



LM Investment Management Ltd

LM Currency Protected Australian Income Fund

ARSN 110 247 875

> Product Disclosure Statement &
Application Form
Issued 10 April 2008

ABN 68 077 208 461 Responsible Entity & AFSL No. 220281

LM Currency Protected Australian Income Fund

ARSN 110 247 875

Supplementary Product Disclosure Statement

30 October 2009

This is the Third Supplementary Product Disclosure Statement ("Third SPDS") that supplements the Product Disclosure Statement ("PDS"), the First Supplementary Product Disclosure Statement ("First SPDS") and the Second Product Disclosure Statement ("Second SPDS") issued on 10 April 2008, 28 November 2008 and 3 March 2009 respectively for the LM Currency Protected Australian Income Fund ARSN 110 247 875 (the "Fund"). Investors should read this Third SPDS together with the PDS, First SPDS and Second SPDS prior to investing in the LM Currency Protected Australian Income Fund.

Purpose of this Third SPDS

To provide updated information in relation to:-

- ▶ The LM First Mortgage Income Fund's ("FMIF") credit facility with the Commonwealth Bank of Australia ("CBA").

The FMIF's borrowing has been renegotiated, with the financier granting an extension for repayment of the credit facility until 30 June 2010. The directors believe the FMIF will be able to meet its remaining obligations under the repayment plan to the CBA through repayment of existing loans and/or refinancing of existing loans with alternative financing providers, the continued support from the CBA or the securing of alternate sources of finance.

The section below headed "Borrowings of the LM First Mortgage Income Fund" provides updated details to references on the FMIF's borrowing as contained in the Second PDS

- ▶ The Fund and ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors".

The Manager has updated the explanation of the Liquidity Benchmark and Withdrawals as these are affected by the priority position of the FMIF's repayment to the CBA and the lack of credit/liquidity available in the property sector. This Third SPDS also updates investors on how the Manager will communicate and provide ongoing access to investors for updated ASIC benchmarks and information on the Fund and the FMIF.

Borrowings of the LM First Mortgage Income Fund

There have been changes made in relation to the FMIF's borrowing. The three paragraphs under the heading "Borrowings of the LM First Mortgage Income Fund" on page 1 of the Second SPDS are deleted and replaced with these three paragraphs. "The following paragraph replaces:-

- (i) the second paragraph of the Scheme Borrowing Benchmark on page 2 of the First SPDS;
- (ii) the second paragraph under the heading "Borrowing Risk" on page 6 of the First SPDS; and
- (iii) the second paragraph under the heading "Borrowings of the LM First Mortgage Income Fund" on page 7 of the First SPDS:-

'Under the constitution of the FMIF the Manager (as responsible entity of the FMIF) may borrow against the FMIF assets on terms and conditions acceptable to the Manager. The Manager of the FMIF has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA"). This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the FMIF with managing liquidity. As at 30 October 2009 the amount owing by the FMIF to the CBA was the fully drawn amount of \$115,313,554 and the interest rate of the facility is variable and is priced at 4.5% above the Bank Bill Swap Bid Rate (BBSY). The facility is secured by a fixed and floating charge over the assets of the FMIF, providing the CBA as a secured lender with first priority over the assets and income of the FMIF. The rights of the Fund (and therefore any indirect rights of investors in the Fund) to the income and assets of the FMIF are secondary to the rights of the CBA. The facility expires on 30 June 2010. If the facility is not repaid by 30 June 2010, the Manager will seek a further extension of the facility from the CBA to enable any balance debt to be repaid. The facility will be repaid via cashflow generated in the FMIF. Repayment of the facility will take priority over most other cashflow needs of the FMIF, and will take priority over most withdrawal requests from members of the FMIF. The FMIF's credit facility may be varied from time to time in order to manage the FMIF. Insufficient income generated by the FMIF to service the CBA debt under the facility, increases in the bank interest rate or a refusal of the financier to extend the term of the facility could cause the FMIF to default on its loan.

As the line of credit is fully drawn and being repaid in priority over most other cashflow need of the FMIF, the third paragraph under the heading "Liquidity Risk" on page 21 of the PDS is deleted."

Liquidity Benchmark

In the Second SPDS on Page 1 under the heading "Liquidity Benchmark" both paragraphs are deleted and with placed with the following:-

"The Fund and the FMIF still continue to meet the Liquidity Benchmark outlined in ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors" released in September 2008. Currently, the FMIF is required to repay the credit facility as a priority over most other cashflow needs of the FMIF, and withdrawals are suspended except for withdrawals under hardship provisions and feeder fund payments of investor distributions and fund expenses. Therefore, the Manager has amended the explanation of the Liquidity Benchmark. The following paragraph therefore replaces the explanation of the Liquidity Benchmark on page 2 of the First SPDS:-

"The Fund invests solely in the FMIF and as such the liquidity is reliant on the liquidity of the FMIF. The Manager has cashflow estimates for the FMIF for the next 12 months and as such the Fund and the FMIF meets ASIC's liquidity benchmark guideline to have cashflow estimates for the next 3 months. The FMIF has fixed investment terms of 12, 6, 3 and 1 months. As most withdrawals are suspended the Fund and the FMIF will have sufficient cash or cash equivalents (not including undrawn amounts under lending facilities) to meet projected cash needs over the next 3 months. The Manager's cashflow estimates for the FMIF for the next 12 months contain a detailed schedule of managed loan repayments to the FMIF from its existing loan portfolio. Refer to page 4 of the First SPDS under the heading "Liquidity Policy" for further details."

Withdrawals

In the Second SPDS under the heading "Withdrawals" on page 2, the second paragraph is deleted and replaced with:-

"The prevailing credit and liquidity constraints in the property and financial markets, and the obligation on the Manager (as the responsible entity of the FMIF) to repay the FMIF's credit facility to the CBA in priority to most other cashflow needs of the FMIF, call for caution in the management of the Fund's cashflow. In order to protect all investments, the Manager has, as it determines, suspended withdrawals with the exception of those approved under hardship provisions and fund expenses, as the cashflow allows. A return of liquidity to the Australian property sector would positively assist with cashflow management and the repayment by the FMIF of the credit facility due to the CBA and would, over time, bring about a return to "normal" timeframes for investor redemption payments."

In light of the above matters, in the First SPDS on pages 3 and 4 under the heading "Liquidity Policy of the FMIF" the last sentence is deleted as payment of most withdrawals is currently suspended.

Related Parties

In the "Related Parties" section on pages 7 and 8 of the First SPDS:-

- (i) The following paragraph replaces the eighth paragraph:-

"On 30 June 2008, the Manager assigned to the LM First Mortgage Income Fund, the rights and benefits of a \$5,100,000 debt due to the Manager from the LM Managed Performance Fund. The date for the repayment of that debt to the LM First Mortgage Income Fund has been extended to 30 June 2010. The current interest rate payable on this amount is 10%pa and the debt equates to 0.84% of the total loan portfolio."

and

- (ii) The following paragraph is added:-

"The FMIF may, from time to time, sell or partially sell mortgage loans to other separate funds for which the Manager is also Responsible Entity. Any such transactions are reviewed and conducted in accordance with the FMIF's Conflicts of Interest Policy. Currently there is one loan that the FMIF has partly sold to the LM Australian Income Fund Currency Protected, with a current value of \$6,360 000."

Related Party Transactions

The paragraph below replaces the paragraph headed "Related Party Finance" on page 8 of the First SPDS.

"LM is the Manager of the LM Managed Performance Fund. The LM Managed Performance Fund, in its own right, has second mortgages behind loans that are first mortgages of the LM First Mortgage Income Fund. At 30 September 2009 the LM Managed Performance Fund holds 9 such second mortgages in the total amount of \$48,876,841. In each instance, the LM First Mortgage Income Fund has entered into a Priority Deed to protect its own first mortgage position with the borrower as part of normal loan documentation procedures."

ASIC Benchmarks & Any Updated Information

Apart from the current financial report for the Fund, updated information in relation to the Fund that was previously provided on the Manager's website will now be provided to investors via direct communication from the Manager. Therefore, references contained:-

- (i) in the First SPDS
- Page 1 under the heading "ASIC Benchmark Disclosure for Investors" paragraphs 3 and 4; and
 - Page 2 under the "Portfolio Diversification" benchmark the second sentence; and
- (ii) in the PDS page 9 under the paragraph headed "Updated Financial and Other Information"

are updated as follows:-

The Manager will notify investors in the Fund of any material adverse information in relation to the Fund. This will include such information that relates to the ASIC benchmarks. Information relevant to the Fund that is not materially adverse and that is subject to change from time to time will also be updated by the Manager via direct communication to investors. This will include information that relates to the ASIC benchmarks such as information on the nature of the Fund's investment portfolio and as the Fund invests solely in the FMIF (apart from cash held to meet liquidity requirements or awaiting investment), details of the FMIF's investment portfolio including details of loans by the FMIF. A paper copy of any updated information will be given to investors without charge on request.

PORTFOLIO UPDATE FOR THE LM CURRENCY PROTECTED AUSTRALIAN INCOME FUND AS AT 30 SEPTEMBER 2009

Below is updated information in relation to the Fund's assets.

Assets of the LM Currency Protected Australian Income Fund

The LM Currency Protected Australian Income Fund invests solely in the LM First Mortgage Income Fund and cash.

Asset Allocation Guidelines	Value (\$)	Actual (%)
LM First Mortgage Income Fund	123,047,000	95.80
Cash	5,397,872	4.20

Consolidated Assets

Consolidated assets of the LM First Mortgage Income Fund, the LM Wholesale First Mortgage Income Fund, the LM Currency Protected Australian Income Fund and the LM Institutional Currency Protected Australian Income Fund are \$617,026,849

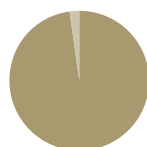
The LM Currency Protected Australian Income Fund does not have any mortgages in its own right. The portfolio diversification of the LM First Mortgage Income Fund has been included in this portfolio update to give investors details of the ultimate underlying assets in which the fund invests through its investment in the LM First Mortgage Income Fund. As at 30 September 2009, the Fund held 95.80% of the total interests in the LM First Mortgage Income Fund.

LM FIRST MORTGAGE INCOME FUND INFORMATION

Assets of the LM First Mortgage Income Fund

- ▶ A diversified portfolio of Australian registered first mortgages over commercial, residential, industrial, retail and vacant land; and
- ▶ Interest bearing cash investments.

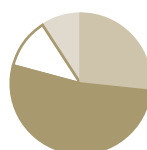
LM First Mortgage Income Fund Asset Allocation



- Registered First Mortgage Securities 97.92%
- Cash 2.08%

Asset Allocation Guidelines	No. of Loans	Value (\$)	Actual (%)
Registered First Mortgage Securities	48	604,195,441	97.92
Cash	N/A	12,831,409	2.08

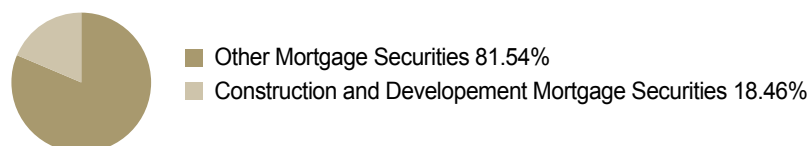
LM First Mortgage Income Fund Sector Diversification



- Commercial 26.55%
- Residential 51.52%
- Industrial 13.31%
- Pending Development Land 8.62%
- Retail 0.00%

Sector Guidelines	No. of Loans	Value (\$)	Actual (%)
Commercial	14	160,432,146	26.55
Residential	23	311,259,234	51.52
Industrial	3	80,430,990	13.31
Pending Development Land	8	52,073,071	8.62
Retail	0	0	0.00

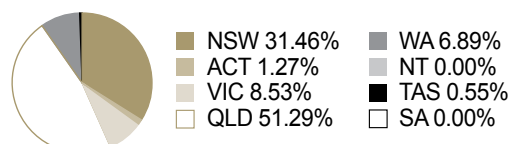
LM First Mortgage Income Fund Construction, Development and Other Mortgage Securities



Construction, Development and Other Guidelines	No. of Loans	Value (\$)	Actual (%)
Construction and Development Mortgage Securities	7	111,517,860	18.46
Other Mortgage Securities*	41	492,677,580	81.54

* Other Mortgage Securities includes pending development land, completed developments and income generating commercial loans.

LM First Mortgage Income Fund Geographic Diversification



Geographic Guidelines	No. of Loans	Value
New South Wales	16	190,108,900
Victoria	7	51,525,601
Queensland	20	309,909,117
South Australia	0	0
Australian Capital Territory	1	7,669,590
Western Australia	3	41,656,465
Northern Territory	0	0
Tasmania	1	3,330,767

LM First Mortgage Income Fund Portfolio Details as at 30 September 2009

Mortgage Portfolio Details	Actual
Total value of mortgage securities	\$604,195,441
Number of mortgages	48
Average loan size	\$12,600,000
Average loan to valuation ratio	82.03%
Total value of loans with interest built into the facility and/or capitalised	\$523,130,529
Number of loans with interest built into the facility and/or capitalised	39
Total value of undrawn loan commitments over next 24 months (progressive loan draws) funded by cashflows of the Fund	\$6,000,000
Number of loans with undrawn loan commitments over next 24 months (progressive loan draws) funded by cashflows of the Fund	5
Average monthly undrawn loan commitments funded by cashflows of the Fund	\$1,300,000

The valuation policy for the LM First Mortgage Income Fund's ("FMIF") first mortgage securities is written into the lending guidelines of the FMIF, forms part of the compliance plan for the FMIF, and is subject to independent audit.

The independent audit includes emphasis on asset valuation and loan recoverability. At 82.03% the average loan to valuation ratio of the FMIF's mortgage portfolio is reflected against the value of the FMIF's registered first mortgage assets. Ernst & Young finalised their independent financial year end audit, and as at 30 September, 2009 reports full fund value with investor unit price also retaining its full capital value.¹

As at 30 September 2009 there were 32 borrowers. 8.04% of total monies was lent to the FMIF's largest borrower and 54.22% of total monies was lent to the FMIF's ten largest borrowers. The FMIF does not have one single borrower that exceeds 10.00% of the fund's assets.

¹ Past performance is not a reliable indicator of future performance.

Loan to Valuation Ratio (LVR)

LVR	No. of Loans	Value (\$)
< 50.00%	7	38,903,052
50.01% - 60.00%	6	59,741,302
60.01% - 70.00%	1	7,669,590
70.01% - 80.00%	10	161,345,939
80.01% - 90.00%	10	111,894,655
90.01% - 100.00%	14	224,641,003
> 100%	0	0

The average LVR across the mortgage portfolio as at 30 September 2009 is 82.03%.

LM First Mortgage Income Fund Mortgage Securities by Maturity Profile as at 30 September 2009

Period Maturing	No. of Loans	Value
0 – 12 months	41	472,505,960
13 – 24 months	7	131,689,481
25 – 36 months	0	0
37 – 48 months	0	0
49 – 60 months	0	0

There remains a pervasive lack of credit/liquidity available within the property sector, as a result of the global credit crunch. This lack of credit curtails a borrower's ability to refinance his loan with another financial institution in order to repay his loan to the FMIF by its maturity date. As a result, please note that whilst a large portion of the FMIF's loans reach maturity over the forthcoming 12 months, it is likely that only some will repay the FMIF at around their maturity date.

This is being monitored and managed to ensure sufficient liquidity within the FMIF to meet its financial commitments including the repayment of its line of credit facility and the generation of investor income.

LM First Mortgage Income Fund Mortgage Securities by Interest Rate Profile as at 30 September 2009

Interest Rate	No. of Loans	Value
= or < 7.00%	2	4,422,037
7.01% - 7.50%	0	0
7.51% - 8.00%	1	12,438,425
8.01% - 8.50%	1	15,180,319
8.51% - 9.00%	0	0
9.01% - 9.50%	4	47,263,380
9.51% - 10.00%	2	22,969,899
10.01% - 10.50%	3	78,605,674
10.51% - 11.00%	13	172,571,246
11.01% - 11.50%	11	106,837,274
11.51% - 12.00%	6	83,093,726
12.01% - 12.50%	1	9,168,035
12.50% - 13.00%	0	0
13.01% - 13.50%	4	51,645,424

LM First Mortgage Income Fund Loans in Arrears as at 30 September 2009

Period	No. of Loans	Value
30 – 60 days	1	19,934,617
60 – 90 days	2	16,151,523
90 days and over	26	320,305,658

The Manager uses the terms "arrears" and "default" interchangeably. LM calculates its loan arrears statistic in accordance with the IFSA Standard No 18, "Best Practice Guidance for Disclosure in the Mortgage Trust Sector."

As at 30 September 2009, the audit verified the current valuation and recoverability of the loan assets and reported the LM First Mortgage Income Fund ("FMIF") retains full capital value for investors, with a unit price of \$1.00.²

The value of the property held by the FMIF as its security for the arrears loans is \$422,744,400.

The FMIF continues to repay its line of credit loan facility with the CBA in priority to normal investor redemptions and a pervasive lack of credit/liquidity continues to restrict movement within the commercial property sector. To protect its capital, the FMIF remains closed with normal investor redemptions suspended. Currently, the cash within the FMIF is driven by the conversion of loan assets from its mortgage portfolio back to cash.

Consequently, LM is not rolling loans at maturity as it might in a normal market environment. As loans go past their maturity date, they become part of LM's formal "arrears" management program to ensure LM is in control of an exit that is in the best interests of the FMIF.

The exit focus at this time is on those assets that it is reasonable to expect will return value to the FMIF and to avoid "fire selling" of assets.

In managing optimal recoverability, some arrears assets have been identified for longer term holds for value in more favourable market conditions. Others are undergoing improvements to enhance marketability and secure appropriate sale price for the FMIF over the medium term.

All assets are recorded at fair market value. The average loan to valuation ratio of the FMIF's mortgage securities is 82.03%, and the unit price is \$1.00, as at 30 September 2009.²

The Directors of LM Investment Management Ltd have authorised and consented to the issue of this Third SPDS.

² Past performance is not a reliable indicator of future performance.

LM Currency Protected Australian Income Fund

ARSN 110 247 875

Supplementary Product Disclosure Statement

3 March 2009

This is the Supplementary Product Disclosure Statement ("Second SPDS") that supplements the Product Disclosure Statement ("PDS") and the First Supplementary Product Disclosure Statement ("First SPDS") issued on 10 April 2008 and 28 November 2008 respectively for the LM Currency Protected Australian Income Fund ARSN 110 247 875 (the "Fund"). Investors should read this Second SPDS together with the PDS and the First SPDS prior to investing in the LM Currency Protected Australian Income Fund.

