Manager will utilise a policy of annual interest rate reviews on the anniversary of each of the mortgage securities.</li></ul> <p>The interest distribution rates are variable depending on the income earned, expenses paid and other matters relevant to the Master Fund. If the income earned is not sufficient to pay all expenses and interest distributions the returns to investors will be lower. This has not occurred at the date of this Offering Document. Past performance of the Master Fund is not an indicator of future performance.</p>
<b>Currency Risk</b>	<p>Non-Australian dollar investments in the Master Fund will be hedged in the relevant currency against Australian dollar currency movements. The Master Fund will currency hedge a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts ("FFEC"). Investors should however, be aware that any delay or shortfall in income or capital payments from the Master Fund may result in a loss for the Fund due to breaking a FFEC. In such an event, the investment will not be currency hedged and income and/or capital may be impacted.</p>
<b>No Requirement for the Assets of an Australian Managed Investment Scheme to be Held by an Independent Custodian</b>	<p>The Managed Investments Act 1998 ("MIA") (Australia) introduced a new structure for managed investment schemes so that a single "Responsible Entity" would carry full responsibility for a managed investment scheme as manager and trustee. Under the current regime managed investment schemes that are registered with the Australian Securities and Investment Commission (the Australian Regulator, "ASIC") are operated by a licensed public company acting as a single "Responsible Entity". LM Investment Management Ltd is a Responsible Entity. Assets of a managed investment scheme are not required to be held by an independent custodian if the "Responsible Entity" meets certain requirements which deliver investor protection in this respect. As the current MIA requirements allow for custody by the "Responsible Entity" as part of the duties as trustee, the "Responsible Entity" must have sufficient operational processes in place to hold the assets of each of its schemes securely and separately from assets of other schemes to which the "Responsible Entity" may operate and from the "Responsible Entity's" assets.</p> <p>Under ASIC's Regulatory Guide 166 Licensing: Financial requirements, LM Investment Management Ltd must:-</p> <ul style="list-style-type: none"><li>&gt; have total assets greater than total liabilities at all times; and</li><li>&gt; have a projection of cash flows over at least the next 3 months ; and</li><li>&gt; hold at least AUD50,000 in surplus liquid funds; and</li><li>&gt; hold net tangible assets (NTA) of 0.5 per cent of the value of the assets of the registered schemes it operates with a minimum requirement of AUD50,000 and a maximum of AUD5 million; or</li><li>&gt; hold NTA of AUD5 million if operating a custodial service.</li></ul> <p>In addition, LM Investment Management Ltd must have its financial reports audited and must maintain professional indemnity insurance and insurance against fraud at a minimum of AUD5 million or the value of all registered scheme assets, whichever is less. LM Investment Management Ltd must also be a member of one or more External Disputes Resolution Schemes which cover complaints made by retail clients in relation to the provision of all of the financial services provided.</p>

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<b>Property Market Risk</b>	<p>Property market risk is the risk that negative movements in the property market may impact on the capacity to fully recover the amount owing on a mortgage.</p> <p>The Master Fund's Manager will manage this risk by strictly complying with its lending guidelines, loan to valuation ratio policies, compliance program and the efficiency of its collections systems.</p> <p>The constitution of the Master Fund allows the Manager to lend funds provided that all mortgages are secured over property and the amount which may be advanced to a borrower does not exceed an LVR of 75% of the value of the security property on initial settlement. After a loan has settled and where the Manager considers it is in the best interests of the members of the Fund, the Manager may approve an LVR not to exceed 85% of the value of the security property. The LVR of a loan that is in default may exceed 85%. This could occur for example, where interest is being capitalised while the security property is being marketed and sold, or where the Manager determines that expenditure should be incurred to improve the security property prior to sale (the Manager considers a loan to be in default when interest payments have not been received in breach of the loan agreement, or the loan term has expired without repayment of principal). Full details of the Master Fund and its Lending Policies and Procedures may be obtained from LM and are available on LM's website at <a href="http://www.LMaustralia.com">www.LMaustralia.com</a> and in the product disclosure statement for the LM Australian Income Fund - Currency Protected.</p>
<b>Development or Construction Risk</b>	<p>In development or construction mortgages held by the Master Fund there could be delays in payment of interest or repayment of capital due to the timing, completion and sale of the development.</p> <p>The Master Fund's Manager's personnel have considerable experience in dealing with construction and development loans. For each loan an "as is" and an "on completion" valuation will be obtained. Funding of the loan will be controlled by the Master Fund's Manager on a "cost to complete basis". The Master Fund's Manager has specific procedures in place that will be adhered to both prior to and during a project to ensure that the security is maintained and risks minimised.</p> <p>Investors should also refer to the paragraph headed "Interest Capitalisation Risk" below as construction and development loans may have capitalised interest.</p>
<b>Interest Capitalisation Risk</b>	<p>Loans made from the Master Fund may require the interest to be paid periodically during the term of the loan or in the case of a construction and development loan a provision for interest may be built into the facility within the approved loan to valuation ratio. As a risk management measure, this provision for interest is built into the loan facility along with a contingency. This enables the Master Fund's Manager to control the interest payments and ensure that they are met within the approved loan to valuation ratio limit. In addition to this, a detailed financial analysis is conducted on each borrower to ensure that the borrower has sufficient resources to cover interest commitments if required. There is a risk that interest payments may not be recoverable because of:-</p> <ul style="list-style-type: none"> <li>&gt; changed circumstances of the borrower;</li> <li>&gt; changed circumstances of the security property; or</li> <li>&gt; other economic conditions.</li> </ul> <p>Where this occurs there may be insufficient cash-flow in the Master Fund to meet interest distributions or redemption requests.</p> <p>All loans will be monitored by experienced personnel employed by the Master Fund's Manager in its mortgage management division.</p>
<b>Credit Risk</b>	<p>This is the risk that a borrower may not meet its obligations in full and/or on time to pay interest and repay capital financial obligations. The Master Fund's Manager will mitigate this risk by utilising a conservative lending strategy in relation to the mortgages and following strict lending guidelines.</p>
<b>Liquidity Risk</b>	<p>A delay in meeting an investor's withdrawal request is possible where there are a significant number of withdrawal requests received at the same time, which absorb the cash reserves of the Feeder Fund and if assets of the Master Fund are not sufficiently liquid.</p> <p>In certain circumstances the Master Fund may be entitled to slow the payment of or suspend withdrawals for such periods as it determines. Refer to the paragraph headed "Withdrawals from the Master Fund".</p>
<b>Arrears of the Master Fund's Mortgage Portfolio</b>	<p>There are no mortgages in arrears at the date of this investment offering. The Master Fund's Manager utilises its property expertise and its Arrears Management Policies and Procedures to secure realisation and exit strategies for any arrears loans which may include subordinating the priority of a first mortgage as part of a structured exit strategy for a loan.</p>