The purpose of this Second SPDS is to provide updated information in relation to the Fund and ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors".

No Applications will be Accepted from New Members

LM Investment Management Limited (the "Manager") has determined that from the date of this Second SPDS it will not accept any applications for investment in the Fund from any person who is not an existing member in the Fund. Any application for investment in the Fund received by the Manager will therefore be returned to the applicant.

The Manager will still accept applications for investment in the Fund from any person who is an existing member in the Fund, and this will include deemed applications as part of any reinvestment of distributions.

The Manager may decide to change this decision at any time, and start accepting applications from non-members.

Borrowings of the LM First Mortgage Income Fund

There have been changes made in relation to the LM First Mortgage Income Fund's ("FMIF") borrowing and the following paragraph replaces the second paragraph of the Scheme Borrowing Benchmark on page 2 of the First SPDS, the second paragraph under the heading "Borrowing Risk" on page 6 of the First SPDS and the second paragraph under the heading "Borrowings of the LM First Mortgage Income Fund" on page 7 of the First SPDS:-

"Under the constitution of the FMIF the Manager (as responsible entity of the FMIF) may borrow against the FMIF assets on terms and conditions acceptable to the Manager. The Manager of the FMIF has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA"). This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the FMIF with managing liquidity. As at 3 March 2009 the amount owing by the FMIF to the CBA was the fully drawn amount of \$150 million and the interest rate of the facility is variable and is priced between 4.0% to 9.5% above the respective Bank Bill Swap Bid Rate (BBSY). The facility is secured by a fixed and floating charge over the assets of the FMIF, providing the CBA as a secured lender with first priority over the assets and income of the FMIF. The rights of the Fund (and therefore any indirect rights of investors in the Fund) to the income and assets of the FMIF are secondary to the rights of the CBA. The facility expires on 31 July 2009. If the facility is not repaid by 31 July 2009, the Manager will seek a further extension of the facility from the CBA to enable any balance debt to be repaid. The facility will be repaid via cashflow generated in the FMIF. Repayment of the facility will take priority over most other cashflow needs of the FMIF, and will take priority over most withdrawal requests from members of the FMIF. The FMIF's credit facility may be varied from time to time in order to manage the FMIF. Insufficient income generated by the FMIF to service the CBA debt under the facility, increases in the bank interest rate or a refusal of the financier to extend the term of the facility could cause the FMIF to default on its loan."

In light of the above matters, the third paragraph under the heading "Liquidity Risk" on page 21 of the PDS is deleted.

Liquidity Benchmark

The Fund and the FMIF still continue to meet the Liquidity Benchmark outlined in ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors" released in September 2008. However, in light of the recent change to the FMIF's borrowing which requires repayment of the credit facility to take priority over most other cashflow needs of the FMIF, and the fact that investors may expect timeframes of up to 365 days for withdrawals, the Manager has amended the explanation of the Liquidity Benchmark. The following paragraph therefore replaces the explanation of the Liquidity Benchmark on page 2 of the First SPDS:-

"The Fund invests solely in the FMIF and as such the liquidity is reliant on the liquidity of the FMIF. The Fund and the FMIF meet this benchmark as the Manager has cash flow estimates for the Fund for the next 3 months. As the FMIF has fixed investment terms of 12, 6, 3 and 1 months and will be paying any withdrawal requests up to 365 days after maturity, the Fund and the FMIF will have sufficient cash or cash equivalents (not including undrawn amounts under lending facilities) to meet projected cash needs over the next 3 months. Refer to page 4 of the First SPDS under the heading "Liquidity Policy" for further details, including the Manager's policy on balancing the maturity of the FMIF's assets with the maturity of the FMIF's liabilities."

Withdrawals

In the First SPDS under the heading “Withdrawals” on page 6, the second paragraph is deleted and replaced with:-

“Due to the current turmoil and unpredictability of the market, and the obligation on the Manager (as the responsible entity of the FMIF) to repay the FMIF’s credit facility to the Commonwealth Bank of Australia in priority to most other cashflow needs of the FMIF, the Manager is exercising caution with the Fund’s cashflow management and utilising longer timeframes for withdrawals. In particular, payment of investor withdrawals is likely to take 365 days. The Manager may also suspend withdrawals for such periods as it determines”.

Interest Distribution

In accordance with the constitution the interest distributions are payable within 21 days after the end of the distribution period. The Manager had previously endeavoured to make such payments within a shorter period, but that is no longer the case. Consequently, the following changes are made to the PDS or First SPDS:

- ▶ The last sentence of the paragraph under the heading “Interest Distribution” on page 3 of the PDS and the last sentence of the first paragraph under the heading “Interest Distribution” on page 4 of the PDS are deleted and replaced with the following sentence – “The interest distribution is paid within 21 days of maturity of the original and any subsequent investment term.”
- ▶ In the First SPDS, under the heading “Monthly Distributions now Available for Non-Australian Dollar Currency Hedged Fixed Investment Terms as well as Australian Dollar Fixed Investment Terms” on page 1, the reference to “5 business days” in the third paragraph is deleted and replaced with “21 days” and the first two sentences of the second paragraph are deleted and replaced with – “Such distributions will be paid within 21 days of the monthly anniversary of the day the investment begins”.

Currency Hedge

Providers of the Forward Foreign Exchange Contracts (“FFECs”) are chosen by the Manager. The Manager has recently changed the providers of the FFECs for the Fund. Consequently, references in the PDS to FFECs being facilitated or settled by a global investment bank (on pages 3, 4 and 5) are amended by deleting the references to “global investment bank” and replacing them with “a FFEC provider chosen by the Manager”.

Change of Providers of the Forward Foreign Exchange Contracts (FFECs)

As mentioned above the Manager has recently changed FFEC providers for the Fund. In January 2009 the previous FFEC provider significantly increased the margin costs on the FFECs which immediately impacted the liquidity of the Fund to meet these margins and as a result the Manager had to find alternative providers. As at the date of this Second SPDS approximately 70% of the FFECs have been transferred to new providers with the remaining 30% to be hedged as part of the ongoing process of rehedging the FFECs. The Manager does not foresee this to have any impact on an investor’s investment.

The Directors of LM Investment Management Ltd have authorised and consented to the issue of this Second SPDS.

LM Currency Protected Australian Income Fund

ARSN 110 247 875

Supplementary Product Disclosure Statement

28 November 2008

This is the Supplementary Product Disclosure Statement ("First SPDS") that supplements the Product Disclosure Statement issued on 10 April 2008 ("PDS") for the LM Currency Protected Australian Income Fund ARSN 110 247 875 (the "Fund"). Investors should read this First SPDS together with the PDS prior to investing in the LM Currency Protected Australian Income Fund.

The purpose of this First SPDS is to update investors as follows:-

- ▶ New investors (or investors rolling over their existing investments) may now nominate monthly distributions for non-Australian dollar currency hedged fixed investment terms;
- ▶ This document contains updated information in relation to the Fund; and
- ▶ This document includes information to comply with the requirements of ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors" released in September 2008.

Monthly Distributions now Available for Non-Australian Dollar Currency Hedged Fixed Investment Terms as well as Australian Dollar Fixed Investment Terms

Non-Australian dollar currency hedged fixed term investors may elect to have their distributions electronically credited to the investor's nominated financial institution account on a monthly basis. If the distribution is electronically credited monthly to an investor's financial institution account the distribution is not hedged. The distribution is not hedged as the Fund pays the monthly distribution directly from the earnings of the Fund in Australian dollars. The distribution does not form part of the FFEC as it does for a non-AUD investment where the interest is paid at maturity.

Such distributions will be paid within 5 business days of the monthly anniversary of the day the investment begins. For example, if the investment commences on 15 June the distribution will be paid by 20 July. Investors should note that financial institutions may charge a remittance fee which will be deducted from the investor's distribution amount.

If an investor wants to change the distribution instructions it can only do so on rollover of the investment and written notice must be received by the Manager at least 5 business days prior to the maturity date.

Calculation of Monthly Distribution

The calculation of the value of the unhedged distribution will be as follows:-

- ▶ The simple rate of return in the relevant non-AUD currency will be converted to the AUD value at the spot rate as at the day of the initial trade date. For example-
 - Investor invests USD\$100K at an effective rate of 5.75%pa, the simple rate is 5.60%pa;
 - The USD\$100K investment will earn interest of USD\$5,600 calculated as follows:- $\text{USD\$100K} \times 5.60\% \text{pa for 12 months} = \text{USD\$5,600}$;
 - The total distribution amount of USD\$5,600 is converted to AUD at the spot rate of 0.93 = AUD\$6,022;
 - Investor will be paid monthly distributions of AUD\$501.83 calculated as follows:- $\text{AUD\$6,022}/12 = \text{AUD\$501.83}$.

Interest rates are variable and may change during the investment.

To Apply for Monthly Distributions for Non-Australian Dollar Currency Hedged Fixed Investment Terms

If a non-Australian dollar investor wants to elect to have their distributions paid monthly, when completing the Application Form they should write in Section 11 of the Application Form (Page 41 of the PDS) "Interest distributions are to be paid monthly to the bank account nominated in Section 15".

ASIC Benchmark Disclosure for Investors

The information in the table below is provided to comply with the requirements of ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors" released in September 2008. Regulatory Guide 45 refers to 8 benchmarks developed by ASIC. From 30 November 2008, all PDSs for unlisted mortgage schemes are required to include the following statements in respect of each benchmark:-

- ▶ that the Fund meets the benchmark; or
- ▶ that the Fund does not meet the benchmark, and an explanation of how and why the Fund deals with the business factor or issue underlying the benchmark in another way.

A full copy of Regulatory Guide 45 can be obtained from the ASIC website: www.asic.gov.au.

The Manager will notify direct investors in the Fund of any material adverse information in relation to the Fund. This will include such information that relates to the ASIC benchmarks. Information relevant to the Fund that is not materially adverse and that is subject to change from time to time (including information that relates to the ASIC benchmarks) will be updated by the Manager on its website at www.LMaustralia.com, and a paper copy of any updated information will be given to any person without charge on request.

The following information relevant to the ASIC benchmarks is available from the Manager's website at www.LMaustralia.com/downloads/CPAIF_portfolio_update.pdf, in the document titled "LM Currency Protected Australian Income Fund - Portfolio Update", or a copy can be obtained free of charge by telephoning freecall 1800 062 919 (Australia only) or +617 5584 4500:-

- ▶ information on the Fund's investment portfolio, and as the Fund invests solely in the LM First Mortgage Income Fund ("FMIF") (apart from cash held to meet liquidity requirements or awaiting investment), details of the FMIF's investment portfolio including details of loans by the FMIF.

Set out below are the 8 ASIC benchmarks and a summary of how the Fund and the LM First Mortgage Income Fund meets or does not meet the benchmarks. We encourage you to discuss the ASIC benchmarks with your financial adviser.

BENCHMARK	DOES LM MEET BENCHMARK	EXPLANATION FOR BOTH THE FUND AND THE LM FIRST MORTGAGE INCOME FUND ("FMIF")
Liquidity (which for the purposes of this benchmark means the proportion of cash or cash equivalents in the Fund's assets)	Yes	The Fund invests solely in the FMIF and as such the liquidity is reliant on the liquidity of the FMIF. The Fund and the FMIF meet this benchmark as the Manager has cash flow estimates for the Fund and the FMIF for the next 3 months and the FMIF has fixed investment terms of 12, 6, 3 and 1 months, the Fund and the FMIF will have sufficient cash or cash equivalents (not including undrawn amounts under lending facilities) to meet projected cash needs over the next 3 months. Refer to page 4 of this First SPDS under the heading "Liquidity Policy" for further details, including the Manager's policy on balancing the maturity of the FMIF's assets with the maturity of the FMIF's liabilities.
Scheme Borrowing	Yes	The Fund does not have any borrowings at the date of this First SPDS, and therefore satisfies the benchmark (as there is no current disclosure obligation). Under the Fund's constitution the Manager may arrange for the Fund to borrow on terms and conditions acceptable to the Manager. If the Fund has any borrowings in the future, the Manager will disclose the matters required by the ASIC benchmark. Under the FMIF constitution the Manager may borrow against the FMIF assets on terms and conditions acceptable to the Manager. The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA"). This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the FMIF with managing liquidity. At the date of this First SPDS the amount owing to the CBA was \$150 million. The facility term is the subject of an annual review and the Manager is currently renegotiating the credit facility with CBA and expects these negotiations to be finalised by 31 December 2008. The Manager expects that negotiations with CBA will result in a continued line of credit facility for a total of \$150 million for a further 12 month term and will be subject to an annual review. The finance facility is secured by a fixed and floating charge over the assets of the FMIF, providing the CBA as a secured lender with first priority over the assets and income of the FMIF. The rights of the Fund (and therefore any indirect rights of investors in the Fund) to the income and assets of the FMIF are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers.
Portfolio Diversification	Yes	As the Fund invests solely in the FMIF and does not invest in any mortgages in its own right, the Manager provides details in relation to the FMIF's number of loans and details of the mortgage portfolio diversification on the Portfolio Update, and these details comply with the ASIC benchmark requirements. The Portfolio Update will be available from the Manager's website at www.LMaustralia.com/downloads/CPAIF_portfolio_update.pdf in the document titled "LM Currency Protected Australian Income Fund-Portfolio Update". The Manager's lending policies and procedures for the FMIF provide further details in relation to maximum loan amount for any one borrower; the method of assessing borrowers' capacity to service loans; the Manager's approach to taking security; revaluing security properties on rollover and whether the security must be income producing. See the section headed "Lending Policies and Procedures of the FMIF" on page 4 of this First SPDS. The Fund currently invests solely in the FMIF which is an unlisted mortgage scheme. The Manager does not currently invest in any other unlisted mortgage schemes, but has the power to do so in the Fund constitution. The Manager's policy on investing in such schemes is to ascertain whether such an investment is desirable for the Fund in light of the circumstances at that time. The Manager will not necessarily require such a scheme to satisfy the ASIC benchmarks before the Manager invests in the scheme.

BENCHMARK	DOES LM MEET BENCHMARK	EXPLANATION FOR BOTH THE FUND AND THE LM FIRST MORTGAGE INCOME FUND ("FMIF")
Related Party Transactions	Yes	The Fund and the FMIF may lend to related parties, but such loans are subject to review by the Board and can only be approved on commercial arms-length terms following approval by the Credit Committee. The Board's approval process is monitored by the Manager's Risk Manager and Business Standards and Compliance Manager. The Fund currently invests solely in the FMIF and may invest in other managed investment schemes which are operated by the Manager. All Fund and FMIF investments follow the same stringent due diligence processes which are monitored by the Chief Financial Officer. For further details refer to the paragraph under the heading "Related Parties" on page 7 of this First SPDS. Also refer to the paragraph under the heading "Conflicts of Interest Management" on page 28 of the PDS for the Fund for information in relation to how the Manager deals with conflicts of interest.
Valuation Policy	No	The Fund invests solely in the FMIF and does not invest in mortgages in its own right, and the Manager's valuation policies for the FMIF set out how real property assets over which the FMIF has security will be valued (that is, on an "as is" basis, and for development loans, also on an "as if complete" basis) and how often valuations are obtained. The ASIC benchmark also requires that no one valuer conducts more than 1/3 of the valuation work for the FMIF. The FMIF complies with this requirement. Valuers selected to perform relevant valuations on the security property are chosen based on independence, specialist industry expertise and geographic location. The ASIC benchmark requires the disclosure of information about the valuation of a particular property for an unlisted mortgage scheme where a loan secured against the property accounts for 5% or more of the total value of the scheme's loan book. The Manager does not provide this information for the FMIF due to privacy reasons, the commercial sensitivity of valuation information and because the assets within the loan book change regularly. Further details in relation to the Manager's valuation policies are outlined on page 5 of this First SPDS under the paragraphs headed "Valuation Policies of the FMIF".
Lending Principles	No	The Fund invests solely in the FMIF and does not invest in mortgages in its own right. It is the Manager's current policy for the FMIF to generally not exceed a loan to valuation ratio of 66.67% on construction and development loans and 75% on commercial loans (which ratios do both comply with the ASIC benchmark of 70% on property development - on the basis of the latest 'as if complete' valuation and in all other cases 80% on the basis of the latest market valuation). However, it is the Manager's current practice to exceed those ratios whenever necessary in the process of working through a repayment solution. The FMIF's constitution 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 FMIF, 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%. Where the loan is a development loan, funds are advanced progressively in stages through the development on a "Cost to Complete" basis and the Manager engages an external consultant Quantity Surveyor for each development and receives periodic reports on the progress of the development including certification of construction claims based on work completed. Further details in relation to the Manager's lending policies and procedures for the FMIF are outlined on page 4 of this First SPDS under the heading "Lending Policies and Procedures of the FMIF".
Distribution Practices	Yes	Distributions are sourced from income earned from the Fund's investment in the FMIF. The distributions of the FMIF are sourced from the income earned by the assets of the FMIF. The interest distribution rates of the Fund are variable depending on the income earned, expenses paid and other matters relevant to the Fund. If the income earned is not sufficient to pay all expenses and interest distributions the returns to investors will be lower. The lower return will be determined based on the amount available to pay interest distributions. Please refer to the Manager's website at www.LMaustralia.com for details of the most recent interest distribution rates. Past performance is not an indicator of future performance.
Withdrawal Arrangements	Yes	<p>Details in relation to how and when investors can withdraw from the Fund are set out on page 12 of the PDS for the Fund headed "How to Withdraw" and updated with information in relation to payment of withdrawals on page 6 of this First SPDS. As noted in that section of the PDS, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments.</p> <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 Fund and if assets of the Fund are not sufficiently liquid. The Manager has a liquidity policy that will be monitored by the Board to adequately manage payment of withdrawals within the time period specified.</p> <p>Investors should also note the automatic rollover provisions which apply to their investments, and the time periods for notice to be given to withdraw – see the heading "Notice of Withdrawal" on page 5 of the PDS for the Fund and the heading "Automatic Reinvestment Default Position" on page 5 of the PDS.</p> <p>The amount payable to investors on withdrawal will be the issue price of their units at that time. This amount is subject to change depending on the net value of the assets of the Fund. See the heading "Unit Pricing" on page 5 of the PDS for the Fund for further details.</p>

Assets of the Fund

Updated information in relation to assets of the Fund shown on pages 6 and 8 of the PDS for the Fund, including details in relation to FMIF's number of loans, details of the mortgage portfolio diversification and arrears, is available from the Manager's website at www.LMaustralia.com/downloads/CPAIF_portfolio_update.pdf, in the document titled "LM Currency Protected Australian Income Fund - Portfolio Update", or a copy can be obtained free of charge by telephoning the Manager's regional offices or by telephoning the Manager's head office on freecall 1800 062 919 (Australia only) or +617 5584 4500.

Liquidity Policy

The Manager monitors and balances the Funds investments and FMIF's portfolio of assets between cash investments and Australian registered first mortgage securities as part of the FMIF's liquidity management.

The liquidity policy describes the methodology the Manager applies to ensure that the maturity of the assets and liabilities of the Fund and the FMIF do not negatively impact on either the Fund or the FMIF. The 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 for the FMIF; investments for the Fund.

Since its inception in 1999, the FMIF has settled approximately \$4 billion of first mortgages (past performance is not an indicator of future performance). To ensure a continued supply of loans for the portfolio, the Manager's Commercial Lending Department markets its property related expertise, experience and lending services throughout a network of Australian loan originators.

As required by the ASIC benchmark on liquidity, in estimating cash flows, the Manager can take into account a reasonable estimate of investor inflows and outflows based on previous experience. Withdrawals are considered with reference to the period within which investors would reasonably expect withdrawal requests to be processed, rather than the maximum period within which the Manager is able to process withdrawal requests. As noted under the heading "Withdrawals" on page 6 of this First SPDS, investors may expect timeframes of up to 365 days for withdrawals if the current market conditions remain.

Lending Policies and Procedures of the FMIF

The information contained on page 6 of the PDS for the Fund under the heading "Lending Policies and Procedures of the LM First Mortgage Income Fund", page 26 under the heading "Lending Criteria of the LM First Mortgage Income Fund", page 27 under the headings "Credit Committee", "Valuations Policy", "Development Valuations", "As is' Valuation" and "On Completion' Valuation", is deleted and replaced with the following.

Credit Committee

The Credit Committee is integral to the compliance and risk management processes utilised by the Manager with respect to the selection of registered first mortgage assets for the FMIF. The Credit Committee is an internal review committee for all mortgage investments and is independent from all other departments. The Credit Committee calls for collaboration of a broad base of expertise from the property, finance, legal and accounting sectors when evaluating mortgage assets for the FMIF. The formal structure and collaborative decision making process provided by the Credit Committee ensures an informed assessment and objective decision is made when selecting the first mortgage assets of the FMIF.

New mortgage investment proposals are put forward by the commercial lending department for consideration with a written summary. The Credit Committee is responsible for setting the primary terms and conditions upon which subsequent approval will be based.

When mortgage investment proposals are completed in accordance with the Manager's credit standards they are required to be finally approved by the Credit Committee.

Lending Criteria of the FMIF

- ▶ The Manager has determined and documented lending policies for the approval and management of mortgages. Risk management is a priority, with mortgages diversified over a number of levels including geographic location, sector, loan size, interest rate and maturity profile.
- ▶ One of the tools the Manager employs to enhance income into the FMIF is to balance the assets of the mortgage portfolio between commercial loans and selective development loans.
- ▶ The type of real estate offered for security must be acceptable to the Manager. Typical mortgage securities will include commercial, industrial and residential real estate (including development loans across these sectors) secured by a registered first mortgage. A first mortgage must be registered on the primary security property.
- ▶ The value of the security property must be established in accordance with the valuations policy of the Manager.
- ▶ The ability of the borrower to service the facility must be established to the satisfaction of the Manager.
- ▶ To the extent that they may affect the value or performance of an underlying investment the Manager may take into account labour standards, or environmental, social or ethical considerations when making, retaining or realising an investment in the FMIF. The Manager has no predetermined view about how far such matters will be taken into account, and the Manager will make a determination on such issues on a case by case basis.

Lending Policies and Procedures of the FMIF

The Manager will be selective in its choice of mortgages and will adhere to prudent lending parameters. The FMIF will follow strict lending policies and procedures as detailed below:-

- ▶ assessment of the borrower - the Manager endeavours to meet every borrower to assess character and business acumen;
- ▶ the maximum loan amount for any one borrower generally does not exceed 10% of the scheme assets;
- ▶ all mortgages are subject to the Manager's rigorous due diligence process including approval by the Manager's Credit Committee;
- ▶ the due diligence process includes assessment of the financial capacity of the borrower and any guarantors. The assessment is carried

out by review and substantiation of assets, liabilities and income by reference to information provided by the borrower and independent searches and checks;

- ▶ a first mortgage is always registered on property held as the primary security;
- ▶ commercial loans are loans secured by income producing property. Non-commercial loans (not secured by income producing property) include construction/development loans and pre-development land. The capacity to service commercial loans is assessed primarily by reference to income produced from the security property, however income from all sources is also considered. The capacity to service construction loans is primarily dependent on the viability of the project, the project cash flow (including interest commitments) and all factors relevant to the project including valuation of the completed product, product demand, pre-sales contracts, marketing strategies, certified project costings, credentials of the borrower, builder and key sub-contractors;
- ▶ the Manager has every security property valued by one of the Manager's panel valuers or by a valuer meeting the Manager's standards for inclusion on its panel and adhering to the Manager's valuation policies. Further details in relation to the Manager's valuation policies are outlined below under the heading "Valuation Policies";
- ▶ the Manager has a policy of diversifying mortgage securities geographically and by property type;
- ▶ 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 Credit Committee will consider the appropriate loan to valuation ratio based on all the factors surrounding the loan;

- ▶ the constitution of the FMIF 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 FMIF, 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);
- ▶ the following additional requirements are imposed in the case of development loans:-
 - for development/construction loans the initial drawdown for the facility is arrived at after considering both the approved loan to valuation ratio on the "as is" valuation and the "cost to complete" formula. The initial drawdown must meet the loan to valuation ratio required and also allow sufficient funds to be available in the facility to complete the development. The project feasibility must reflect the "cost to complete" formula throughout the life of the project. The concept of a "cost to complete" formula is that the lender always retains sufficient funds within the loan facility to complete the development based on its assessment of the actual cost to complete the project. The Manager engages an external consultant Quantity Surveyor for each project and receives periodic reports on the progress of the project including certification of construction claims based on work completed;
 - additional development loan procedures are required throughout the development stages of the loan to ensure the development is adequately monitored;
 - where applicable a tripartite agreement is made between the Manager, the borrower and the builder. This enables the Manager, in the event of default by the borrower, to deal directly with the builder.

Valuation Policies of the FMIF

All real property assets of the FMIF are required to be valued prior to settlement of each transaction. Valuations may only be carried out by the Manager's panel valuers or by a valuer meeting the Manager's standards for inclusion on its panel and must adhere to the Manager's valuation guidelines. The Manager has determined and documented valuation review procedures for guidance on each valuation.

Members of the valuation panel are appointed and removed in accordance with the Manager's valuation panel appointment guidelines. The Manager is responsible for approving the appointment or removal of a panel valuer.

The Manager, in accordance with its valuations review guidelines is responsible for the review of all valuations. Unresolved issues arising from a review must be referred to an executive director for discussion and determination.

As an internal checking mechanism, an independent property report is obtained (where appropriate) from two real estate agents or an alternate valuers report whose normal trade area encompasses the property being valued.

Valuers selected by the Manager to perform relevant valuations on the security property are chosen based on independence, specialist industry expertise and geographic location.

The Manager only uses valuers who, where possible, are registered under one of the state/territory valuer registration regimes and who include a statement in their valuation reports on whether the valuation complies with all relevant industry standards and codes.

The Manager does not accept valuations performed on the instruction of borrowers. The Manager requires that valuations be provided on the Manager's instructions, or that valuers confirm that their valuations adhere to the Manager's requirements.

The valuer must have appropriate professional indemnity insurance.

The valuer must certify that they are independent of both the borrower and security property.

At initial settlement, the valuation relied on must not be dated more than 3 months prior to settlement.

An updated valuation will generally be required where a loan term is extended or a loan is otherwise varied. An updated valuation will also generally be required for commercial loans at 24 month intervals and for construction loans at 12 month intervals. The requirement for an updated valuation may be waived where the Manager considers that an updated valuation would serve no useful purpose (e.g. where it is demonstrable that property values have increased or not changed in the locality of the property, where a property under construction is significantly presold, where a commercial property has long term leases in place, where a sale or refinance is imminent or where the loan to valuation ratio of the property is low).

Development Valuations

Separate valuations (may be within the one valuation report) are required in relation to “as is” and “on completion” valuations.

Appropriate instructions must be given to the valuer having regard to the type of valuation required. In particular the instructions indicate the type of valuation required eg. “as is” or “on completion”.

“As is” Valuation

The “as is” valuation is the market valuation of the property at the time of the initial drawdown. A “feasibility analysis” is undertaken including demolition, subdivision, construction, and other development costs, allowances for sales and marketing expenses, interest and an allowance for profit and risk to arrive at a base value for the land. Any such analysis is based on the premise that the development approval has or will be obtained prior to settlement of the loan. Alternatively, the valuation must contain an adjustment for any uncertainty attaching to the development approval process. The requirement for a feasibility analysis may be satisfied, if appropriate, using alternate techniques such as discounted cash flows. Additionally a cross check valuation method is employed evaluating comparable sales evidence. The loan to valuation ratio in this case must fall within the Manager’s lending criteria.

“On Completion” Valuation

The “on completion” value is the market value of the property at the completion of development. The valuation methodology required is a “gross realisation” valuation based on comparable sales and/or lease evidence for the individual components e.g. houses, units, allotments etc.

The Manager will reasonably assess the appropriateness of the feasibility analysis within the valuer’s report by comparison with cost estimates provided by a competent external quantity surveyor selected from the Manager’s panel.

The “on completion” value is the valuation figure used in the cost to complete calculations during the development phase. The “on completion” value may be revised during the term of development to reflect changes as approved by the Manager.

Withdrawals

From time to time dependent on market cycles, the Manager may pay withdrawals over longer timeframes than usual in a normal market environment. As currently stated in the PDS for the Fund, in certain circumstances withdrawal payments may be extended to 365 days or the Manager may suspend withdrawals. This protective management mechanism can be utilised to manage liquidity, to protect Fund assets and stability and investor distributions.

Due to the current turmoil and unpredictability of the market, the Manager is exercising caution with the Fund’s cashflow management and utilising longer timeframes for redemptions. The Fund is currently continuing to pay redemptions, with income being earned up to the date of payment, and non-Australian dollar investments continue to hedge the currency exposure of these investments. However, longer timeframes of up to 365 days can occur should the market dictate. The Manager may also suspend withdrawals for such periods as it determines.

In light of the above matters, the following changes are made to the PDS for the Fund:-

- ▶ On page 12 of the PDS titled “How to Withdraw”, the normal market environment timeframes for payment of withdrawals of generally within 5 Gold Coast business days after maturity date no longer occur at this time, and references to that time period under the heading “Withdrawal Notice Period” are deleted from the PDS.
- ▶ In footnotes 8, 9 and 10, on pages 5, 6 and 8 respectively, the words “While the Manager considers any delay unlikely” are deleted.
- ▶ On pages 5, 12 and 21 of the PDS, the references to “Payment of the withdrawal will generally occur within 5 business days after the maturity date by electronic transfer to the account nominated on the Application Form”, “The Manager expects to satisfy all withdrawal requests generally within 5 Gold Coast business days after the maturity date, based on the withdrawal requests previously made in respect of the Fund”, and “The Manager expects to pay all redemptions within 5 business days of maturity and considers any delay to be unlikely” are deleted.

The Manager is managing the challenges of the current external factors to ensure the ongoing success of the Fund in terms of both income and stability.

Investment Risks

Currency Risk

Non-Australian dollar investors who elect to have their distributions electronically credited to the investor’s nominated financial institution on a monthly basis should note there is a possible additional currency risk which relates to the unhedged distribution. These investors should take into account the paragraph below in addition to the “Currency Risk” paragraph on page 20 of the PDS for the Fund.

- ▶ Investors with non-Australian dollar investments who have elected to have their distributions paid monthly should note the distribution is not hedged as the Fund pays the monthly distribution directly from the earnings of the Fund in Australian dollars. The distribution does not form part of the FFEC as it does for a non-Australian dollar investment where the interest is paid at maturity and as such the monthly unhedged distribution is subject to currency risk.

Borrowing Risk

As referred to in this First SPDS there have been changes made in relation to the FMIF’s borrowing and as such the Borrowing Risk on page 21 of the PDS is replaced with the following paragraph.

Under the constitution for the Fund and FMIF the Manager may borrow against each of the respective fund’s assets on terms and conditions acceptable to the Manager. As at 28 November 2008 the Fund does not have any borrowings. The Manager of the FMIF has arranged a line of credit facility with the Commonwealth Bank of Australia (“CBA”). This facility was put into place in order to allow the Manager of the FMIF to take advantage of competitive commercial lending opportunities, or to assist the FMIF with managing liquidity. As at 28 November 2008 the amount owing to the CBA was \$150 million. As at 28 November 2008 the interest rate of the facility is variable and is priced between 0.50% to 1.10% above the respective BBSY bid rate. The facility term is the subject of an annual review. The Manager is currently renegotiating the credit facility with CBA and expects these negotiations to be finalised by 31 December 2008. The Manager of the FMIF expects that negotiations with CBA will result in a continued line of credit facility for a total of \$150 million for a further 12 month term and will be subject to an annual

review. The finance facility is secured by a fixed and floating charge over the assets of the FMIF, providing the CBA as a secured lender with first priority over the assets and income of the FMIF. The rights of the Fund to the income and assets of the FMIF are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers of the FMIF. This facility or a similar facility may be varied from time to time in order to manage the FMIF. Insufficient income generated by the FMIF to service the CBA debt, increases in the bank interest rate or an unforeseen refusal of the financier to extend the term of any facility could cause the FMIF to default on its loan.

The Directors

By way of update to information about the Directors on page 23 of the PDS, Simon Tickner has been appointed as an executive director and John Dillon and Val Llewellyn are no longer non-executive directors. Information in relation to Simon's background and position with the Manager is outlined in the paragraph below.

Simon Tickner – Executive Director, Head of Lending

In 2001, Simon immigrated to Australia with his family after a 20 year career in trading and broking financial derivatives in London's money markets. Having established LM's Sydney office that year, Simon has since overseen its growth whilst managing LM's business development in the southern states of Australia. As Head of Lending, Simon travels throughout Australia to source and assess new lending opportunities for LM. As Executive Director, Simon's extensive 'on the ground' knowledge of Australia's many property markets provides valuable insight to LM's board, and statistical knowledge to LM's Property Research and Analysis Committee. Simon is a member of the Board of Directors, Credit Committee, Funds Management Committee and Property Research and Analysis Committee.

Borrowings of the LM First Mortgage Income Fund

The following paragraph replaces the information contained on page 26 of the PDS under the heading "Borrowings of the LM First Mortgage Income Fund".

Under the constitution of the FMIF the Manager (as responsible entity of the FMIF) may borrow against the FMIF assets on terms and conditions acceptable to the Manager. The Manager of the FMIF has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA"). This facility was put into place in order to allow the FMIF to take advantage of competitive commercial lending opportunities, or to assist the FMIF with managing liquidity. As at 28 November 2008 the amount owing by the FMIF to the CBA was \$150 million. As at 28 November 2008 the interest rate of the facility is variable and is priced between 0.50% to 1.10% above the respective BBSY bid rate. The facility term is the subject of an annual review. The Manager of the FMIF is currently renegotiating the credit facility with CBA and expects these negotiations to be finalised by 31 December 2008. The Manager expects that negotiations with CBA will result in a continued line of credit facility for a total of \$150 million for a further 12 month term and will be subject to an annual review. The finance facility is secured by a fixed and floating charge over the assets of the FMIF, providing the CBA as a secured lender with first priority over the assets and income of the FMIF. The rights of the Fund to the income and assets of the FMIF are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers of the FMIF. This facility or a similar facility may be varied from time to time in order to manage the FMIF. Insufficient income generated by the FMIF to service the CBA debt, increases in the bank interest rate or an unforeseen refusal of the financier to extend the term of any facility could cause the FMIF to default on its loan.

Complaints Procedure

The external industry complaints body approved by ASIC and of which the Manager is a member has changed from the Financial Industry Complaints Service ("FICS") to the Financial Ombudsman Service Limited ("FOS"). The paragraph below replaces the information under the heading "Complaints Procedure" on page 28 of the PDS.

If an investor has a complaint they should generally first contact their adviser. If the adviser is unavailable, unwilling, or unable to assist, or if the investor wishes to directly contact the Manager, and the complaint relates to the Fund or the Manager, then the investor should contact the Client Relations Department at the office of the Manager on free call 1800 062 919 (Australia only) or +617 5584 4500. Complaints may be made in writing or by telephone. The Manager will respond within 30 days of receiving the complaint. If a complaint cannot be resolved by the Manager it should be referred to the Financial Ombudsman Service Limited ("FOS"), an external industry complaints body which has been approved by ASIC and of which the Manager is a member.

Financial Ombudsman Service Limited
GPO Box 3
MELBOURNE VIC 3001
Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
email: info@fos.org.au
website: www.fos.org.au

Related Parties

The information contained on page 28 of the PDS in relation to Related Parties is replaced as follows:-

Related Parties

Peter Drake, a director of the Manager is the beneficial owner of LM Administration Pty Ltd, which has been engaged by LM Investment Management Ltd to provide administration services at a commercial arms-length fee. In addition to this, LM Administration Pty Ltd provides administration and funds management services to the Fund and FMIF. LM Administration Pty Ltd is paid a management fee direct from the Fund and the FMIF.

John O'Sullivan, a non-executive director of the Manager is the beneficial owner of O'Sullivan Capital Management Ltd. O'Sullivan Capital Management Ltd has been engaged by LM Investment Management Ltd to provide marketing services in New Zealand at a commercial arms-length fee. This fee is paid by the Fund and FMIF.

The Fund and FMIF may lend to related parties provided the loans are on commercial arms-length terms and are subject to review by the Board.

Under the differential fee arrangement with the FMIF, the Fund is indirectly charged management costs by the FMIF and these costs are included in the Management Costs disclosed in the Fees and Other Costs section of the PDS for the Fund.

The Board of the Manager is responsible for reviewing and approving the structure and probity of commercial dealings between the Manager and any related parties. Fees issued to the account of the Fund by related parties, which are recoverable from the Fund, must be on commercial arms-length terms.

The FMIF is owed \$33,513,345 in relation to assignment of 3 first registered mortgages from the Fund to the LM Managed Performance Fund (a related investment fund). This debt is secured by a fixed and floating charge over the assets of the LM Managed Performance Fund. The current interest rate payable by the LM Managed Performance Fund on this debt is 10%pa. This loan equates to 5.51% of the total loan portfolio.