## Information Regarding an Investment into the LM Australian Income Fund - Currency Protected Lux GBP

<b>Investment Adviser</b>	LM Investment Management Ltd
<b>Global Investment Manager</b>	KMG Capital Markets Luxembourg S.A.
<b>Investment Adviser Fee</b>	Nil at the Luxembourg Feeder Fund level. (See Master Fund Fees and Charges below for details).
<b>Dedicated Fund Setup Fee</b>	A maximum fee of €22,500 plus VAT will be charged for the setup of the Luxembourg Feeder Fund. This fee will be amortised as an expense to the fund over sixty (60) months.
<b>Reference Currency</b>	GBP
<b>Valuation Day</b>	Daily on each Luxembourg business day.
<b>Investment Terms</b>	<p>Investors can choose the following investment terms:-</p> <ul style="list-style-type: none"> <li>&gt; 12 months (Class A)</li> <li>&gt; 24 months (Class B)</li> <li>&gt; 36 months (Class C)</li> </ul>
<b>Distribution Rates</b>	Interest distribution rates are variable and will depend on the income earned and expenses paid by the Australian Master Fund from time to time. The distributions will be reflected in the growth of the NAV per share (share price) for the investment.
<b>Reinvestment/Payment of Distributions</b>	<p>Investors can request upon subscription that the number of shares equivalent to the increase in the value of the investment be redeemed quarterly and paid to their nominated bank account. Such distribution amount must be at least GBP 500 before payment will be made.</p> <p>The distribution will be paid within 20 Luxembourg business days at the end of each quarter, such quarters being March, June, September and December. Investors should note that financial institutions may charge a remittance fee which will be deducted from the investor's distribution amount. Such distribution will not be subject to any redemption charges.</p> <p>If an investor wants to change the distribution instructions it can only be changed at the end of the investment term with written notice to the Registrar &amp; Transfer Agent at least 15 Luxembourg business days prior to the term end date.</p>
<b>Automatic Rollover of Investment</b>	<p>If a redemption request is not received at least 15 Luxembourg business days prior to the maturity date, the following default process will apply:-</p> <ul style="list-style-type: none"> <li>&gt; At the end of the investment term the investor's investment and accrued distribution is automatically reinvested in the same share class and for a further investment term of the same length.</li> </ul> <p>Investors should consult their adviser for the most recent distribution rates of the fund.</p>
<b>Subscription Price / Redemption Price</b>	<p>Investors will have their Shares allotted at the Net Asset Value per Share as of the relevant Valuation Day.</p> <p>When Shares are redeemable, they will be redeemed at their Net Asset Value per Share as of the relevant Valuation Day less any applicable early withdrawal charges.</p>

<b>Classes of Shares</b>	<p>Class A GBP: 12 month term: Class offered to Well-Informed Investors and Institutional Investors.</p> <p>Class B GBP: 24 month term: Class offered to Well-Informed Investors and Institutional Investors.</p> <p>Class C GBP: 36 month term: Class offered to Well-Informed Investors and Institutional Investors.</p> <p>Class I GBP: Class offered to Well-Informed Investors specifically accepted by the Board of Directors.</p>
<b>Categories of Shares</b>	<p>Class A GBP: Capitalisation of income</p> <p>Class B GBP: Capitalisation of income</p> <p>Class C GBP: Capitalisation of income</p> <p>Class I GBP: Capitalisation of income</p>
<b>Initial Subscription Period</b>	<p>Class A GBP: 3 January 2011 to 28 February 2011</p> <p>Class B GBP: 3 January 2011 to 28 February 2011</p> <p>Class C GBP: 3 January 2011 to 28 February 2011</p> <p>Class I GBP: To be advised</p>
<b>Initial Subscription Day</b>	<p>Class A GBP: 1 March 2011</p> <p>Class B GBP: 1 March 2011</p> <p>Class C GBP: 1 March 2011</p> <p>Class I GBP: To be advised</p>
<b>Initial Subscription Price</b>	<p>Class A GBP : GBP 100 per share</p> <p>Class B GBP: GBP 100 per share</p> <p>Class C GBP: GBP 100 per share</p> <p>Class I GBP: GBP 1.00 per share</p>
<b>Minimum Initial Investment</b>	<p>Class A GBP: GBP 5,000</p> <p>Class B GBP: GBP 5,000</p> <p>Class C GBP: GBP 5,000</p> <p>Class I GBP: GBP 1,000</p>
<b>Minimum Subsequent Investment</b>	<p>Class A GBP: GBP 5,000</p> <p>Class B GBP: GBP 5,000</p> <p>Class C GBP: GBP 5,000</p> <p>Class I GBP: GBP 1,000</p>
<b>Subscription, Redemption and Conversion Between Classes of Shares Deadline</b>	<p>For subscriptions - 12p.m. Luxembourg time on each Valuation Day. Applications received by the Registrar and Transfer Agent after this time will be deemed to have been received on the following business day.</p> <p>For redemptions and switch to another investment term - 12p.m. Luxembourg time 15 Luxembourg business days prior to investment terms. Applications received by the Registrar and Transfer Agent after this time will be deemed to have been received on the following business day and will be automatically reinvested in the same share class and for a further investment term of the same length.</p>