The LM Managed Performance Fund has guaranteed part of a debt due by a borrower to the FMIF in the amount of \$9,600,000, in exchange for the borrower making certain funds available to an associate of the LM Managed Performance Fund. The current interest rate is 10.5%pa. This loan equates to 1.58% of the total loan portfolio.

The FMIF has received the benefit of assignment of a debt due by the LM Managed Performance Fund in the sum of \$5,100,000. The current interest rate payable on this amount is 10%pa. It is anticipated that this debt will be repaid by 30 June 2009. This debt equates to 0.84% of the total loan portfolio.

The FMIF has made 3 loans to various related parties, which total \$12,678,275. The Manager has received establishment fees of not more than 1.5% of the total loan amount. The interest rates for these loans are commercial rates and range from 10.5% - 12% p.a. These loans equate to 2.08% of the total loan portfolio.

Related Party Finance of the FMIF

The Manager is the Responsible Entity of the LM Managed Performance Fund. From time to time the LM Managed Performance Fund advances loans by way of second mortgages to borrowers who have first mortgage advances from the FMIF. At 31 October 2008 there are 8 such loans by the LM Managed Performance Fund in the total amount of \$28,556,297. In these instances the FMIF enters into Priority Deeds with the borrower as part of normal loan documentation procedures. The LM Managed Performance Fund generates fees, charges and interest rates all of which are paid by the borrower.

The Directors of LM Investment Management Ltd have authorised and consented to the issue of this First SPDS.

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How to use this Product Disclosure Statement

This Product Disclosure Statement ("PDS") is provided and issued by LM Investment Management Ltd as responsible entity for the **LM Currency Protected Australian Income Fund** ("the Fund"). Investors should read the entire PDS and any supplementary PDS before making a decision to invest.

This PDS describes the main features of the Fund and contains the Application Form. This PDS also provides general information in relation to LM Investment Management Ltd ("LM", "Manager", "we", "us", "our"), material documents and other relevant matters. It helps investors to decide whether the products offered will meet their needs and enables them to compare the products with others they may be considering.

Important information

No person is authorised to give any information or to make any representation in connection with the offer of investment described in this PDS which is not contained in this PDS. Any information or representation not so contained may not be relied on as having been authorised by the Manager in connection with this offer.

This PDS is an offer which is available to persons receiving the electronic PDS within Australia but does not constitute an offer in any jurisdiction where, or to any persons to whom, it would be unlawful to offer this PDS. It is the responsibility of any overseas applicant to ensure compliance with all laws of any country relevant to their application. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained. An application may only be accepted on an Application Form which forms part of this PDS.

This PDS should be read in its entirety. In particular it is important that investors consider the risk factors that could affect the performance of the Fund. None of an investor's objectives, financial situation or needs has been taken into account in this PDS and investors should carefully consider their personal circumstances before deciding whether to invest in the Fund. If after reading this PDS an investor has any questions regarding its contents or the procedure for investing they should contact their financial or other professional adviser. Past performance should not be taken as an indicator of future performance. The Manager does not give any guarantee with respect to the performance of the Fund, the payment of income or the repayment of capital by the Fund.

All monetary amounts in this PDS are references to Australian dollars, unless stated otherwise.

The Manager may change any of the terms and conditions in this PDS. Notice of material changes will be given to investors, normally in the form of a replacement or supplementary PDS.

From the Directors

LM Investment Management

LM Investment Management Ltd (“LM”) is a privately owned, Australian funds management company with national and international operations. With a specialist focus on the mortgage trust sector, LM manages one of Australia’s largest mortgage trusts, the LM First Mortgage Income Fund (“FMIF”). Through its management of the FMIF, LM enjoys active participation and recognition as a lender within Australia’s business and property sectors.

The Australian Mortgage Trust Sector

The Australian managed funds industry is the 4th largest in the world, behind the United States, Luxemburg and France. Established in the 1960’s the Australian mortgage trust sector is a significant sector within the financial services industry which has evolved as a mainstream income investment. It is in this sector that LM has focused its expertise to deliver the LM First Mortgage Income Fund, a competitive income product designed to outperform cash.¹

Distribution

Distribution of this income product is through a national and international network of financial advisers, wholesale platforms, private banks, superannuation funds, corporate and institutional investment. Designed specifically for these markets, the FMIF offers tailored investment options including retail, wholesale, institutional and currency hedged. Product Disclosure Statements for these options are available from your financial adviser or the Manager.

The LM Currency Protected Australian Income Fund

The LM Currency Protected Australian Income Fund is designed as a currency hedged fixed term investment for the retail market. It utilises LM’s management expertise and focus on the mortgage trust sector in a manner designed to deliver returns above the cash returns offered on a range of currencies through investment in the LM First Mortgage Income Fund.¹

¹ Since inception the returns paid to investors have outperformed cash rates. Past performance is not an indicator of future performance. Performance of the Fund and the FMIF is not guaranteed and the risks associated with an investment in the Fund or the FMIF are different to cash.

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About the LM Currency Protected Australian Income Fund

This summary provides an overview of the key features of the LM Currency Protected Australian Income Fund (“Fund”). The entire PDS should be read before investing in the Fund.

Investment Objective	To outperform cash rates on a range of different currencies by providing a competitive return, that is hedged in the relevant currency against Australian dollar currency movements. ²
Assets of the Fund	The Fund invests in the LM First Mortgage Income Fund ARSN 089 343 288 (“FMIF”) which has historically outperformed cash rates. ² The underlying assets of the FMIF are a diversified “pool” of Australian registered first mortgages, cash and “at call” securities.
Investment Terms	Investors can choose the term of their investment by selecting one or more of the investment terms below:- ▶ 12 Months ▶ 6 Months ▶ 3 Months ▶ 1 Month Investors may request other investment terms by applying to the Manager. The interest distribution period is the term of the investment.
Currencies Available	Investment may be arranged for most currencies. For clarification on hedging a specific currency please contact the Manager. ▶ USD ▶ GBP ▶ EUR ▶ JPY ▶ CAD ▶ HKD ▶ SGD ▶ CHF ▶ THB ▶ AUD An investment in AUD is not hedged.
Interest Distribution Rates	Interest distribution rates are variable. Refer to the paragraph headed “Interest Distribution Rates” on page 4 of this PDS for further details. Investors can obtain details of the most recent interest distribution rates paid by the Fund in respect of particular investment options from their adviser or by telephoning the Manager on +617 5584 4500 or from the Manager’s website at www.LMaustralia.com. ³
Interest Distribution	The interest distribution is reinvested unless the investor elects to have the interest distribution paid direct to the account nominated on the Application Form. The interest distribution is paid within 5 business days of maturity of the original and any subsequent investment term.
Automatic Reinvestment	At the end of the first term the investor’s original investment and interest distribution (unless the investor elects to have the interest distribution paid direct to the account nominated on the Application Form) are automatically reinvested in the originally nominated currency for further 1 month investment terms unless either the investor notifies the Manager of a longer reinvestment term, or a withdrawal notice is received. Prior to reinvestment investors should contact their adviser to obtain the current PDS. The most recent interest distribution rates paid by the Fund and a copy of the PDS that will apply for the purpose of reinvestment are available from the Manager by telephone +61 7 5584 4500 or from the Manager’s website at www.LMaustralia.com. ³
Currency Hedge	The Fund currency hedges a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts (“FFECs”). The FFECs are facilitated by a global investment bank.
Australian Taxation	If an investor is not an Australian resident for taxation purposes, Australian taxation rates will not apply. However, withholding tax is deducted from interest distributions at a rate of 10%. This may vary in accordance with the tax laws of a particular country, including Double Taxation Treaties. Investors with domiciled tax exempt status will not be subject to any Australian taxation, including withholding tax. Refer to page 19 of this PDS (“Tax”) for further information.
Unit Pricing	The Fund issues units on application at a variable unit price calculated daily. Unit prices are issued in Australian dollars. Investors can obtain details of all unit prices including the currency protected unit prices from the office of the Manager.
Withdrawal Notice	At least 5 business days prior to the maturity of the investment term investors must notify the Manager in writing whether they wish to withdraw. Refer to page 12 of this PDS (“How to Withdraw”).
Minimum Investment	AUD\$1,000 ⁴
Minimum Withdrawal	AUD\$20,000 ⁴
Minimum Balance	AUD\$50,000 ⁴
Risks	All investments are subject to risks. Further details of risks associated with this product are outlined on page 20 of this PDS (“Investment Risks”).
Fees	There are no entry or exit fees payable. The Manager receives a Management Fee which is currently calculated as a percentage of the net assets of the Fund. For full details please refer to page 15 of this PDS (“Fees and Other Costs”).

² Since inception the returns paid to investors have outperformed cash rates. Past performance is not an indicator of future performance. Performance of the Fund and the FMIF is not guaranteed and the risks associated with an investment in the Fund or the FMIF are different to cash.

³ Past performance is not an indicator of future performance.

⁴ Or such lesser amount as determined by the Manager.

The LM Currency Protected Australian Income Fund

Investment Objective

To outperform cash rates on a range of different currencies by providing a competitive return, that is hedged in the relevant currency against Australian dollar currency movements.⁵

Benefits of Investing

- ▶ Choice of investment term;
- ▶ Choice of currencies with currency hedged against movements in the Australian dollar;
- ▶ Currency diversification - investment can be held in one or a range of different currencies;
- ▶ Funds management expertise - specialist mortgage trust manager;
- ▶ Management track record of uninterrupted income distributions⁶.

Investment Terms

Investors can choose the term of their investment by selecting one or more of the investment terms below:-

- ▶ 12 Months
- ▶ 6 Months
- ▶ 3 Months
- ▶ 1 Month

Investors may request other investment terms by applying to the Manager. The investor's investment term commences on the day the Manager settles the FFEC.

Extended Investment Terms

Investors may apply to the Manager to invest in the Fund for an extended investment period for multiple 12 month investment terms e.g. if an investor wants to invest for a 2 year investment term the 2 year investment term will be conducted as 2 rolling 12 month investment terms. In this case the second investment term is dealt with in the same manner as an initial investment. If the Manager allows the extended investment term, the terms and conditions of the extended investment term will be the same as the Fund's investment terms outlined in the PDS in force at the time the extended term commences. Investors will need to contact their adviser or access our website at www.LMaustralia.com or telephone us on +617 5584 4500 prior to the reinvestment term to obtain details of the most recent interest distribution rates paid by the Fund and a copy of the current PDS which will apply for the purpose of the reinvestment.⁶

The Fund's Investments

The Fund invests in the LM First Mortgage Income Fund ("FMIF") and hedges foreign currencies using Forward Foreign Exchange Contracts ("FFECs"). The FMIF has historically outperformed cash rates.⁵

The assets of the FMIF as at 29 February 2008 totalled \$718,403,075. The Fund aims to remain fully invested in the FMIF with cash only being held to meet margin and liquidity requirements or awaiting investment. Details of the Fund's investments in the FMIF are outlined on page 6 of this PDS ("The LM Currency Protected Australian Income Fund's investment in the LM First Mortgage Income Fund").

The assets of the Fund as at 30 April 2007 totalled \$162,224,800.

Currency Hedge

The Fund hedges a non-Australian dollar investment through the use of FFECs. Each FFEC requires agreement between the user (the Fund) and the provider (financial institution) on the following:-

- ▶ currencies to be exchanged;
- ▶ the value of each of the currencies to be exchanged;
- ▶ the maturity date of the contract; and
- ▶ the rate at which the exchange between currencies will occur.

The forward rate is determined by the spot rate (current market rate) and the interest rates of the relevant currencies and will change as these variables alter.

On acceptance of investment funds and the completed Application Form, the relevant currency is converted at the prevailing spot market rate into Australian dollars and units in the Fund issued. The Fund simultaneously enters into a FFEC. The FFEC requires the Fund to deliver an amount of Australian dollars in exchange for an amount of the relevant foreign currency at a specific time in the future (the specific time is equivalent to the investment term) at a predetermined exchange rate (forward rate). At the end of the investment period the Fund converts the earnings of the investor into the relevant foreign currency at the forward foreign exchange rate.

Both the spot and forward transactions are facilitated by a global investment bank.

This process allows the Fund to offer investors the opportunity to invest in the LM First Mortgage Income Fund and hedge their investment against currency movements.

Interest Distribution Rates

Interest distribution rates are variable, and will depend on income earned and expenses paid by the Fund from time to time, and on the type of investment chosen. Investors can obtain details of the most recent interest distribution rates paid by the Fund in respect of particular investment options from their adviser, by telephoning the Manager on +617 5584 4500 or from the Manager's website at www.LMaustralia.com.⁶

Interest Distribution

Interest distributions are calculated for the term of the investment and are reinvested unless the investor elects to have the interest distribution paid direct to the investor account nominated on the Application Form. The interest distribution is paid within 5 business days of maturity of the original and any subsequent investment term.

Investors should note that if they elect to have the interest distribution paid to the investor account nominated on the Application Form, financial institutions charge a remittance fee which will be deducted from their interest distribution.

⁵ Past performance is not an indicator of future performance. Performance of the Fund is not guaranteed and the risks associated with an investment in the Fund are different to cash.

⁶ Past performance is not an indicator of future performance.

Initial Investment for AUD Investments

An AUD investment term commences on receipt of the cleared investment amount and completed Application Form with appropriate anti-money laundering information.

Investors will be notified in writing by the Manager of the commencement date of their investment.

Initial Investment for Non-AUD Investments

On receipt of the investment amount, the completed Application Form and appropriate Anti-Money Laundering Form (which is available from the Manager's website at www.LMaustralia.com) the Manager will confirm receipt with the investor's adviser.

The non-AUD investment amount is held in the subscription account until the Manager exchanges the foreign currency into Australian dollars and simultaneously hedges the relevant currency using FFECs.

Non-AUD investment terms for all currencies commence on the day the Manager settles the FFEC. For example, if the properly completed Application Form (with appropriate Anti-Money Laundering Form) for a 12 month term investment and investment monies are received by the Manager on 20 March and the FFEC settles on 22 March the commencement date will be 22 March and the maturity date will be 12 months later. The investment commences to earn interest from 22 March.

FFECs are settled on a daily basis with the global investment bank.

Investors will be notified in writing by the Manager of the commencement date of their investment.

Automatic Reinvestment Default Position

If the investor has not ticked the box in Section 12 of the Application Form to rollover the investment for the same investment term, the following default process will apply. At the end of the relevant investment term, the investor's original investment amount and interest distribution (unless the investor elects to have the interest distribution paid direct to the account nominated on the Application Form), are automatically reinvested and rehedged in the originally nominated currency for further 1 month investment terms until the investor provides the Manager with longer investment term instructions or a written withdrawal notice. AUD investments are not hedged.

Investors should complete the Maturity/Rollover Section of the Application Form to ensure that correct rollover/withdrawal instructions are provided to the Manager.

Investors should consult with their adviser to obtain details of the most recent interest distribution rates paid by the Fund and the current PDS prior to reinvestment.⁷ The most recent interest distribution rates and current PDS are available from the office of the Manager by telephoning +617 5585 4500 or by visiting the Manager's website at www.LMaustralia.com.⁷

Changing Rollover Investment Terms

Investors can change the term of their investment by giving the Manager written notice at least 5 business days prior to the existing maturity date. Investors can obtain details of the most recent interest distribution rates paid by the Fund for all of the investment terms offered by the Fund at that time from their adviser or from our website at www.LMaustralia.com or by telephoning us on +617 5584 4500.⁷

Notice of Withdrawal

If an investor does not want their investment rolled over for a further investment term, they must give the Manager at least 5 business days written notice before the maturity date of the current investment term. Payment of the withdrawal will generally occur within 5 business days after the maturity date by electronic transfer to the account nominated on the Application Form.⁸

If an investor requires withdrawal proceeds to be deposited to an account other than the account nominated on the Application Form, then the Manager will require notification in writing signed by all applicants.

Where a request for withdrawal is received on any day that is not a Gold Coast business day, the request is deemed to have been received on the next business day.

Unit Pricing

The Fund has a variable unit price issued in Australian dollars.

The unit price is determined each day and is calculated by dividing the value of the net assets of the Fund by the total number of units on issue that day. The Fund invests directly into the FMIF. The unit price of the FMIF has remained at \$1.00 since the inception of that fund in 1999.⁷ The unit price of the FMIF may vary but should remain at \$1.00 unless the Manager of the FMIF determines that an investment asset of the FMIF should be revalued in accordance with the FMIF constitution.

The Manager has a Unit Pricing Policy which provides that investments will be valued at cost or fair value, depending on the asset, unless the Manager is advised or considers that a particular investment has increased or decreased in value. A copy of the Unit Pricing Policy and any assessment provisions exercisable by the Manager is available free of charge on request.

Updated Financial & Fund Information

The half yearly financial report for the Fund and the FMIF is available at www.LMaustralia.com or by telephoning the Manager on +617 5584 4500.

The Manager will notify investors of any material adverse information in relation to the Fund or the FMIF. Information relevant to the Fund and the FMIF that is not materially adverse and that is subject to change from time to time (including information in relation to the fund sizes, asset allocation, mortgage securities allocation eg. geographic and property type allocation, average loan to valuation ratio, performance and arrears, including information referred to in this PDS) will be updated by the Manager on its website and a paper copy of any updated information will be given to any person without charge on request.

⁷ Past performance is not an indicator of future performance.

⁸ While the Manager considers any delay unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 12 of this PDS ("How to Withdraw").

The LM Currency Protected Australian Income Fund's Investment in the LM First Mortgage Income Fund

The Fund invests in the LM First Mortgage Income Fund ("FMIF") and hedges foreign currencies using FFECs. The Fund aims to remain fully invested in the FMIF with cash only being held to meet margin and liquidity requirements or awaiting investment.

Outlined below are details of the FMIF's assets, investment strategy and structure. This information is provided to investors of the Fund to ensure that investors have a complete overview of the Fund's investment in the FMIF. References to the Manager in the following paragraphs are references to the Manager as responsible entity of the FMIF.

Assets of the LM First Mortgage Income Fund

The assets of the FMIF are a diversified portfolio of Australian registered first mortgages over commercial, residential, industrial, retail, vacant land, interest bearing cash investments and "at call" securities.

The assets of the FMIF as at 29 February 2008 totalled \$718,403,075 and were made up as follows:



Investment Strategy and Structure

The Manager's investment strategy is to provide competitive investment returns from Australian registered first mortgage securities, cash and "at call" securities. Risk management is a priority and the Manager follows a disciplined research driven approach to investment.

The Manager's Property Research and Analysis Committee ("PRAC"), specifically targets locations offering property growth opportunities and property sectors which are expected to perform. The 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 Manager diversifies the mortgage portfolio at a number of levels including, sector, geographic location, term and loan size.

All decision making in relation to the assets of the FMIF is handled through a collaborative discussion forum of committee structures, rather than resting with one person. Both the broad base of expertise involved in committee discussion together with the objectivity offered by voting members of the committees is designed for the ultimate protection of investor funds. The Credit Committee is integral to the compliance and risk management processes utilised by the Manager with respect to the selection of registered first mortgage assets for the FMIF. The Credit Committee calls for collaboration of a broad base of expertise from the property, finance, legal and accounting sectors when evaluating mortgage assets for the FMIF. The formal structure and collaborative decision making process provided by the Credit Committee ensures an informed assessment and objective decision is made when selecting the first mortgage assets of the FMIF. For more information in relation to the Credit Committee and the Manager's lending policies and procedures refer to the section headed "Lending Policies and Procedures of the LM First Mortgage Income Fund" on this page of the PDS.

To enhance investment returns from cash investments the Manager may, from time to time, invest a proportion of the FMIF's

assets with other fund managers who specialise in income bearing cash investments, long and short term securities (including equity securities and derivatives on securities) or mortgage securities. Specialist fund managers are chosen following an extensive and rigorous research process that examines their investment style, expertise of their investment team and a range of other factors. The Manager reviews each specialist fund manager's performance on an ongoing basis, ensuring that they operate within the mandated expectations and guidelines. As at the date of this PDS, the Manager has a policy limiting the proportion of FMIF assets invested with other specialist fund managers to 10%.

The Manager monitors and balances the FMIF's portfolio of assets between cash, "at call" securities and Australian registered first mortgage securities, to ensure:-

- ▶ the delivery of consistent performance for investors;
- ▶ sufficient liquidity is available for investors redeeming their investment in the FMIF.⁹ The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time period specified; and
- ▶ liquidity is available to service the requirements of both existing and new mortgage securities.

Since its inception in 1999, the FMIF has settled approximately \$3.5 billion of first mortgages. To ensure a continued supply of loans for the portfolio, the Manager's Commercial Lending Department markets its property related expertise, experience and lending services throughout a network of Australian loan originators

Lending Policies and Procedures of the LM First Mortgage Income Fund

The Manager is selective in its choice of mortgages and adheres to prudent lending parameters. The FMIF follows strict lending policies and procedures as detailed below:-

- ▶ Assessment of the borrower – the Manager endeavours to meet every borrower to assess character and business acumen;
- ▶ All mortgages are subject to the Manager's rigorous due diligence process including approval by the Manager's Credit Committee;
- ▶ A first mortgage is always registered on property held as the primary security;
- ▶ The Manager has every security property valued by one of the Manager's panel valuers or by a valuer meeting the Manager's standards for inclusion on its panel and adhering to the Manager's valuation guidelines;
- ▶ The Manager does not accept valuations performed on the instruction of borrowers. The Manager requires that valuations be provided on the Manager's instructions, or that valuers confirm that their valuations adhere to the Manager's requirements;
- ▶ The valuer must have appropriate professional indemnity insurance;
- ▶ The valuer must certify that they are independent of both the borrower and security property;
- ▶ An updated valuation will generally be required where a loan term is extended or a loan is otherwise varied. An updated valuation will also generally be required for

⁹ While the Manager considers any delay unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 12 of this PDS ("How to Withdraw").

commercial loans at 24 month intervals and for construction loans at 12 month intervals. The requirement for an updated valuation may be waived where the Manager considers that an updated valuation would serve no useful purpose (eg where it is demonstrable that property values have increased or not changed in the locality of the property, where a property under construction is significantly presold, where a commercial property has long term leases in place, where a sale or refinance is imminent or where the loan to valuation ratio of the property is low);

- ▶ The Manager has a policy of diversifying mortgage securities geographically and by property type;
- ▶ 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 constitution of the FMIF does not allow the Manager to exceed a loan to valuation ratio of 85% for any one loan except in the event of default. 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);
- ▶ One of the tools the Manager employs to enhance income into the FMIF is to balance the assets of the mortgage portfolio between commercial loans and selective development loans;
- ▶ A serviceability analysis is performed to evaluate the financial capacity of each applicant borrower including checking the credit history of each borrower through a credit bureau.

Further information in relation to investment policies and lending criteria is outlined on pages 26 to 27 of this PDS (“Additional Information”).

To the extent that it may affect the value or performance of an underlying investment the Manager may take into account labour standards, or environmental, social or ethical considerations when making, retaining or realising an investment in the FMIF. The Manager has no predetermined view about how far such matters will be taken into account, and the Manager will make a determination on such issues on a case by case basis.

LM First Mortgage Income Fund Arrears Management

The Manager has documented arrears management processes which are implemented in the event that a mortgage loan goes into default. Arrears loans are managed by a team of experienced personnel. The documented processes include the following:

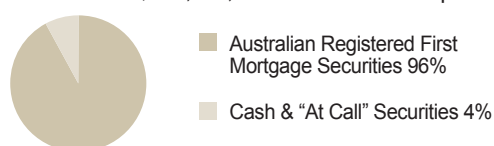
- ▶ Dishonoured payments or other defaults are referred to the Arrears Manager for actioning. The Arrears Manager immediately contacts the borrower to ascertain the circumstances of the default;
- ▶ If the default is short term, arrangements are made with the borrower to remedy the default;
- ▶ If the default is long term, a summary of the nature of the default is emailed to the Arrears Committee with recommendations;

- ▶ The Arrears Committee is comprised of the Executive Directors, the Portfolio Manager, the Risk Manager, the Arrears Manager and members of the Commercial Lending Department as appropriate;
- ▶ The Arrears Committee meets at least weekly. The Arrears Committee considers the recommendations for arrears loans and supervises the preparation of an arrears management plan for each arrears loan. Given the nature of loans within the loan portfolio, the Manager adopts a case by case approach to arrears management, reflected in the individual management plans for each arrears loan;
- ▶ Management plans are implemented by the Arrears Manager who maintains a separate arrears file for each arrears loan;
- ▶ Reports on arrears loans are prepared and presented at Arrears Committee meetings. Management plans are considered and updated as necessary;
- ▶ In the formulation of a management plan the Arrears Committee considers the following factors:
 - Current value of the security property;
 - Whether an updated valuation ought to be obtained;
 - Current loan amount;
 - Current loan to valuation ratio;
 - A review of securities held;
 - A review of insurances held;
 - Issue of default notices;
 - For commercial loans:-
 - > tenancy status;
 - For construction loans:-
 - > status of construction;
 - > cost to complete;
 - > sales achieved;
 - > review of presales;
 - Current marketing and/or sales programs;
 - Credit assessment of the borrower and any guarantors;
 - Whether demands ought to be issued to any guarantors;
 - Any proposal by the borrower to remedy the default;
 - Status of any second or subsequent mortgages and status of priority arrangements;
 - Desirability of taking possession or appointing a receiver or agent for the mortgagee;
 - Compliance with statutory requirements (eg lodgement of notices, maintenance of controller accounts);
 - Any site-specific issues (eg planning, subdivision, contamination or heritage status);
 - Potential sales avenues;
 - Whether sales agent ought to be appointed/selection of agent;
- ▶ For all arrears loans, a detailed recoverability analysis is prepared and updated on a weekly basis as part of the arrears management plan;
- ▶ External consultants (valuers, lawyers, insolvency practitioners, sales consultants etc) are engaged where appropriate throughout the arrears management process;
- ▶ The Manager may from time to time foreclose on a security

property as part of a realisation strategy. Foreclosure is a remedy available to a registered mortgagee by which the mortgagee becomes the absolute legal owner of the property free of any interest of the mortgagor. In the event of foreclosure, the Manager may hold, improve and/or sell the security property in order to achieve the best result for the FMIF. The Manager may sell a property on which it has foreclosed to a related entity, in which case the sale price will be determined by valuation.

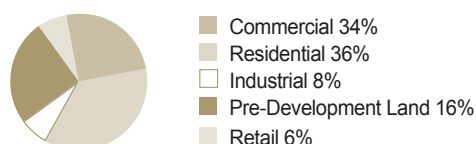
Arrears loans are managed in this way until the security is sold and/or all possible recovery action has been completed.

The assets of the LM First Mortgage Income Fund as at 29 February 2008 totalled \$718,403,075 and were made up as follows:-

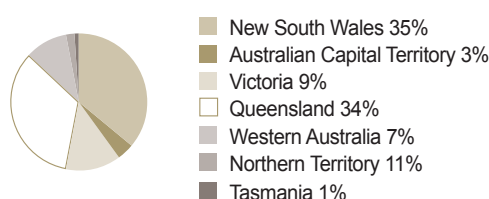


As at 29 February 2008 the mortgage allocation was as follows:

Security Property Type Allocation



Geographic Distribution of Security Property



Construction and Development Mortgage Securities



* Non-Construction Mortgage Securities includes pre-development land, completed developments and income generating commercial loans.

Mortgage portfolio details as at 29 February 2008

Total amount of mortgage securities	\$687,494,654
Number of mortgages	74
% of mortgages with fixed interest rates	100%
Average loan to valuation ratio	63.89%
Smallest loan	\$94,672
Largest loan	\$85,523,929
Average loan size	\$9,290,468
Undrawn loan commitments over next 24 months	\$362,375,790
Average monthly undrawn loan commitments	\$15,098,991

The Manager maintains a detailed cash flow model which assesses the total FMIF inflows and outflows including programmed loan repayments from borrowers and progressive loan draws. This model allows the FMIF's Portfolio Manager to accurately assess

FMIF cash requirements to ensure sufficient liquidity for the FMIF to meet its commitments at all times.¹⁰

As at 29 February 2008 there were 52 borrowers. Two borrowers had a mortgage that exceeded 5% of the mortgage portfolio. The Manager generally ensures that no single mortgage exceeds 10% of the FMIF's assets.

One borrower may have an interest in several loan facilities by way of different entities. The Manager assesses the total exposure to one borrower as including those related entities with different loan facilities.

Mortgage securities by maturity profile as at 29 February 2008

Period maturing	% of Total	Value \$
0-6 months	38.42%	\$264,114,682
6-12 months	32.65%	\$224,434,036
12-18 months	17.19%	\$118,182,830
18-24 months	5.70%	\$39,203,830
24-36 months	3.37%	\$23,164,303
36-48 months	0%	\$0
48-60 months	2.67%	\$18,321,927

Mortgage securities by interest rate profile as at 29 February 2008

For the month ended 29 February 2008 the average interest rate of the mortgage portfolio was 9.69%.

Interest rate %	% of Total	Value \$
= or < 7.0%	0.12%	\$816,519
7.01-7.50	1.57%	\$10,812,275
7.51-8.00	7.78%	\$53,467,988
8.01-8.50	11.13%	\$76,515,263
8.51-9.00	10.51%	\$72,213,890
9.01-9.50	15.67%	\$107,696,936
9.51-10.00	1.98%	\$13,630,474
10.01-10.50	5.45%	\$37,435,117
10.51-11.00	30.59%	\$210,310,344
11.01-11.50	9.66%	\$66,433,970
11.51-12.00	5.54%	\$38,088,833

Status of Mortgage Loans

The Manager considers a loan to be in default when interest payments have not been received in breach of a loan agreement, or the loan term has expired without repayment of principal. Set out in the table below are details of FMIF's loans falling into the former category.

LM First Mortgage Income Fund Loans in Arrears

Period	Principal	Unpaid Interest	No. of loans
60-90 days	\$10,436,287	\$609,953	1
90 days and over	\$34,685,533	\$6,165,154	7
Total	\$45,121,820	\$6,775,107	8

As at 29 February 2008 the percentage of mortgage securities in arrears was 7.49%.

All of the loans except for one in arrears were past their maturity date. As at 29 February 2008 one other loan was past its maturity date and it represents 0.6% of the mortgage portfolio.

The Manager utilises its property expertise and its Arrears

¹⁰ While the Manager considers any delay unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 12 of this PDS ("How to Withdraw").

Management Policies and Procedures to secure realisation and exit strategies for all arrears loans.

As at the date of this PDS the directors do not consider the arrears above will result in a capital loss for the FMIF.

Updated Financial and Other Information

The current financial reports for the Fund and the FMIF are now available at www.LMaustralia.com or by telephoning free call 1800 062 919 (Australia only) or +617 5584 4500. The Manager will notify investors of any material adverse information in relation to the Fund or the FMIF. Information relevant to the Fund and the FMIF that is not materially adverse and that is subject to change from time to time (including information in relation to fund sizes, asset allocation, mortgage securities allocation eg. geographical and property type allocation, average loan to valuation ratio, performance and arrears, including information contained in this PDS) will be updated by the Manager on its website and a paper copy of any updated information will be given to any person without charge on request.

How to Invest

If a properly completed Application Form, investor/s verification documentation and information (as required) and investment funds arrive before noon Queensland time on a business day at the Gold Coast, Queensland, the application will generally be accepted that day; if they arrive after that time, then the application will be accepted on the next business day.

1. Complete and sign the Application Form attached to this PDS together with the appropriate Anti-Money Laundering Form (which is available on our website at www.LMaustralia.com).
2. Remit funds directly by telegraphic transfer (see the details outlined on this page under the heading "Depositing by Telegraphic Transfer").

New Zealand investors should note the alternative payment options referred to below under the heading "New Zealand Investors".

3. Fax the completed Application Form and appropriate Anti-Money Laundering Form to the Manager on +617 5592 4116 and send the original to the Manager by mail at LM Investment Management Ltd, PO Box 485 Surfers Paradise Qld 4217.

Minimum Investment Amount

Foreign currency equivalent of AUD\$50,000.

The Manager has a discretion to accept investments of different amounts.

Depositing by Telegraphic Transfer

When making an investment using funds from an overseas account, we recommend an investor use telegraphic transfer. Transfers can be arranged with an investor's overseas financial institution by providing it with the following details of the bank account to be credited. Please provide a copy of the telegraphic transfer reference code on the Application Form in Section 13 and attach a copy of the telegraphic transfer to the Application Form.

For currencies other than those shown on this page please contact the Manager to obtain bank account details for telegraphic transfers.

Please ensure that funds are remitted in the currency to be invested.

Telegraphically transfer USD, GBP, EUR, CAD, JPY, SGD, HKD, CHF, THB to the account below:-

Name of Account:	LMIM atf LM Currency Protected Australian Income Fund
Bank:	Commonwealth Bank of Australia
Address:	48 Martin Street, Sydney
Swift Code:	CTBAAU2S
Branch:	Sydney
Account No.	100626612 (plus the currency code for the currency you are sending e.g. 100640214 USD)

Telegraphically transfer AUD to the account below:-

Name of Account:	LMIM atf LM Currency Protected Australian Income Fund
Bank:	Commonwealth Bank of Australia
Address:	48 Martin Street, Sydney
Swift Code:	CTBAAU2S
Branch:	Brisbane
BSB:	062 000
Account No.	1227 1808

Telegraphically transfer NZD to the account below:-

Name of Account:	LMIM atf LM Currency Protected Australian Income Fund
Bank:	ANZ
Address:	203 Queen Street, Auckland, New Zealand
Swift Code:	ANZBNZ22
Branch:	Auckland
Account No.	010102-0856627-00

New Zealand Investors

As well as making **NZD Investments by telegraphic transfer**, investors living in New Zealand can:-

- ▶ Arrange for **NZD investments to be direct debited** from their bank account. Please complete the Direct Debit Form in this PDS; or
- ▶ make a **deposit in person at an ANZ bank or electronically direct credit** investment funds to the ANZ NZD account referred to above. When remitting funds by direct credit please supply the banking reference number provided by the remitting bank in Section 13 of the Application Form and attach a copy of the electronic direct credit receipt.

After receipt of funds detailed above applications are processed in the manner detailed in the paragraphs headed "Initial Investment for AUD Investments" and "Initial Investment for Non-AUD Investments" on page 5 of this PDS.

Investors should note that financial institutions may charge a remittance fee which will be deducted from their investment. The Manager endeavours to ensure inter financier transfer processes are effected promptly, but cannot be held accountable for any delays within the banking system.

Cooling Off Period

Investors have the right to change their mind and withdraw their investment (without penalty or fees) within a 14 day cooling off period. The cooling off period does not apply to additional investments or reinvestments of distributions. This 14 day period commences on the earlier of 5 days from the date of issue of units in the Fund to the investor, or the investor receiving confirmation that their investment has been accepted and processed.

Investors wishing to withdraw must contact the Manager in writing at LM Investment Management Limited, PO Box 485, Surfers Paradise, Queensland 4217, by fax +617 5592 2505, or by email to mail@LMaustralia.com. If the Manager receives a withdrawal request within the 14 day cooling off period, it will withdraw and refund the investment. The refund may be adjusted to reflect any changes in unit price (positively or negatively), any taxation and/or any fees incurred in relation to breaking the FFEC incurred by the Manager.

These cooling off rights do not apply to wholesale investors (as defined in the Corporations Act 2001) or if the Fund is not liquid for the purposes of Chapter 5C of the Corporations Act.

How to Withdraw

When Requesting a Withdrawal, Investors Please Remember to:

- ▶ provide the name of the Fund and the investment account number (if you are unsure of the account number please contact the Manager);
- ▶ state the full investment account name;
- ▶ stipulate the amount to be withdrawn and how it is to be paid;
- ▶ include a daytime telephone number; and
- ▶ sign the request –
 - if it is a joint account both investors must sign request;
 - if it is a company account, either 2 directors, 1 director and company secretary, or sole director who is also the sole secretary must sign the request.
- ▶ You can send your signed withdrawal request by the following options:-
 - Faxing the signed withdrawal request to the Manager at +617 5592 4116; or
 - Scanning the signed withdrawal request and emailing it to the Manager at investmentservices@LMAustralia.com; or
 - Mailing the original signed withdrawal request to the Manager at PO Box 485, Surfers Paradise, Qld 4217 Australia.

If an investor requires withdrawal proceeds to be deposited to an account other than the account nominated on the Application Form, the Manager will require written notice signed by all applicants.

Fax & Scanned Images - Terms and Conditions

You should understand that a person without your authority could send the Manager a fax or scanned image, and by pretending to be you, transfer or withdraw funds from your account for their own benefit or request any other changes to your account.

In using fax or scan facilities, you agree that the Manager is not responsible to you for any fraudulently completed communications and that the Manager will not compensate you for any losses.