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**Subscription Charge & Redemption Charge**

There are no subscription charges applicable to investments in the Feeder Fund.

There are no redemption charges applicable to the Feeder Fund or the Master Fund where you withdraw your investment at the end of its investment term.

Investment terms are fixed so withdrawal during the investment term is generally NOT permitted from the Feeder Fund or the Master Fund. The Master Fund Manager may allow early withdrawal at its complete discretion, however, it generally only allows early withdrawal in the event of death or in cases of medical or financial hardship. If the Master Fund Manager allows an early withdrawal the Master Fund may charge:-

- > a maximum fee equal to the last three months interest distributions paid or payable on the amount being withdrawn;
- > where an adviser is paid an upfront adviser fee the Master Fund will charge an additional fee of 2.2% per year (including Goods and Services Tax in Australia) of the investment amount, calculated on a pro rata basis for the length of time remaining to maturity.

The above fees will be deducted from the redemption amount payable to the Feeder Fund and will be reflected in the net redemption amount paid to the investor. Investors should note that the above fees do not necessarily reflect the only impact of an early withdrawal. Other impacts (including fees and charges that may be payable to the financial institution which provides the FFEC) can only be calculated at the time the request for early withdrawal is made, because there are a number of variable factors, including currency market rates and length of time to maturity. Investors can contact the Master Fund Manager, LM, if they want to withdraw early, and LM can at that time provide details of the total withdrawal costs, fees and other possible financial impacts.

Investors should note that the financial impacts on an investor who breaks an investment term with an early withdrawal are likely to result in the investor receiving less than the original amount invested. Such rules may impact on the ability of the Feeder Fund to withdraw from the Master Fund and may delay payment of redemption proceeds from the Feeder Fund.

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**Master Fund - Fees & Charges****Management Costs for the LM Australian Income Fund - Currency Protected**

At time of issue of the Feeder Fund, the management fee being paid on the Master Fund is 1.5%pa. The Master Fund has a regulatory requirement to provide a maximum parameter for fees for the Master Fund. The maximum parameter in the Master Fund is 5.5%pa.

- > Adviser fees are fees paid to your adviser for professional financial advice. Any such fees are paid from the Master Fund as an expense, as a lump sum and/or trail commission. These are estimated at 2.2%pa.
- > The Master Fund's Manager is reimbursed for all expenses properly and reasonably incurred in managing the Fund. This includes any bank and government fees, charges and duties levied in connection with payments to and by the Fund. The estimate of Management Costs referred to above is based on current financial information, but the actual expenses will depend on the amount incurred during each particular year. The Master Fund expenses are expected to be 1.10%pa.

There will be no management or advisory fee directly payable to LM Investment Management Ltd by the Feeder Fund; however LM Investment Management Ltd will earn a fee at the Master Fund level which will include the Feeder Fund's overall investments.

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**Feeder Fund - Fees & Charges**

There will be no advisory fee charged by the Investment Adviser to the Feeder Fund. The Luxembourg service providers costs, including but not limited to Auditor, Transfer Agent, Paying Agent, Custodian, Administrator and Global Investment Manager and legal fees will be charged to the Feeder Fund and reimbursed by the Manager, LM Investment Management Ltd.

The Feeder Fund will be charged transaction costs such as (but not limited to) banking charges, charges associated with subscriptions and redemptions, regulatory and other taxes and third party costs.

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**Reporting Fund Status for UK Investors**

It is intended that the LM Australian Income Fund - Currency Protected Lux GBP will seek Reporting Fund status for the purposes of UK tax legislation.

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## Disclaimer

KMG SICAV – SIF has no intention to make any offer. This document shall be specifically considered as a simple communication of information on a security or an issuer without securities being offered for purchase or subscription. The issuer is exempted from the obligation to publish a prospectus within the scope of Part II of Luxembourg law on prospectuses for securities.

This communication is directed only at institutional investors, professional investors and other well-informed investors. It should not be distributed to, or relied on by, any other investors. The Fund is a Luxembourg Specialised Investment Funds scheme; it cannot be promoted to investors for whom it has not been deemed appropriate. If you do not fall into these categories do not read this document.

The information contained herein is confidential and is intended only for the persons to whom it is transmitted by the company. Any reproduction of this document in whole or in part, or the divulgence of any of its contents, without the prior written consent of the company, is prohibited.

Each interested investor shall be responsible for carrying out his own examination and consulting, if necessary, his own legal advisers in order to evaluate, in respect to his personal situation, the appropriateness of an investment in the KMG SICAV – SIF (the "Fund"). The investor's attention is drawn to the fact that the tax treatment that will be applied to investment in the Fund depends on his particular circumstances and may change. Therefore it is recommended that each investor consult with his tax adviser.

More specifically, the attention of potential investors is drawn to the risks associated with this investment, which are detailed in the Offering Document and it is strongly recommended that each potential investor consult this Document. Past yields of similar investments are no indication of future returns on investments that the Fund will carry out, as past performance is no guarantee of future results. Some legal, tax, or regulatory changes may occur during the life of the Fund, and may have an unfavourable effect on the performance of the Fund. There is no guarantee that the Fund's targeted returns will be achieved. Hence, potential investors must form their own opinion on the risks of this investment opportunity prior to taking the decision to invest in the Fund.

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# LM Australian Income Fund - Currency Protected Lux USD

A Dedicated Fund of the KMG SICAV – SIF

## Investment Objective and Policy

The objective of the LM Australian Income Fund - Currency Protected Lux USD is to provide a steady income stream relevant to the risk return of the Fund.

This dedicated fund acts as a feeder fund (the “Feeder Fund”) seeking to obtain a favourable long term total return through income, by investing its net assets in LM Australian Income Fund - Currency Protected (the “Master Fund”). The Master Fund is registered as a Managed Investment Scheme with the Australian regulator, the Australian Securities and Investments Commission (“ASIC”), on 14 October 2008.

## Fund Assets

The assets of the Master Fund are a diversified “pool” of Australian registered first mortgages over commercial, residential, industrial, retail and vacant land and cash investments. As part of the asset allocation strategy of the Master Fund, LM Investment Management Ltd (“LM”) diversifies the underlying mortgage portfolio by selecting security spread across different property sectors and geographic locations within Australia.

Approximately 95% of the total assets of the Master Fund are invested in registered first mortgages and approximately 5% of the Master Fund’s total assets are invested in cash.

The Master Fund’s target asset exposure for Australian registered first mortgages is to generally ensure that no single loan exceeds 10% of the Master Fund’s assets. However this policy will be exceeded until the Master Fund and its assets grow to provide the diversity to achieve this policy.

The Manager has a policy of generally not exceeding the following loan to valuation ratios:-

- > 66.67% for construction and development loans; and
- > 75% for commercial loans.

The Master Fund Manager’s Credit Committee considers the appropriate loan to valuation ratio based on all the factors surrounding the loan.

Full details of the Master Fund and its Lending Policies and Procedures may be obtained from LM and are available on LM’s website at [www.LMAustralia.com](http://www.LMAustralia.com) and in the product disclosure statement for the LM Australian Income Fund - Currency Protected.

If after four years from the launch date of the Feeder Fund, the Master Fund has an exposure to any one single registered first mortgage loan above 30% of the Master Fund’s assets, the Feeder Fund may reconsider being invested in the Master Fund.

## Currency Protection

As an Australian fund, the Master Fund’s reference currency is Australian dollar. The Master Fund hedges non-Australian dollar investors’ investments through the use of Forward Foreign Exchange Contracts.

## About the Master Fund Manager - LM Investment Management Ltd

LM Investment Management Ltd (LM) is the manager of the LM Australian Income Fund – Currency Protected. LM is registered with the Australian Securities and Investments Commission (“ASIC”) as a Responsible Entity and Australian Financial Services Licensee.

LM is a privately owned, Australian specialist fund manager delivering its Australian investment funds globally. LM operates from its offices on the Gold Coast and in Sydney Australia, Hong Kong, London, Dubai, Auckland, Seattle and Johannesburg.

Through the global appeal and niche of its income funds, LM enjoys an established presence in the financial services markets throughout Australia, Asia, the Middle East, United Kingdom, USA, South America, South Africa, Europe and New Zealand.

## Property Related Financial Services Expertise

LM is recognised as a professional lending institution across the business and property sectors of Australia. In selecting and managing the property related assets of its investment funds, LM utilises the significant breadth of Australian property and lending expertise provided by its in-house team. The depth of knowledge and experience offered by each member of LM’s team, and its collaborative and proactive approach sees repeat business from listed and unlisted multinational and smaller Australian property companies.

Over the past thirteen years, LM Investment Management Ltd has settled loans in excess of AUD5 billion. Lending and asset management are spread across a range of property sectors including residential, commercial, aged care, industrial, retail and construction opportunities throughout Australia’s diverse property markets.

LM has considerable real property expertise in its property asset management team. All assets of the LM Income funds are in Australia.

## Australian Funds Distributed Globally

LM has carefully developed diversity in distributing its products through an international network of licensed financial advisers, intermediaries, wholesale platforms, private banks, superannuation funds, pension funds, corporate and institutional investment consultants spanning some 55 countries.

With innovative and client focused IT offerings, LM provides its licensed intermediary network remote connectivity with 24x7 accessibility in any time zone. The LM website, [www.LMAustralia.com](http://www.LMAustralia.com) and LM Information Exchange provide licensed users access to updated industry and Australian property/economic research reports, LM product information, custom rate sheets, comprehensive fund overviews, and up to the minute reporting on their respective clients’ investment portfolios.

## Corporate Governance

The LM Senior Executive Committee and the LM Board of Directors hold extensive experience and an intimate understanding of the property, finance, insurance, legal, managed funds, human resources, marketing, communication, client relations and IT sectors.

LM's clear governance model is characterised by an active awareness of risk management. The transparent, flat management style and continuous professional development encourages employee participation in process development and leads to an intelligent, engaged and stable workforce.

## Regulatory Requirement for Segregation of Fund Assets

As a Responsible Entity, LM's primary responsibility is to operate and manage its investments in accordance with the Corporations Act 2001 and the relevant fund constitution, with a first and demonstrable priority to protect investors.

The assets of the LM funds are totally separate and segregated by law from the assets of LM Investment Management Ltd. Investors, through their purchase of units in the unit trust structure of the fund, own an interest in the underlying assets of the LM funds.