You agree that should such a fraud take place you release and indemnify the Manager against any liabilities whatsoever arising from the Manager acting on any communication received by fax or scanned image in respect of your investment, to the extent permitted by law.

The Manager will not be liable for any loss or delay resulting from the non-receipt of any transmission. These terms and conditions are in addition to any other requirements that may form part of your giving instructions relating to the completion of a particular authority.

By sending the Manager a fax or scanned image you signify your acceptance of these conditions.

Withdrawal Notice Period

Withdrawal request received by the Manager	At least 5 Gold Coast business days prior to maturity of the investment term.
Withdrawal is paid by the Manager	Generally within 5 Gold Coast business days after maturity date by electronic transfer to the account nominated on the Application Form.

The withdrawal notice period commences from the time the notice is received by the Manager. Where a request for withdrawal is received on any day that is not a business day on the Gold Coast, Queensland, the request is deemed to have been received on the next business day.

Withdrawal Delay

The Manager is required by the constitution to satisfy redemption requests within 365 days. In certain circumstances, the Manager may be entitled to suspend redemptions. This facility allows for protection of investment funds. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time specified. For all non-Australian dollar investments, the Manager will continue to hedge (on a 1 monthly basis) the currency exposure of these investments. The Manager expects to satisfy all withdrawal requests generally within 5 Gold Coast business days after the maturity date, based on the withdrawal requests previously made in respect of the Fund. However past experience is not an indicator of future circumstances, and there could be delays in meeting withdrawal requests, or a suspension of withdrawals. Refer to the paragraph headed "Withdrawal from the Fund" on page 25 of this PDS for further details.

Overseas Remittance

Investors should note that financial institutions charge a remittance fee which will be deducted from their investment. The Manager endeavours to ensure inter financier transfer processes are effected promptly, but is not responsible for any delays within the banking system.

Minimum Withdrawal Amount

Minimum withdrawal	AUD\$50,000
Minimum balance equivalent to	AUD\$50,000

If the amount remaining after a withdrawal is less than the minimum balance set out above, then the Manager may direct the withdrawal of the entire balance. The Manager has discretion to allow withdrawal amounts other than those set out above.

Breaking an Investment Term

Investment terms are fixed so withdrawal during the investment term is generally NOT permitted. However, the Manager may allow early withdrawal at its complete discretion. If the Manager allows an early withdrawal the Fund will charge:-

- ▶ a maximum fee equal to the last three months interest distributions paid or payable on the amount being withdrawn; and
- ▶ where an adviser is paid an upfront commission the Fund will charge an additional fee of 1.1%pa (including GST) 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 investment amount.

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 will need to contact the Manager if they want to withdraw early, and the Manager 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.

Adviser Access to Investment Information

Advisers can Monitor an Investor's Investment

Advisers are provided with online access to full investment details and reporting on their clients' investments. For example, to check maturity dates for investments advisers can access the Maturing Investments Report for their clients by logging on to the LM Information Exchange which is accessed from the home page on our website at www.LMAustralia.com. For access to the LM Information Exchange the adviser can contact the Manager on +617 5584 4500.

Correspondence & Information from the Manager

To assist investors to keep track of their investment the Manager will send:-

▶ **On Receipt of Investment Funds and Application Form:**

The Manager will email the adviser to confirm receipt of investment funds and Application Form.

▶ **On Investment:**

On initial investment a Contract Note will be forwarded as requested by the investor on the Application Form (refer to Section 7 of the Application Form – which provides for correspondence to the investor/s by email or post, or for correspondence to only be sent to the adviser).

▶ **Monthly Interest Distributions:**

No correspondence is sent by the Manager. Interest distributions are automatically reinvested unless the investor elects to have the interest distributions paid direct to their financial institution account. **Advisers can access Transaction Statements and Distribution Statements from the LM Information Exchange.**

▶ **Maturity Date**

The Manager provides adviser access to the Maturing Investments Report for their clients from the LM Information Exchange. A notice of maturity is forwarded to advisers prior to the maturity date.

On the maturity date, the investor's original investment amount and interest distribution (unless the investor has nominated for the interest distribution to be paid to their bank account) is automatically reinvested and rehedge in the originally nominated currency for the rollover term selected on the Application Form. If no rollover term is selected the investment will automatically rollover for further 1 month investment terms until the investor provides the Manager with longer investment term instructions or a written withdrawal notice.

Investors and their advisers will need to access our website or telephone us prior to the reinvestment to access the most recent interest distribution rates paid by the Fund and the current PDS that will apply for the purpose of the reinvestment.¹¹

▶ **Rollover Confirmation**

Within 5 business days following rollover of the investment a Rollover Confirmation Notice will be forwarded to advisers.

▶ **Transaction Statement is available to investors:**

- from their financial adviser via the LM Information Exchange; or
- by request to the Manager.

▶ **Exit Statement** with details of the investor's investment account will be sent to the investor within 6 months of withdrawal from the Fund.

▶ **Annual Periodic Statement** with details of the investor's investment account will be sent to the investor once a year by 31 December for the preceding financial year.

▶ **Annual Taxation Summary** will be sent to the investor or made available to their adviser on the LM Information Exchange by the end of September each year for the preceding financial year.

▶ **Annual Financial Statements of the Fund** Fund will be available on the Manager's website at www.LMAustralia.com by the end of September each year for the preceding financial year. Investors can choose to receive the annual statements free of charge by mail or email by marking the appropriate box in Section 7 of the Application Form.

Changing Details

Investors can advise the Manager of their change of address, email or telephone number/s by telephoning the Manager on 1800 062 919 (Australia only) or +617 5584 4500 or emailing the Manager at mail@LMAustralia.com.

All other changes including bank account details must be made by written request signed by the investor/s and sent to the Manager by:-

- **Faxing** the signed request to +617 5592 4116; or
- **Scanning** the signed request **and emailing** it to the Manager at investmentservices@LMAustralia.com or
- **Mailing** the original signed request to the Manager at PO Box 485, Surfers Paradise, QLD, 4217 Australia..

Change of Details Forms can be obtained from the offices of the Manager or online at www.LMAustralia.com.

Fees & Other Costs

Government regulations require all financial product issuers to include the standard consumer advisory warning set out below. The warning below is standardised across all product issuers and does not provide specific information on fees and charges for the LM Currency Protected Australian Income Fund.

CONSUMER ADVISORY WARNING

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your Fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and managements costs where applicable. Ask the Fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

Refer to the table on page 16 of this PDS for information on the specific fees and charges that apply to the LM Currency Protected Australian Income Fund.

This table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund assets as a whole. Tax information is set out on page 19 of this PDS.

You should read all of the information about fees and costs, because it is important to understand their impact on your investment.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE FUND.		
Establishment Fee : The fee to open your investment.	Nil	Not applicable.
Contribution Fee : The fee on each amount contributed to your investment by you.	Nil	Not applicable.
Withdrawal Fee : The fee on each amount you take out of your investment.	<p>Nil where you take out your investment at the end of its term.</p> <p>The Fund may charge a fee for early withdrawal equal to the last 3 months interest distributions paid or payable on the amount withdrawn. If an adviser was paid an upfront commission, the Fund will also charge an additional fee of 1.1% of the investment amount on a pro rata basis for the length of time remaining to maturity of the investment.</p> <p>If you seek an early withdrawal, there will be other financial impacts on you which can only be calculated at the time of the request for early withdrawal (due to a number of variable factors including currency market rates and the length of time to maturity). Further details are referred to under the heading "Dollar Fee Example For Early Withdrawal Fee Charged by the Fund" on page 18 of this PDS.</p>	Fees for early withdrawal are deducted from the amount withdrawn at the time of withdrawal.
Termination Fee : The fee to close your investment.	Nil	Not applicable.
MANAGEMENT COSTS		
Fees and costs for managing your investment. ¹²	An amount estimated to be 2.5% pa of the net assets of the Fund. ¹³	That part of the Fund's Management Costs which comprises the Manager's Management Fee is accrued daily and is currently paid monthly by being deducted from the assets of the Fund. That part of the Fund's Management Costs which comprises expenses of the Fund (other than the Management Fee) will be payable from the income or capital of the Fund, either monthly or as the expenses are incurred. That part of the Fund's Management Costs which comprises the Management Fee may be able to be negotiated with the Manager by a wholesale client as a differential fee. Further information is detailed under the heading "Additional Explanation of Fees and Costs" on page 17 of this PDS.
SERVICE FEES		
Switching Fee : The fee for changing investment options.	Nil	Not applicable.

¹² All amounts include GST (if applicable) and take into account any input tax credits or reduced input tax credits that may be available to the Fund.

¹³ This estimate includes a set adviser fee of 1.1%pa. You may be able to negotiate a rebate of this 1.1%pa fee with your adviser, but that will depend on what arrangements you may have in place with your adviser. See the paragraph "adviser fees" under the heading "Additional Explanation of Fees and Costs" on page 16 of this PDS. Further information on the Management Costs is also detailed under that heading.

ADDITIONAL EXPLANATION OF FEES AND COSTS

Management Costs

The Management Costs can only be estimated, as the actual costs are not yet known. However, the Management Costs for the Fund for the financial year ended 30 June 2007 were 1.70%pa of the net assets of the Fund, and based on current financial information the Manager considers 2.5% pa to be a reasonable estimate of the annual Management Costs. The Management Costs are made up of the following different fees and costs (and note that the following fees and costs are explanations of the components which make up the estimated 2.5% pa Management Costs, **and are not additional fees or costs**).

- ▶ The **Management Fee** component of the Management Costs accrues daily and is paid monthly from the assets of the Fund. The constitution of the Fund allows the Manager to recover a Management Fee of up to 3.3%pa of the net assets of the Fund. At the date of this PDS, it is estimated that the Manager will only receive a Management Fee of 1.1%pa of the net assets of the Fund and that the Manager will waive its entitlement to the higher fee. Note however the section "Changes to Fees and Costs" on this page of this PDS.
- ▶ **Adviser fees** are fees paid to your adviser for professional financial advice. These fees may be paid from the Fund as a lump sum and/or trail commission. The Manager currently pays your adviser a set fee of 1.1%pa (including GST). If you choose not to use an adviser your individual distribution rate will still be calculated as if a fee of 1.1% pa (including GST) of your investment amount was payable to an adviser. Any such amount not paid to an adviser will be used to meet Management Costs. This fee is an expense of the Fund. You may be able to negotiate a rebate of this fee with your adviser, but that is a matter you will need to discuss directly with your adviser.
- ▶ The 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 the 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.

Differential Fees

The Manager may negotiate differential fees with certain wholesale clients or employees of the Manager or of a related body corporate of the Manager, or relatives of those employees. Such differential fees will depend on individual negotiation, compliance with legal requirements, and any applicable ASIC policy. Where the differential fee arrangements involve the Manager paying rebates, the rebates will be paid from the Manager's own funds and will not affect other investors.

Bank and Government Fees and Charges

Some bank and government fees, charges and duties may be charged directly to you, rather than to the Fund. For example, cheque dishonour fees and processing or remittance fees charged by banks. These amounts have not been taken into account in the estimate of Management Costs referred to above, but are not expected to be significant amounts.

Tax, including Goods and Services Tax

The fees quoted in this PDS are inclusive of GST where applicable. See the heading "Tax" on page 18 of this PDS for further details that may be relevant to your investment.

Changes to Fees and Costs

As noted above, the constitution of the Fund allows the Manager to recover a Management Fee of up to 3.3%pa of the net assets of the Fund. The constitution also allows the Manager to waive all or part of this fee. The Manager's current intention is to waive its entitlement to part of its fee each month. The Manager will decide each month how much of the maximum 3.3%pa of the Management Fee it will be paid, but at the date of this PDS, it is estimated that the Manager will only be paid a Management Fee of 1.1%pa of the net assets of the Fund.

The Manager may decide to vary the amount of the Management Fee it recovers, the amount of the other Management Costs, or the methods of payment of those amounts, in its absolute discretion, and without your consent (but subject to the limits in the constitution). The Manager will give investors notice of any such change which is material. In particular, the Manager will give 30 days written notice of any change to the Management Fees under this PDS. Any immaterial change can occur without notice.

Early Withdrawal Fees Charged by the Fund

Withdrawal during the investment term is generally NOT permitted. However, the Manager has complete discretion to allow a partial or full withdrawal during an investment term. If the Manager allows an early withdrawal, the Fund may charge a fee equal to the last 3 months interest distributions paid or payable on the amount being withdrawn, and where an adviser is paid an up front commission, the Fund will charge an additional fee of 1.1%pa (including GST) of the investment amount, equal to the upfront commission paid, calculated on a pro-rata basis for the length of time remaining to maturity.

Dollar Fee Example for Early Withdrawal Fee Charged by the Fund*

Below is an example of the early withdrawal fees charged by the Fund if you are allowed to break an investment term. It assumes the investment term is 2 years, you withdraw \$50,000 1 year after the investment date, you make no other transactions during the year, the Fund paid total effective interest distributions of 8.00% pa, and the adviser is paid the 1.1% pa commission (including GST) upfront. This is not a forecast.

Early Withdrawal Fee Example	Fee Calculation	Total Fee Paid	How and When Paid
Assuming 2 year investment term and you withdraw \$50,000 1 year after the investment date	3 months interest distribution calculation – \$50,000 x (8.0%/12 x 3) Plus 1.1% pa for length of time remaining until maturity of the 2 year term calculation - \$50,000 x (1.x 1.1%)	\$1000.00 Plus \$550.00	Total fees of \$1,550.00 deducted from your investment at the time of withdrawal.

* You should note that the example of withdrawal fees outlined above does 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. You 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.

EXAMPLE OF LM CURRENCY PROTECTED AUSTRALIAN INCOME FUND ANNUAL FEES AND COSTS

This table gives an example of how the fees and costs of the Fund can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Example of Annual Fees and Costs

Example – Balance of \$50,000 with a contribution of \$5,000 during the year

Contribution Fee	Nil	Not applicable
Plus: Management Costs	2.5% pa* (including GST)	For every \$50,000 you have invested in the Fund, you will be charged \$1,250 each year.
Equals: Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of \$1,250.** What it costs will depend on the investment term you choose and the fees you negotiate with the Fund or with your adviser/intermediary.financial adviser.

* This is an estimate only and not the actual Management Costs for your investment. Further information on Management Costs is detailed under the heading “Additional Explanation of Fees and Costs” on page 17 of this PDS. This amount includes a fee of 1.1% per annum (including GST) of net assets payable to your adviser (see the paragraph “adviser fees” under the heading “Additional Explanation of Fees And Costs” on page 17 of this PDS). The table above is just an example. In practice, your investment balance and the value of the Fund will vary daily.

**Additional fees may apply – if the Manager allows you to withdraw early you may also be charged early withdrawal fees as set out on this page of this PDS. Early withdrawal fees are deducted from your investment amount. If the \$5,000 was invested for a full 12 months, you would be charged \$125 for that extra \$5,000.

Tax

Summary

Taxation law is constantly under review and changing. The comments below are accurate for Australian resident tax payers at the date of this PDS. Tax law is complex and each investor's circumstances are different. The Manager recommends all investors seek professional independent taxation advice on their investment before investing in the Fund.

Taxable Interest Distributions

The Manager's policy is to distribute all net taxable income of the Fund to investors each financial year. Under the current income tax legislation, a trust operates as a flow through vehicle such that the income of the trust when distributed, retains its character as it 'flows through' the trust to the investor, and the Manager as trustee is not generally liable to pay tax with respect to the Fund.

This has the consequence for investors that they will be required to include their entitlement to the net income of the Fund in their income tax returns and this income should be included in the investors' taxation return when the investors' entitlement to that income arises. This entitlement arises irrespective of whether the investor receives the income during the year, after the end of the year, or if the income is reinvested as additional units in the Fund.

Disclosure of Tax File Number

The Manager recommends Australian resident investors disclose their Tax File Number on the Application Form. The Manager will be required to withhold tax at the highest marginal rate (plus Medicare Levy) from interest distributions payable to all investors who have not advised the Manager of their Tax File Number or exemption details. It is not, however, against the law for an investor to choose not to quote their Tax File Number or exemption details. The collection of Tax File Numbers is authorised, and the use of such information is regulated by the tax laws and the Privacy Act.

Capital Gains Tax

If the Fund disposes of an asset, any capital gain on the disposal must be included in the Fund's calculation of net capital gain. The net capital gain of the Fund will be distributed to investors as part of the investor's share of the Fund's taxable income for the year (in proportion to the investor's investment in the Fund).

Where the disposal of an asset results in a capital loss, the loss will be retained by the Fund and not distributed to investors. The capital loss will generally be available to the Fund to offset any future capital gains of the Fund.

If an asset of the Fund is disposed of after it has been owned by the Fund for more than 12 months, any capital gain derived by the Fund as a result of the disposal will potentially be reduced by 50% for the purposes of calculating the net capital gain of the Fund.

The Manager will send to each investor their annual taxation statement by the end of September each year. Investors should not complete their taxation returns until they receive this statement.

Non-Resident Investors

If an investor is not an Australian resident for taxation purposes, the investor must (when completing the Application Form) provide their overseas residential address. Withholding tax will then be deducted from distributions before they are paid to investors. The tax rate will depend on which country the investor resides in*. Non-resident investors may be entitled to claim a credit for withholding tax deducted in their country of residence. Investors should consult their taxation adviser for further specific advice.

*Withholding tax is generally deducted at a rate of 10% from interest distributions for most countries, however some exceptions do apply. Please refer to the relevant Australian Double Taxation Treaty for further information. Investors should consult their taxation adviser for further specific advice.

Entities such as charities that hold tax exempt status will not incur any Australian tax, including withholding tax.

Social Security

An investor's investment in the Fund will be classified as a financial investment by the Department of Veteran Affairs ("DVA") and Centrelink and therefore be included in the Income and Assets Tests by the DVA and Centrelink. Government policy in this area can often change and the Manager recommends investors consult with their financial adviser, the DVA or Centrelink for any further information on how their investment in the Fund may affect them.

Goods and Services Tax

Goods and services tax ("GST") is not directly applicable to an investor's investment in the Fund when they invest or redeem their investment. The Fund may incur GST in respect to various expenses and the Fund may not be entitled to input tax credits with respect to all the GST the Fund incurs.

Investment Risks

Risk Management

The Manager manages the Fund and the LM First Mortgage Income Fund ("FMIF") actively with a view to balancing income returns with capital security.

This is achieved by:-

- ▶ employing experienced, professional personnel;
- ▶ maintaining a long term vision for the Fund;
- ▶ complying rigidly with its compliance program;
- ▶ actively monitoring and managing the assets of the Fund;
- ▶ 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 each investment. The Manager actively manages risk under its risk management program. In the case of an investment in the Fund the following considerations generally apply to most investors. These comments are intended as a guide only and the Manager recommends that investors seek professional financial advice.