LM has an in-house custodial team, and as part of its custodial license holds the necessary financial, organisational and administrative resources to facilitate efficient and secure management of its fund assets.

LM adheres to legislative requirements to ensure that:-

- > Fund assets are held securely for the LM funds and investors in the funds;
- > Fund assets are clearly identified and held separately from LM's assets and assets of any other fund; and
- > Safe keeping of the investment documents (such as title deeds) is secure.

The Feeder Fund purchases units in the unit trust structure of the Master Fund. Investors in the Feeder Fund through their purchase of shares in the Feeder Fund own an interest in the underlying assets of the Master Fund.

## Master Fund's Annual Reports

The Master Fund's financial report will be available from the Master Fund's Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com) or by telephoning +617 5584 4500.

Investors into the Feeder Fund should be aware that there may be a certain duplication of ongoing fees, such as Administrator, Custodian, Manager and Audit Fees with the Master Fund.

## Withdrawal from the Master Fund

The prime objective of the Master Fund is to deliver income to investors whilst maintaining capital value of investment in the Fund. The Master Fund has a mechanism which may be utilised to protect investors and fund capital in certain circumstances. To protect the Master Fund from volatility in external conditions, from time to time withdrawal payment timeframes may be extended or withdrawals may be suspended.

Such rules may impact on the ability of the Feeder Fund to withdraw from the Master Fund and may delay payment of redemption proceeds from the Feeder Fund.

See below for the circumstances in which this would occur.

Since inception the Master Fund has not had to implement withdrawal delays.

Generally the Master Fund's Manager is required by the constitution of the Master Fund to satisfy withdrawal requests within 180 days. In certain circumstances, that period may be extended to 365 days or the Master Fund's Manager may be entitled to suspend withdrawals in order to protect all investments. The Master Fund's Manager has a liquidity policy that is monitored by the Master Fund's Board to adequately manage payment of withdrawals within the time period specified. The liquidity policy of the Master Fund describes the methodology the Master Fund's Manager applies to ensure that the maturity of the assets and liabilities of the Master Fund do not negatively impact on the Master Fund. The Master Fund's Manager does this by continually monitoring and managing the four variables that impact on liquidity, which are:- investor inflows; investor redemptions; loan draws and loan repayments.

The Master Fund's Manager may suspend withdrawals where:-

- (i) the Master Fund's cash reserves fall and remain below 5% for 10 consecutive business days being defined as business days on the Gold Coast, Queensland, Australia; or
- (ii) if in any period of 90 days, the Master Fund receives net withdrawal requests equal to 10% or more of the Master Fund's issued units and, during the period of 10 consecutive business days on the Gold Coast, Queensland, Australia falling within the 90 day period, the Master Fund's cash reserves are less than 10% of the total assets; or
- (iii) it is not satisfied that sufficient cash reserves are available to pay the withdrawal price on the appropriate date and to pay all actual and contingent liabilities of the Master Fund; or
- (iv) any other event or circumstance arises which the Master Fund's Manager considers in its absolute discretion may be detrimental to the interests of the members of the Master Fund.

## Risk Management

All investments are subject to varying risks and LM actively manages the Master Fund and advises the Feeder Fund with a view to balancing returns with security.

This is achieved by:-

- > employing experienced, professional personnel;
- > maintaining a long term vision for the Master Fund;
- > complying rigidly with its compliance program;
- > actively monitoring and managing the assets of the Master Fund; and
- > continuing to set high performance benchmarks.

For any investor the key to managing their investment is to understand and be comfortable with:-

- > the investment term;
- > the level of risk; and
- > potential volatility,

that accompanies an investment in the Feeder Fund and the Master Fund. The Master Fund's Manager actively manages risk under its risk management program. These comments are intended as a guide only and it is recommended that investors seek professional financial advice.

Risk management is a priority and the Master Fund's Manager follows a disciplined research driven approach to investment.

The Master Fund's Manager Property Research and Analysis Committee ("PRAC"), specifically targets both property locations and sectors offering growth opportunities. The Master Fund's Manager utilises the information provided by PRAC to review and assess its asset allocation strategy for the mortgage securities. As part of its asset allocation strategy the Master Fund's Manager will diversify the mortgage portfolio at a number of levels including, sector, geographic location in Australia, term and loan size.

Full details of the Master Fund and its Lending Policies and Procedures may be obtained from LM and are available on LM's website at [www.LMAustralia.com](http://www.LMAustralia.com) and in the product disclosure statement for the LM Australian Income Fund - Currency Protected.

## General Risk Factors

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<b>Capital Risk</b>	<p>The investments of the Master Fund are not capital guaranteed, and there is a risk that the value of the investment might decline. No losses have occurred, or are expected to occur at the date of this Offering Document.</p>
<b>Unit Price &amp; Share Price</b>	<p>The unit price of the Master Fund and the share price of the Feeder Fund are variable and may increase or decrease depending on the performance of the investment portfolio of the Master Fund.</p> <p>The Master Fund's Manager is constantly assessing various investment sectors in order to determine which sectors have the best potential in terms of income and/or capital security depending on the investment objective of the Master Fund.</p>
<b>Interest Distribution Rate Risk</b>	<p>This risk relates to the volatility of returns to investors. The Master Fund's Manager will stabilise interest distribution rate risk as follows:-</p> <ul style="list-style-type: none"><li>&gt; cash assets of the Feeder Fund and the Master Fund will be proactively monitored to ensure that investments at least move in line with market movements – investors should note that returns may not keep pace with inflation; and</li><li>&gt; mortgage securities in the Master Fund will utilise a combination of fixed interest rate lending and short lending terms and the Master Fund's Manager will utilise a policy of annual interest rate reviews on the anniversary of each of the mortgage securities.</li></ul> <p>The interest distribution rates are variable depending on the income earned, expenses paid and other matters relevant to the Master Fund. If the income earned is not sufficient to pay all expenses and interest distributions the returns to investors will be lower. This has not occurred at the date of this Offering Document. Past performance of the Master Fund is not an indicator of future performance.</p>
<b>Currency Risk</b>	<p>Non-Australian dollar investments in the Master Fund will be hedged in the relevant currency against Australian dollar currency movements. The Master Fund will currency hedge a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts ("FFEC"). Investors should however, be aware that any delay or shortfall in income or capital payments from the Master Fund may result in a loss for the Fund due to breaking a FFEC. In such an event, the investment will not be currency hedged and income and/or capital may be impacted.</p>
<b>No Requirement for the Assets of an Australian Managed Investment Scheme to be Held by an Independent Custodian</b>	<p>The Managed Investments Act 1998 ("MIA") (Australia) introduced a new structure for managed investment schemes so that a single "Responsible Entity" would carry full responsibility for a managed investment scheme as manager and trustee. Under the current regime managed investment schemes that are registered with the Australian Securities and Investment Commission (the Australian Regulator, "ASIC") are operated by a licensed public company acting as a single "Responsible Entity". LM Investment Management Ltd is a Responsible Entity. Assets of a managed investment scheme are not required to be held by an independent custodian if the "Responsible Entity" meets certain requirements which deliver investor protection in this respect. As the current MIA requirements allow for custody by the "Responsible Entity" as part of the duties as trustee, the "Responsible Entity" must have sufficient operational processes in place to hold the assets of each of its schemes securely and separately from assets of other schemes to which the "Responsible Entity" may operate and from the "Responsible Entity's" assets.</p> <p>Under ASIC's Regulatory Guide 166 Licensing: Financial requirements, LM Investment Management Ltd must:-</p> <ul style="list-style-type: none"><li>&gt; have total assets greater than total liabilities at all times; and</li><li>&gt; have a projection of cash flows over at least the next 3 months; and</li><li>&gt; hold at least AUD50,000 in surplus liquid funds; and</li><li>&gt; hold net tangible assets (NTA) of 0.5 per cent of the value of the assets of the registered schemes it operates with a minimum requirement of AUD50,000 and a maximum of AUD5 million; or</li><li>&gt; hold NTA of AUD5 million if operating a custodial service.</li></ul> <p>In addition, LM Investment Management Ltd must have its financial reports audited and must maintain professional indemnity insurance and insurance against fraud at a minimum of AUD5 million or the value of all registered scheme assets, whichever is less. LM Investment Management Ltd must also be a member of one or more External Disputes Resolution Schemes which cover complaints made by retail clients in relation to the provision of all of the financial services provided.</p>

<b>Property Market Risk</b>	<p>Property market risk is the risk that negative movements in the property market may impact on the capacity to fully recover the amount owing on a mortgage.</p> <p>The Master Fund's Manager will manage this risk by strictly complying with its lending guidelines, loan to valuation ratio policies, compliance program and the efficiency of its collections systems.</p> <p>The constitution of the Master Fund allows the Manager to lend funds provided that all mortgages are secured over property and the amount which may be advanced to a borrower does not exceed an LVR of 75% of the value of the security property on initial settlement. After a loan has settled and where the Manager considers it is in the best interests of the members of the Fund, the Manager may approve an LVR not to exceed 85% of the value of the security property. The LVR of a loan that is in default may exceed 85%. This could occur for example, where interest is being capitalised while the security property is being marketed and sold, or where the Manager determines that expenditure should be incurred to improve the security property prior to sale (the Manager considers a loan to be in default when interest payments have not been received in breach of the loan agreement, or the loan term has expired without repayment of principal).</p> <p>Full details of the Master Fund and its Lending Policies and Procedures may be obtained from LM and are available on LM's website at <a href="http://www.LMAustralia.com">www.LMAustralia.com</a> and in the product disclosure statement for the LM Australian Income Fund - Currency Protected.</p>
<b>Development or Construction Risk</b>	<p>In development or construction mortgages held by the Master Fund there could be delays in payment of interest or repayment of capital due to the timing, completion and sale of the development.</p> <p>The Master Fund's Manager's personnel have considerable experience in dealing with construction and development loans. For each loan an "as is" and an "on completion" valuation will be obtained. Funding of the loan will be controlled by the Master Fund's Manager on a "cost to complete basis". The Master Fund's Manager has specific procedures in place that will be adhered to both prior to and during a project to ensure that the security is maintained and risks minimised.</p> <p>Investors should also refer to the paragraph headed "Interest Capitalisation Risk" below as construction and development loans may have capitalised interest.</p>
<b>Interest Capitalisation Risk</b>	<p>Loans made from the Master Fund may require the interest to be paid periodically during the term of the loan or in the case of a construction and development loan a provision for interest may be built into the facility within the approved loan to valuation ratio. As a risk management measure, this provision for interest is built into the loan facility along with a contingency. This enables the Master Fund's Manager to control the interest payments and ensure that they are met within the approved loan to valuation ratio limit. In addition to this, a detailed financial analysis is conducted on each borrower to ensure that the borrower has sufficient resources to cover interest commitments if required. There is a risk that interest payments may not be recoverable because of:-</p> <ul style="list-style-type: none"> <li>&gt; changed circumstances of the borrower;</li> <li>&gt; changed circumstances of the security property; or</li> <li>&gt; other economic conditions.</li> </ul> <p>Where this occurs there may be insufficient cash-flow in the Master Fund to meet interest distributions or redemption requests.</p> <p>All loans will be monitored by experienced personnel employed by the Master Fund's Manager in its mortgage management division.</p>
<b>Credit Risk</b>	<p>This is the risk that a borrower may not meet its obligations in full and/or on time to pay interest and repay capital financial obligations. The Master Fund's Manager will mitigate this risk by utilising a conservative lending strategy in relation to the mortgages and following strict lending guidelines.</p>
<b>Liquidity Risk</b>	<p>A delay in meeting an investor's withdrawal request is possible where there are a significant number of withdrawal requests received at the same time, which absorb the cash reserves of the Feeder Fund and if assets of the Master Fund are not sufficiently liquid.</p> <p>In certain circumstances the Master Fund may be entitled to slow the payment of or suspend withdrawals for such periods as it determines. Refer to the paragraph headed "Withdrawals from the Master Fund".</p>
<b>Arrears of the Master Fund's Mortgage Portfolio</b>	<p>There are no mortgages in arrears at the date of this investment offering. The Master Fund's Manager utilises its property expertise and its Arrears Management Policies and Procedures to secure realisation and exit strategies for any arrears loans which may include subordinating the priority of a first mortgage as part of a structured exit strategy for a loan.</p>