Capital Risk	The value of the investment might decline. Investments of the Fund are not capital guaranteed. Should the FMIF not achieve appropriate rates of return or suffer a capital loss then there is the possibility that the investor could suffer a loss. This loss could be greater for an investor in the Fund where there have also been unfavourable movements in the relevant currency and the Australian dollar. No losses of capital have occurred in the FMIF since its inception in 1999, or are expected to occur in the FMIF as at the date of this PDS ¹⁴ .
Unit Price	The unit price is variable and may increase or decrease depending upon the performance of the investment portfolio of the FMIF. In the event the unit price on maturity of the investment is less than the issue price this will impact on the FFEC (refer to the paragraph headed "Currency Risk" below). The 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 FMIF.
Currency Risk	Non-Australian dollar investments in the Fund are hedged in the respective currency against Australian dollar currency movements. The Fund currency hedges 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 FMIF 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.
Interest Distribution Rate Risk	This risk relates to the volatility of returns to investors. The Manager of the FMIF stabilises investor interest distribution rate risk by ensuring mortgage securities in the FMIF utilise a combination of fixed interest rate lending and short lending terms and by utilising a policy of annual interest rate reviews on the anniversary of each of the mortgage securities. In the event the investor interest distribution rate falls below the current rate on investment this will impact on the FFEC (refer to the paragraph headed "Currency Risk" above).
Property Market Risk	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 of the FMIF. The Manager of the FMIF manages this risk by strictly complying with its lending guidelines, loan to valuation ratio policies, compliance program and the efficiency of its collections systems. The average loan to valuation ratio for the FMIF as at 29 February 2008 was 63.89%. It is the FMIF Manager's policy not to exceed a loan to valuation ratio of 85% for any one loan. However in the event of a default the loan to valuation ratio of 85% may be exceeded. Mortgage securities are reviewed on an ongoing basis with updated valuations obtained in accordance with the valuations policies of the FMIF.
Development or Construction Risk	In development or construction mortgages held by the FMIF there could be delays in payment of interest or repayment of capital due to the timing, completion and sale of the development. The personnel employed by the Manager of the FMIF have considerable experience in dealing with construction and development loans. For each loan an "as is" and an "on completion" valuation is obtained. Funding of the loan is controlled by the Manager on a "cost to complete basis". The Manager of the FMIF has specific procedures in place that are adhered to both prior to and during a project to ensure that the security is maintained and risks minimised. Investors should also refer to the paragraph headed "Interest Capitalisation Risk" below, as development or construction loans may have capitalised interest.

Interest Capitalisation Risk	<p>Loans made from the FMIF 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 (loan to valuation ratio is generally 66.67% for construction and development loans). As a risk management measure, this provision for interest is built into the loan facility along with a contingency. This enables the Manager of the FMIF 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.</p> <p>There is a risk that interest payments may not be recoverable because of:-</p> <ul style="list-style-type: none"> ▶ changed circumstances of the borrower; ▶ changed circumstances of the security property; or ▶ other economic conditions. <p>Where this occurs there may be insufficient cashflow in the FMIF to meet interest distributions or redemption requests. All loans are monitored by experienced personnel employed by the Manager of the FMIF in its mortgage management division. As at 29 February 2008 the percentage of mortgage loans in the FMIF where interest payments were capitalised was 52.71% of the mortgage portfolio.</p>
Credit Risk	<p>This is the risk to the Fund through the FMIF that a borrower may not meet its obligations in full and/or on time to pay interest and repay capital financial obligations. The Manager of the FMIF mitigates this risk by utilising a conservative lending strategy in relation to the mortgages and following strict lending guidelines.</p>
Liquidity Risk	<p>A delay in paying a withdrawal request is possible where there is insufficient liquidity in the Fund and/or the FMIF. A FFEC obliges the Fund to meet its financial obligations on a particular day. Investors should be aware that any delay in income or capital payments from the FMIF 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> <p>The Manager is required by the constitution to satisfy redemption requests within 365 days. In certain circumstances the Manager may be entitled to suspend redemptions. The Manager expects to pay all redemptions within 5 business days of maturity and considers any delay to be unlikely. Refer to the paragraph headed "Withdrawal from the Fund" on page 25 of this PDS for further details.</p> <p>The Manager of the FMIF has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA") for \$215 million which can be utilised in liquidity management or to allow the Manager to take advantage of competitive commercial lending opportunities for the FMIF.</p>
Arrears of Mortgage Portfolio	<p>The Manager of the FMIF utilises its property expertise and its Arrears Management Policies and Procedures to secure realisation and exit strategies for all arrears loans.</p> <p>Further details of the arrears management processes for the FMIF are outlined on page 7 of this PDS.</p>
Borrowing Risk	<p>Under the constitution for the Fund and the FMIF, the Manager may borrow against each of the respective fund's assets. As at the date of the PDS the Fund does not have any borrowings. The Manager of the FMIF has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA") for \$215 million. This facility was put into place in order to allow the Manager of the FMIF to take advantage of competitive commercial lending opportunities for the FMIF, and to assist the FMIF with managing liquidity, investor interest distributions or funding loan commitments. At the date of this PDS the amount owing to the CBA was \$155 million. As at the date of this PDS the interest rate of the facility is variable and is priced between 0.50% to 1.10% above the respective BBSY bid rate. The facility term is the subject of an annual review. The finance facility is secured by a fixed and floating charge over the assets of the FMIF, providing the CBA as a secured lender with first priority over the assets and income of the FMIF. The rights of the Fund to the income and assets of the FMIF are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal and interest repayments from borrowers of the FMIF. This facility or a similar facility may be varied from time to time in order to manage the FMIF.</p> <p>Insufficient income generated by the FMIF to service the CBA debt, increases in the bank interest rate or an unforeseen refusal of the financier to extend the term of any facility could cause the FMIF to default on its loan.</p>
Share Market Risks	<p>The FMIF may invest in specialist managed funds which in turn hold income bearing cash investments, long and short term securities (including equity securities and derivatives of securities) which may be quoted on recognised stock exchanges. The value of these investments might decline for reasons including domestic and international economic conditions, changes in government fiscal, monetary and regulatory policies, changes in interest rates, the rate of inflation or changes in the circumstances of the companies or funds in which the specialist managed funds invest. A return on investments in the specialist managed funds or repayment of capital invested is not guaranteed. As at the date of this PDS the Manager of the FMIF has a policy limiting the proportion of FMIF's assets invested with other specialist fund managers to 10%.</p> <p>The Manager of the FMIF mitigates this risk by utilising specialist fund managers to invest the FMIF's assets held in this sector. Each specialist is chosen following an extensive and rigorous research process that examines their investment style, the expertise of their investment team and a range of other factors. The Manager of the FMIF reviews each specialist fund manager's performance on an ongoing basis, ensuring that they operate within the mandated expectations and guidelines.</p>
Government Policies	<p>Investment performance may be affected by changes to government policy in relation to taxes, exchange rates, legislative changes, land tax, income tax and other government factors. These factors are generally beyond the control of the Manager.</p>

About LM Investment Management Ltd

LM Investment Management Ltd (“the Manager”) is an Australian funds manager operating internationally from offices on the Gold Coast, in Sydney, Hong Kong, New Zealand and London. In conjunction with its network of authorised financial adviser groups domestically and abroad, LM provides an established investment product with a range of flexible options, focused on achieving income and flexibility to the investing public.

Since inception in 1998, the Manager has become a growing presence in the financial services markets throughout Australia, Hong Kong, Asia, the Middle East, United Kingdom and New Zealand.

Recognised as a specialist funds manager within the AUD\$22 billion mainstream mortgage trust sector, LM Investment Management Ltd manages one of Australia’s largest mortgage trusts, the LM First Mortgage Income Fund. The Manager’s other funds under management include the LM Wholesale First Mortgage Income Fund, the LM Institutional Currency Protected Australian Income Fund, the LM Currency Protected Australian Income Fund and the LM Cash Performance Fund.

The Manager is licensed with the Australian Securities and Investments Commission (“ASIC”) as a Responsible Entity and Australian Financial Services Licensee. Independent audits of its registered funds, their compliance plans and the Manager are conducted at least annually.

The Manager specialises in professional and responsive financial services, and is a highly regarded lending institution within Australia’s business and property sectors.

Management Principles

The Manager’s corporate vision is to be recognised as a leading, innovative and prudential funds manager. The management team has a common understanding of business principles to ensure the vision is upheld. These principles include:-

- ▶ delivering a high level of service with clear communication and genuine empathy for clients;
- ▶ offering qualitative investment and lending products;
- ▶ using a research driven approach to anticipate market changes and seek new opportunities:-
 - to protect the delivery of income; and
 - to protect the delivery of a stable unit price.

The Manager’s commitment to offering clients a competitive advantage with service is demonstrated by its use of information technology delivering 24 hour access to online investment reporting.

Key Personnel

The Directors of the Manager collectively offer considerable years of experience and specialist knowledge from the finance, insurance, legal and property sectors. The Manager also carries a vast depth of professional property and business related experience across all business units.

The Manager’s personnel are strategic thinkers with the foresight to identify quality investment opportunities, while keeping their fingers on the pulse of Australia’s property and finance markets. The Manager blends this foresight with a sound investment philosophy to seek optimum results for investors.

The Directors encourage the key decision makers at LM Investment Management Ltd to take a ‘hands-on’ approach when seeking new investment opportunities and anticipating market changes.

Financial intermediaries and investors have direct access to a staff which provides prompt professional assistance. Our relationships are built on honest and open communication and a genuine appreciation of our clients’ needs.

Corporate Governance

The Board of LM Investment Management Ltd generally meets quarterly to discuss the strategic direction of LM and the monitoring of its funds. The Manager has a strong commitment to corporate governance, compliance and risk management. The Manager has a committee based structure for all major decision making processes to ensure ultimate protection of investor funds.

Executives and a representative of the Board meet weekly to discuss issues pertinent to the Manager and its funds. Each executive is responsible to the Board for the operation of their own business unit. The Funds Management Committee meets monthly to analyse and review performance of the funds. The Compliance Committee generally meets quarterly to monitor and review compliance systems and processes to ensure that they are in accordance with the Compliance Program and registered funds’ compliance plans.

The Manager follows a disciplined research driven approach to investment. The Manager’s Property Research and Analysis Committee (“PRAC”), specifically targets locations offering property growth opportunities and property sectors which are expected to perform.

The Board and management also have access to a range of independent and expert advisers to assist on particular technical issues.

As an unlisted public company, the Manager is the subject of yearly financial audits. The audits are a requirement under the Corporations Act 2001. These audits are performed by Ernst & Young, an international accounting firm. Ernst & Young also perform financial and compliance audits on the Manager’s registered funds on a bi-annual and/or annual basis dependent on the relevant fund’s compliance requirements.

The Directors



Peter Charles Drake, Chairman and Chief Executive Officer

As CEO Peter is principally responsible for the strategic vision, direction and the structured growth of LM Investment Management Ltd ("LM"). Peter has been involved in the financial services industry since 1978, and is particularly active in investment product design. Working closely with LM's Portfolio Manager to manage the growth of funds under management, Peter also plays an integral role in LM's Funds Management Committee, and Credit Committee. Peter's vision of an innovative and prudential funds manager holds true as LM continues its dynamic growth in the Australian financial services sector.



Lisa Maree Darcy, Executive Director

Lisa joined LM Investment Management Ltd in 1998 and was appointed Executive Director in September 2003. Lisa is principally responsible for all accounting functions of both LM Investment Management Ltd and its registered schemes. She works closely with LM's Portfolio Manager, to manage the growth of funds under management. Lisa plays an integral role in LM's Funds Management Committee and Credit Committee. With more than 20 years experience in the banking and financial planning industry, including financial accounting and funds management, Lisa makes a valuable contribution to LM's ongoing management of investment funds and financial services. Lisa holds a Bachelor of Business from Griffith University.



Eghard van der Hoven, Executive Director, Portfolio Manager

In 2003 Eghard joined LM Investment Management Ltd as Portfolio Manager, responsible for the monitoring and ongoing performance of LM's various funds. As Executive Director, Eghard's sound understanding of the investment industry spanning almost 20 years includes extensive experience in stock broking, auditing, investment analysis, business strategy and policy planning. As the Chair of LM's Funds Management Committee, Eghard is responsible for joint decisions in relation to the asset allocation, geographic spread allocation, cash flow, delivery rate forecasting and budgeting of LM's funds. Eghard also sits on the Credit Committee and the Arrears Management Committee. He holds a Master of Commerce, majoring in Economics, and a Bachelor of Commerce (Hons) in Economics, from University of Pretoria, South Africa.



Francene Maree Mulder, Executive Director, General Manager Distribution/Product

Francene commenced with LM Investment Management Ltd in 1999, following a 20 year career in the commercial, legal and securities sectors. Prior to joining LM Investment Management Ltd, Francene held managerial positions focused on the areas of commercial mortgages, conveyancing and the property sector. Specific experience in mortgage securities and the marketing of financial products provided a solid background for Francene to successfully undertake her role within LM. As Executive Director, Francene is primarily responsible for the marketing and expansion of distribution of LM's products on a wholesale and retail basis, throughout Australia and international markets. Francene takes an active role in the direction of all client communication, company communication and service. Francene is also a member of the Property Research and Analysis Committee, Funds Management Committee, Credit Committee and Arrears Committee.



John Dillon, Non-Executive Director

John holds more than 30 years strategic and managerial expertise in the business and development sectors domestically and abroad. As Non-Executive Director, John's experience complements the continued strategic growth of LM Investment Management Ltd as an Australian funds manager with international operations. John's previous managerial experience includes the strategic and financial growth of Vision Cabinets Pty Ltd, a specialist cabinetry business that services a range of residential and commercial clients nationally. Prior to Vision, John was Managing Director ASEAN of Occidental Chemicals, responsible for the administration, manufacture and distribution to the Association of South East Asian Nations (ASEAN). He also holds a Bachelor of Commerce from the University of New South Wales.



Val Llewellyn, Non-Executive Director

Val holds over 30 years' management experience in the engineering, manufacturing, labour hire and training sectors in Australia, London and Wales. In 1982, Val emigrated with his family to Australia, establishing Axial Engineers, then later established Axial HR, an industrial labour hire operation to operate alongside Axial Engineers. In 1996, Val became sole shareholder and Director of the Axial group of companies, and in 1997 established Axial Training to train new apprentices, supervisors and managers in the manufacturing, engineering, mining, warehousing, food processing (butchery), retail and business sectors. The Axial Group currently operates from six locations throughout Queensland and also in Perth. Val is a qualified Chartered Accountant, admitted as a Member of the Institute of Chartered Accountants in England and Wales in 1972.



John O'Sullivan, Non-Executive Director

John has over 20 years experience in funds management and investment advice in Europe, Asia and Australia. His previous roles have included CEO and Partner of a large advisory business in New Zealand, General Manager of Oceanic Life in New Zealand and Director of Oceanic Funds Management in Australia. When Oceanic was purchased by Sun Alliance, he was appointed New Zealand Manager of Sun Alliance Asset Management. He is currently Managing Director of his own distribution company, O'Sullivan Capital Management Ltd.

Additional Information

Payment and Other Instructions

Each investor releases, discharges and agrees to indemnify the Manager from and against all actions, proceedings, accounts, claims and demands whatsoever and howsoever arising from or in connection with or in any way related to the Manager in good faith accepting and acting on instructions received in writing or by facsimile transmission which are signed by or purported to be signed by an authorised signatory or signatories.

Fax & Scanned Images - Terms and Conditions

You should understand that a person without your authority could send the Manager a fax or scanned image, and by pretending to be you, transfer or withdraw funds from your account for their own benefit or request any other changes to your account.

In using fax or scan facilities, you agree that the Manager is not responsible to you for any fraudulently completed communications and that the Manager will not compensate you for any losses.

You agree that should such a fraud take place you release and indemnify the Manager against any liabilities whatsoever arising from the Manager acting on any communication received by fax or scanned image in respect of your investment, to the extent permitted by law.

The Manager will not be liable for any loss or delay resulting from the non-receipt of any transmission. These terms and conditions are in addition to any other requirements that may form part of your giving instructions relating to the completion of a particular authority.

By sending the Manager a fax or scanned image you signify your acceptance of these conditions.

Changes to Terms and Conditions

Investment terms and conditions can be changed by the Manager giving notice of the changes. Investors will need to contact their adviser or the Manager, or access the Manager's website to find out the terms and conditions which apply from time to time.

Appointment of Authorised Delegate

An 'authorised delegate' is any company, partnership or individual appointed by an investor to operate their account. The most common arrangement is to appoint an investor's financial adviser to enable him or her to better manage the investor's financial affairs.

An investor may appoint an authorised delegate by signing and dating the authority on the Application Form. The authorised delegate must also sign the authority. Where the authorised delegate is a corporation or a partnership, a duly authorised officer or partner of the authorised delegate must sign the authority. The Manager may require proof of authorisation.

The authorised delegate has the same powers as an investor to access investments, make further investments in the Fund on behalf of the investor or to make written requests for withdrawals from the Fund. Such withdrawal may only be paid to the account nominated on the Application Form. In the case of an authorised delegate which is a corporation or a partnership the Manager may act on the instructions of any person it reasonably believes to be an authorised officer or partner and any instruction given by such an officer or partner shall be deemed to have been given by the authorised delegate.

Investors may at any time, in writing, notify the Manager of the revocation of appointment of an authorised delegate. Such

revocation however, will not be effective until the Manager has acknowledged the revocation in writing.

By signing the authority on the Application Form, an investor agrees to release, discharge and indemnify the Manager from and against all actions, proceedings, accounts, claims and demands arising from the release of information to the authorised delegate named on the Application Form, or in respect of any loss or liability arising out of any transaction or dealing made or purported to be made pursuant to an actual, purported or alleged direction or authority of an authorised delegate notwithstanding the fact that the transaction or dealing was requested or received without the authorised delegate's or the investor's knowledge or authority.

Joint Investors

If an investor's investment is held jointly with one or more other persons, the Manager can send notices, statements or other documents (including any changes to investment terms and conditions) by mailing them to any one of the joint holders (that is, the first investor or any of the other joint holders) at their nominated correspondence address. The investor will be deemed to have received the notice, statement or other document on the second business day after it is sent. If the Manager gives these notices, statements or other documents to any one of the joint holders, their authorised delegate or adviser, they will be deemed to have been received by all of the joint holders.