## Information Regarding an Investment into the LM Australian Income Fund - Currency Protected Lux USD

<b>Investment Adviser</b>	LM Investment Management Ltd
<b>Global Investment Manager</b>	KMG Capital Markets Luxembourg S.A.
<b>Investment Adviser Fee</b>	Nil at the Luxembourg Feeder Fund level. (See Master Fund Fees and Charges below for details).
<b>Dedicated Fund Setup Fee</b>	A maximum fee of €22,500 plus VAT will be charged for the setup of the Luxembourg Feeder Fund. This fee will be amortised as an expense to the fund over sixty (60) months.
<b>Reference Currency</b>	USD
<b>Valuation Day</b>	Daily on each Luxembourg business day.
<b>Investment Terms</b>	<p>Investors can choose the following investment terms:-</p> <ul style="list-style-type: none"> <li>&gt; 12 months (Class A)</li> <li>&gt; 24 months (Class B)</li> <li>&gt; 36 months (Class C)</li> </ul>
<b>Distribution Rates</b>	Interest distribution rates are variable and will depend on the income earned and expenses paid by the Australian Master Fund from time to time. The distributions will be reflected in the growth of the NAV per share (share price) for the investment.
<b>Reinvestment/Payment of Distributions</b>	<p>Investors can request upon subscription that the number of shares equivalent to the increase in the value of the investment be redeemed quarterly and paid to their nominated bank account. Such distribution amount must be at least USD 500 before payment will be made.</p> <p>The distribution will be paid within 20 Luxembourg business days at the end of each quarter, such quarters being March, June, September and December. Investors should note that financial institutions may charge a remittance fee which will be deducted from the investor's distribution amount. Such distribution will not be subject to any redemption charges.</p> <p>If an investor wants to change the distribution instructions it can only be changed at the end of the investment term with written notice to the Registrar &amp; Transfer Agent at least 15 Luxembourg business days prior to the term end date.</p>
<b>Automatic Rollover of Investment</b>	<p>If a redemption request is not received at least 15 Luxembourg business days prior to the maturity date, the following default process will apply:-</p> <ul style="list-style-type: none"> <li>&gt; At the end of the investment term the investor's investment and accrued distribution is automatically reinvested in the same share class and for a further investment term of the same length.</li> </ul> <p>Investors should consult their adviser for the most recent distribution rates of the fund.</p>
<b>Subscription Price / Redemption Price</b>	<p>Investors will have their Shares allotted at the Net Asset Value per Share as of the relevant Valuation Day.</p> <p>When Shares are redeemable, they will be redeemed at their Net Asset Value per Share as of the relevant Valuation Day less any applicable early withdrawal charges.</p>

<b>Classes of Shares</b>	<p>Class A USD: 12 month term: Class offered to Well-Informed Investors and Institutional Investors.</p> <p>Class B USD: 24 month term: Class offered to Well-Informed Investors and Institutional Investors.</p> <p>Class C USD: 36 month term: Class offered to Well-Informed Investors and Institutional Investors.</p> <p>Class I USD: Class offered to Well-Informed Investors specifically accepted by the Board of Directors.</p>
<b>Categories of Shares</b>	<p>Class A USD: Capitalisation of income</p> <p>Class B USD: Capitalisation of income</p> <p>Class C USD: Capitalisation of income</p> <p>Class I USD: Capitalisation of income</p>
<b>Initial Subscription Period</b>	<p>Class A USD: 3 January 2011 to 28 February 2011</p> <p>Class B USD: 3 January 2011 to 28 February 2011</p> <p>Class C USD: 3 January 2011 to 28 February 2011</p> <p>Class I USD: To be advised</p>
<b>Initial Subscription Day</b>	<p>Class A USD: 1 March 2011</p> <p>Class B USD: 1 March 2011</p> <p>Class C USD: 1 March 2011</p> <p>Class I USD: To be advised</p>
<b>Initial Subscription Price</b>	<p>Class A USD : USD 100 per share</p> <p>Class B USD: USD 100 per share</p> <p>Class C USD: USD 100 per share</p> <p>Class I USD: USD 1.00 per share</p>
<b>Minimum Initial Investment</b>	<p>Class A USD: USD 5,000</p> <p>Class B USD: USD 5000</p> <p>Class C USD: USD 5,000</p> <p>Class I USD: USD 1,000</p>
<b>Minimum Subsequent Investment</b>	<p>Class A USD: USD 5,000</p> <p>Class B USD: USD 5,000</p> <p>Class C USD: USD 5,000</p> <p>Class I USD: USD 1,000</p>
<b>Subscription, Redemption and Conversion Between Classes of Shares Deadline</b>	<p>For subscriptions - 12p.m. Luxembourg time on each Valuation Day. Applications received by the Registrar and Transfer Agent after this time will be deemed to have been received on the following business day.</p> <p>For redemptions and switch to another investment term - 12p.m. Luxembourg time 15 Luxembourg business days prior to investment terms. Applications received by the Registrar and Transfer Agent after this time will be deemed to have been received on the following business day and will be automatically reinvested in the same share class and for a further investment term of the same length.</p>

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**Subscription Charge & Redemption Charge**

There are no subscription charges applicable to investments in the Feeder Fund.

There are no redemption charges applicable to the Feeder Fund or the Master Fund where you withdraw your investment at the end of its investment term.

Investment terms are fixed so withdrawal during the investment term is generally NOT permitted from the Feeder Fund or the Master Fund. The Master Fund Manager may allow early withdrawal at its complete discretion, however, it generally only allows early withdrawal in the event of death or in cases of medical or financial hardship. If the Master Fund Manager allows an early withdrawal the Master Fund may charge:-

- > a maximum fee equal to the last three months interest distributions paid or payable on the amount being withdrawn;
- > where an adviser is paid an upfront adviser fee the Master Fund will charge an additional fee of 2.2% per year (including Goods and Services Tax in Australia) of the investment amount, calculated on a pro rata basis for the length of time remaining to maturity.

The above fees will be deducted from the redemption amount payable to the Feeder Fund and will be reflected in the net redemption amount paid to the investor. Investors should note that the above fees do not necessarily reflect the only impact of an early withdrawal. Other impacts (including fees and charges that may be payable to the financial institution which provides the FFEC) can only be calculated at the time the request for early withdrawal is made, because there are a number of variable factors, including currency market rates and length of time to maturity. Investors can contact the Master Fund Manager, LM, if they want to withdraw early, and LM can at that time provide details of the total withdrawal costs, fees and other possible financial impacts.

Investors should note that the financial impacts on an investor who breaks an investment term with an early withdrawal are likely to result in the investor receiving less than the original amount invested.

**Such rules may impact on the ability of the Feeder Fund to withdraw from the Master Fund and may delay payment of redemption proceeds from the Feeder Fund.**

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**Master Fund - Fees & Charges****Management Costs for the LM Australian Income Fund - Currency Protected**

At time of issue of the Feeder Fund, the management fee being paid on the Master Fund is 1.5%pa. The Master Fund has a regulatory requirement to provide a maximum parameter for fees for the Master Fund. The maximum parameter in the Master Fund is 5.5%pa.

- > Adviser fees are fees paid to your adviser for professional financial advice. Any such fees are paid from the Master Fund as an expense, as a lump sum and/or trail commission. These are estimated at 2.2%pa.
- > The Master Fund's Manager is reimbursed for all expenses properly and reasonably incurred in managing the Fund. This includes any bank and government fees, charges and duties levied in connection with payments to and by the Fund. The estimate of Management Costs referred to above is based on current financial information, but the actual expenses will depend on the amount incurred during each particular year. The Master Fund expenses are expected to be 1.10%pa.

There will be no management or advisory fee directly payable to LM Investment Management Ltd by the Feeder Fund; however LM Investment Management Ltd will earn a fee at the Master Fund level which will include the Feeder Fund's overall investments.

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**Feeder Fund - Fees & Charges**

There will be no advisory fee charged by the Investment Adviser to the Feeder Fund. The Luxembourg service providers costs, including but not limited to Auditor, Transfer Agent, Paying Agent, Custodian, Administrator and Global Investment Manager and legal fees will be charged to the Feeder Fund and reimbursed by the Manager, LM Investment Management Ltd.

The Feeder Fund will be charged transaction costs such as (but not limited to) banking charges, charges associated with subscriptions and redemptions, regulatory and other taxes and third party costs.

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**Reporting Fund Status for UK Investors**

It is intended that the LM Australian Income Fund - Currency Protected Lux USD will seek Reporting Fund status for the purposes of UK tax legislation.

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## Disclaimer

KMG SICAV – SIF has no intention to make any offer. This document shall be specifically considered as a simple communication of information on a security or an issuer without securities being offered for purchase or subscription. The issuer is exempted from the obligation to publish a prospectus within the scope of Part II of Luxembourg law on prospectuses for securities.

This communication is directed only at institutional investors, professional investors and other well-informed investors. It should not be distributed to, or relied on by, any other investors. The Fund is a Luxembourg Specialised Investment Funds scheme; it cannot be promoted to investors for whom it has not been deemed appropriate. If you do not fall into these categories do not read this document.

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Each interested investor shall be responsible for carrying out his own examination and consulting, if necessary, his own legal advisers in order to evaluate, in respect to his personal situation, the appropriateness of an investment in the KMG SICAV – SIF (the "Fund"). The investor's attention is drawn to the fact that the tax treatment that will be applied to investment in the Fund depends on his particular circumstances and may change. Therefore it is recommended that each investor consult with his tax adviser.

More specifically, the attention of potential investors is drawn to the risks associated with this investment, which are detailed in the Offering Document and it is strongly recommended that each potential investor consult this Document. Past yields of similar investments are no indication of future returns on investments that the Fund will carry out, as past performance is no guarantee of future results. Some legal, tax, or regulatory changes may occur during the life of the Fund, and may have an unfavourable effect on the performance of the Fund. There is no guarantee that the Fund's targeted returns will be achieved. Hence, potential investors must form their own opinion on the risks of this investment opportunity prior to taking the decision to invest in the Fund.

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