Applications signed by several parties are deemed to be signed as joint tenants and unless otherwise agreed all parties must sign to authorise a withdrawal.

Wholesale Investors in the Fund

The Manager may, at its discretion, allow wholesale investors to invest for investment terms other than those outlined in this PDS.

The interest distribution rates will be determined by the Manager from time to time. The Manager may waive the whole or part of the commission and Management Fee. The above arrangements constitute a differential fee arrangement under Class Order 03/217 and are offered to wholesale clients as determined under section 761G of the Corporations Act.

Privacy – Use and Disclosure of Personal Information

The privacy of an investor's personal information is important to the Manager. The purpose of collecting investor information on the Application Form is to process the application and manage an investor's investment in the Fund. If the information an investor gives is not complete or accurate, the Manager may not be able to provide the products and services applied for.

In processing the application and managing investors' investments in the Fund, the Manager may disclose personal information to other parties such as an investor's financial adviser and/or IT service providers of financial intermediaries, the financial adviser's licensee or as required by law.

Investors are entitled to request reasonable access to their personal information. The Manager reserves the right to charge an administration fee for collating the information requested.

For further details on the Manager's Privacy Policy please visit the Manager's website at www.LMaustralia.com.

Material Documents

The constitution and compliance plan of the Fund have been

lodged with ASIC. Key details in relation to the nature of these documents are set out below. A copy of the documents is available free of charge at the office of the Manager during normal business hours or by telephoning freecall 1800 062 919 (Australia only) or +617 5584 4500.

The Constitution

The constitution for the Fund is a legal contract between the Manager as responsible entity and each investor. The constitution together with the Corporations Act and other relevant law governs the relationship between the Manager and investors, the Manager's duties as a responsible entity and the way the Manager must operate the Fund. The constitution includes provisions which deal with:-

- ▶ the rights of investors;
- ▶ the duties and obligations of the Manager as the responsible entity;
- ▶ investment and borrowing powers of the Manager;
- ▶ ability of the Manager to be indemnified by the Fund for all expenses, losses and liabilities arising in its capacity as responsible entity provided it has properly performed its duties;
- ▶ ability to remove the Manager;
- ▶ unit issue and redemption procedures;
- ▶ convening and conduct of Fund investor meetings;
- ▶ the duration and termination of the Fund; and
- ▶ rights to Fund interest distributions.

The terms and conditions of the constitution are binding on investors and the Manager as the responsible entity of the Fund.

The statements in this PDS only provide a summary of some of the provisions of the constitution. The Manager may change the constitution in accordance with the Corporations Act 2001. However any change that may adversely affect investors' rights must be approved by special resolution of the investors.

Classes of Units

The constitution authorises the Fund to issue different classes of units with special rights or restrictions as determined by the Manager from time to time. The interest distribution rate offered or paid to the different classes may vary. The Manager is required under the Corporations Act to treat all investors within a class of units equally and as between classes fairly. The Manager will only issue new classes of units where it considers it appropriate having regard to the interests of existing investors and in accordance with the Manager's obligations under the Corporations Act and the constitution.

The Nature of Units

Each unit gives the holder an equal and undivided interest in the Fund. However, a unit does not confer any interest in any particular asset of the Fund and does not entitle the holder to have any of the assets of the Fund transferred to them or to interfere with any of the Manager's rights or powers.

Powers and Duties of the Responsible Entity

All of the assets and undertakings of the Fund vest in the Manager to hold on trust for investors. In relation to the assets of the Fund the Manager has all of the powers of a natural person who is the absolute beneficial owner of the assets.

The Manager must act in accordance with the constitution and the Corporations Act 2001 and is responsible for administering

the Fund, determining investment policy, selecting and managing the investments, valuing the investments, sending notices and reports to investors, arranging investors' meetings, accepting or rejecting applications for investment, calculating the number of units to be issued or withdrawn, maintaining a register of investments, payments of interest distributions to investors, managing the Fund's borrowings and ensuring that the Fund is carried on and conducted in a proper and efficient manner. The Manager is entitled to various indemnities under the constitution.

Authorised Investments

The Fund allows the Manager to invest in "Authorised Investments" as defined in the constitution, which includes but is not limited to bank deposits, investments in cash, stocks, bonds, notes or other securities or derivatives and options over securities or derivatives, loans and interests in any registered managed investment scheme (as defined in the Corporations Act 2001).

To the extent that they may affect the value or performance of an underlying investment the Manager may take into account labour standards, or environmental, social or ethical considerations when making, retaining or realising an investment in the Fund. The Manager has no predetermined view about how far such matters will be taken into account, and the Manager will make a determination on such issues on a case by case basis.

Withdrawal from the Fund

The Manager is generally required by the constitution to satisfy withdrawal requests within 365 days. The Manager may suspend withdrawals where:

- (i) the FMIF's cash reserves fall and remain below 5% for 10 consecutive business days; or
- (ii) if in any period of 90 days, the Manager receives net withdrawal requests equal to 10% or more of the Fund's issued units and, during the period of 10 consecutive days falling within the 90 day period, the FMIF's cash reserves are less than 10% of the FMIF's 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 Fund; or
- (iv) any other event or circumstance arises which the Manager considers in its absolute discretion may be detrimental to the interests of the members of the Fund.

The Manager does not expect that the Fund will be a managed investment scheme that is not liquid as that term is defined in the Corporations Act.

Part 5C.6 of the Corporations Act provides that a managed investment scheme is liquid if liquid assets account for at least 80% of the value of scheme property. Liquid assets would ordinarily include money in an account or on deposit with a bank, bank accepted bills, marketable securities, or any other property (including the units in the FMIF) which the Manager reasonably expects can be realised for its market value within the period specified in the Fund's constitution for satisfying withdrawal requests while the Fund is liquid. The liquidity of the Fund is therefore dependant on whether 80% of the Fund property (including the units in the FMIF) can be realised for its market value within the period specified in the constitution for satisfying withdrawal requests while the Fund is liquid.

In the unlikely event the Fund is not liquid, an investor will only be able to withdraw their investment in the manner specified in s601KB to s601KE of the Corporations Act, which would include

making written withdrawal offers to all investors (or all investors of a particular class) based on the units they hold in the Fund.

Appointment and Removal of the Manager

The Manager may retire in accordance with the Corporations Act. Investors by extraordinary resolution may remove the Manager and appoint a new responsible entity of the Fund.

Borrowings

Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager. At the date of this PDS the Fund has no borrowings.

Borrowings of the LM First Mortgage Income Fund

Under the constitution of the FMIF the Manager (as responsible entity of the FMIF) may borrow against the FMIF assets on terms and conditions acceptable to the Manager.

The Manager of the FMIF has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA") for \$215 million. This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities for the FMIF, or it could be called upon to assist the FMIF with managing liquidity, interest distributions or funding loan commitments. At the date of this PDS the amount owing to the CBA was \$155 million. As at the date of this PDS the interest rate of the facility is variable and is priced between 0.50% to 1.10% above the respective BBSY bid rate. The facility term is subject to an annual review. The finance facility is secured by a fixed and floating charge over the assets of the FMIF, providing the CBA as a secured lender with first priority over the assets and income of the FMIF. The rights of the Fund to the income and assets of the FMIF are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal and interest repayments from borrowers of the FMIF. This facility or a similar facility may be varied from time to time in order to manage the FMIF.

The Manager's Indemnity

To the extent allowed by law, the Manager is indemnified out of the Fund against any claim, action, damage, loss, liability, costs, expense or payment which the Manager incurs or is liable for, provided that, it does not arise from the fraud, negligence or wilful default of the Manager or its employees.

Expenses

All expenses reasonably and properly incurred by the Manager in connection with managing the Fund are payable or able to be reimbursed out of the assets of the Fund. These expenses include:

- ▶ preparation, review, distribution and promotion of any offer document;
- ▶ the sale, purchase, insurance, custody and any other dealing with assets;
- ▶ any proposed investment;
- ▶ administration, management and promotion of the Fund;
- ▶ communicating with, or convening and holding meetings of and dealings with investors;
- ▶ tax (provided it is not on the personal account of the Manager) and bank fees;
- ▶ the engagement of experts and advisers;
- ▶ preparation and audit of the taxation returns and financial statements of the Fund;

- ▶ termination of the Fund and the retirement or removal of the Manager and the appointment of a new responsible entity; and
- ▶ any court proceedings, arbitration or other dispute concerning the operation of the Fund or any asset of the Fund.

Fees payable to an adviser of an investor will also be expenses of the Fund.

Liability of Investors

The liability of each investor is limited to the amount unpaid on units except if otherwise agreed to by the Manager and the investor. However, the Manager cannot give an absolute assurance on this matter as the issue of an investor's liability has not been resolved by the courts.

Compliance Plan

As a responsible entity, the Manager is required to adhere to the compliance plan for the operation of the Fund. The compliance plan sets out compliance measures in relation to the conduct of the Fund and its business. The compliance plan is designed to document compliance risks, the monitoring process, and provide a basis for compliance adherence and auditing. The compliance plan is lodged with ASIC and is independently audited annually.

The Manager's board and compliance committee monitor and review its compliance plans to ensure that all compliance systems are followed.

Investment and Lending Procedures and Policies

Investment procedures and policies of the Manager are reviewed on an ongoing basis.

The Fund invests in the FMIF and hedges foreign currencies using FFEC's.

Outlined below is a broad overview of the investment and lending procedures that apply to the FMIF and references in these sections to the Manager, are references to the Manager as responsible entity of the FMIF.

Investments by the Manager

The Manager has policies in relation to investing the FMIF's assets with specialised fund managers of registered managed investment schemes (as defined by the Corporations Act 2001). A specialist fund manager is only chosen if the Manager is fully satisfied with its due diligence conducted on the specialist fund manager which includes the investment style, expertise and a range of other factors. The Manager constantly monitors and reviews each specialist fund manager's performance ensuring that they operate within mandated expectations and guidelines.

Lending Criteria of the LM First Mortgage Income Fund

- ▶ The Manager has determined and documented lending policies for the approval and management of mortgages. Risk management is a priority, with mortgages diversified over a number of levels, including geographic location, sector, loan size, interest rate and maturity profile.
- ▶ The type of real estate offered for security must be acceptable to the Manager. Typical mortgage securities will include commercial, industrial and residential real estate (including development loans across these sectors) secured by registered first mortgage. A first mortgage must be registered on the primary security property.
- ▶ The value of the security property must be established in

accordance with the valuations policy of the Manager.

- ▶ The ability of the borrower to service the facility must be established to the satisfaction of the Manager.
- ▶ Development Loans

The following additional requirements are imposed in the case of development loans:

- The initial drawdown for the facility must be determined in accordance with a “cost to complete” formula. The project feasibility must reflect the “cost to complete” formula throughout the life of the project. The concept of “cost to complete” is that the lender always retains sufficient funds within the loan facility to complete the development based on its own assessment of the actual cost to complete the project where the lender is required to complete the project itself.
- Additional development loan procedures are required throughout the development stages of the loan to ensure the development is adequately monitored.
- Where applicable a tripartite agreement is made between the Manager, the borrower and the builder. This enables the Manager, in the event of default by the borrower, to deal directly with the builder.

Credit Committee

The Credit Committee is an internal review committee for all mortgage investments and is independent from all other departments. The Credit Committee meets as required to consider proposed and actual investment opportunities. The Credit Committee contains a broad experience base and includes departmental team leaders for planning purposes.

New mortgage investment proposals are put forward by the commercial lending department for consideration with a written summary. The Credit Committee is responsible for setting the primary terms and conditions upon which subsequent approval will be based.

When mortgage investment proposals are completed in accordance with the Manager’s credit standards they are required to be finally approved by the Credit Committee.

Valuations Policy

All real property assets of the FMIF are required to be valued prior to settlement of each transaction. Valuations may only be carried out by the Manager’s panel valuers or by a valuer meeting the Manager’s standards for inclusion on its panel and must adhere to the Manager’s valuation guidelines. The Manager has determined and documented valuation review procedures for guidance on each valuation.

Appropriate instructions must be given to the valuer having regard to the type of valuation required. In particular, the instructions should indicate the type of valuation required eg. “as is” or “on completion”.

The Manager, in accordance with its valuations review guidelines, is responsible for the review of all valuations. Unresolved issues arising from a review must be referred to an executive director for discussion and determination.

As an internal checking mechanism, an independent property report is obtained (where appropriate) from two real estate agents or an alternate valuer’s report whose normal trade area encompasses the property being valued.

The valuer must have appropriate professional indemnity insurance.

The valuer must certify they are independent of both the borrower and the security property.

The Manager does not generally accept valuations performed on the instruction of borrowers. The Manager requires that valuations be provided on the Manager’s instructions, or that valuers confirm that their valuations adhere to the Manager’s requirements.

An updated valuation will generally be required where a loan term is extended or a loan is otherwise varied. An updated valuation will also generally be required for commercial loans at 24 month intervals and construction loans at 12 month intervals. The requirement for an updated valuation may be waived where the Manager considers that an updated valuation would serve no useful purpose (eg where it is demonstrable that property values have increased or not changed in the locality of the property, where a property under construction is significantly presold, where a commercial property has long term leases in place, where a sale or refinance is imminent or where the loan to valuation ratio of the property is low).

Valuation Panel

Members of the valuation panel are appointed and removed in accordance with the Manager’s valuation panel appointment guidelines. The Manager is responsible for approving the appointment or removal of a panel valuer.

Development Valuations

Separate valuations (may be within the one valuation report) are required in relation to “as is” and “on completion” valuations.

“As is” Valuation

The “as is” valuation is the market valuation of the property at the time of the initial drawdown. The loan to valuation ratio in this case must fall within the Manager’s lending criteria.

“On Completion” Valuation

The “on completion” value is the market value of the property at the completion of development.

The valuation methodology required is as follows:

- ▶ “feasibility analysis” including demolition, subdivisional, construction, and other development costs, allowances for sales and marketing expenses, an allowance for profit and risk to arrive at a base value for the land. Any such analysis is based on the premise that the development approval has or will be obtained prior to settlement of the loan. The requirement for a feasibility analysis may be satisfied, if appropriate, using alternate techniques such as discounted cash flows; and
- ▶ “gross realisation” based on comparable sales evidence for the individual components eg. houses, units, allotments etc.

The Manager will reasonably assess the appropriateness of the feasibility within the valuer’s report by comparison with cost estimates provided by a competent quantity surveyor selected from the Manager’s panel.

The “on completion” value, as assessed by the Manager, is the valuation figure used in the cost to complete calculations during the development phase. The “on completion” value may be revised during the term of development to reflect changes as approved by the Manager.

Complaints Procedure

If an investor has a complaint they should generally first contact their adviser. If the adviser is unavailable, unwilling, or unable to assist or if the investor wishes to directly contact the Manager, and if the complaint relates to the Fund or the Manager, then the investor should contact the Client Relations Department at the office of the Manager on freecall 1800 062 919 (Australia only) or telephone +617 5584 4500. Complaints may be made in writing or by telephone. The Manager will respond within 30 days of receiving the complaint. If complaints cannot be resolved internally the Manager will refer the complainant to the Financial Industry Complaints Service ("FICS"), an external industry complaints body which has been approved by ASIC and of which the Manager is a member.

Financial Industry Complaints Service Limited
PO Box 576
Collins Street
MELBOURNE VIC 8007
Telephone: 1800 335 405
Facsimile: (03) 9621 2291
Email: fics@fics.asn.au

Interests of the Manager

Pursuant to the compliance plan, the Manager and the employees and officers of the Manager, and the various investment schemes that the Manager is responsible for, are entitled to apply for units in the Fund. The Manager will be a wholesale client, and will be offered a differential fee arrangement in these circumstances.

Related Parties

Peter Drake, a director of the Manager is the beneficial owner of LM Administration Pty Ltd, which has been engaged by LM Investment Management Ltd to provide administration services at a commercial arms-length fee. In addition to this, LM Administration Pty Ltd provides administration and funds management services to the Fund and is paid a management fee direct from the Fund.

John O'Sullivan, a non-executive director of the Manager is the beneficial owner of O'Sullivan Capital Management Ltd. O'Sullivan Capital Management Ltd has been engaged by LM Investment Management Ltd to provide marketing services in New Zealand at a commercial arms-length fee. This fee is paid by the Fund.

The Fund may lend to related parties provided they are on commercial arms-length terms and are subject to review by the Board.

Under the differential fee arrangement with the FMIF, the Fund is indirectly charged management costs by the FMIF and these costs are included in the Management Costs disclosed in the Fees and Other Costs section of this PDS.

The Board of the Manager is responsible for reviewing and approving the structure and probity of commercial dealings between the Manager and any related parties. Fees issued to the account of the Fund by related parties, which are recoverable from the Fund, must be on commercial arms-length terms.

Conflicts of Interest Management

The Manager has a documented Conflicts Management Policy which deals with identification, assessment and treatment of conflicts of interest and related party transactions. The Risk Manager has responsibility for conflicts and prepares conflict records for each conflict or related party transaction identified.

Board approval is required for all related party transactions.

Manager's Liability

To the extent allowed by law the Manager is not liable for any loss or damage to any person (including any investor) arising out of any matter, provided the Manager acts in good faith and in accordance with the Fund constitution.

This PDS has been prepared by the Manager based on information within its own knowledge or provided to it by its advisers. Other than as required by law, no responsibility is taken by the Manager or any parties mentioned in this PDS for any statement made in relation to the Fund or the FMIF other than those statements made in this PDS. Neither the Manager, nor any other party gives any guarantee with respect to the performance of the investment. The Manager has authorised the issue of this PDS. The Manager does not purport to advise investors in relation to this investment or their taxation position.

Consent by Auditors

Ernst & Young have consented to be named in this PDS in the form and context in which they appear. Ernst & Young is not responsible for, nor has it caused or authorised the issue of this PDS.

Continuous Disclosure

The Fund is a disclosing entity for Corporations Act 2001 purposes and as such is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

Investors have a right to obtain a copy of the following documents:

- ▶ the annual financial report for the Fund;
- ▶ any half year financial report lodged with ASIC; and
- ▶ any continuous disclosure notices given by the Fund.

Effect of International Accounting Standards

Under AASB 132 "Financial Instruments: Disclosures and Presentations", contractual obligations are regarded as liabilities. As unitholders have the ability to redeem units from the Fund, all unitholders' funds are recognised as liabilities of the Fund, rather than equity. The result of this is to reduce the net assets of the Fund to zero. As interest distributions paid and payable make up a proportion of unitholders' funds, they will be classified as an expense in the Income Statement.

AASB139 requires assets to be classified into one of four categories depending on the type of asset.

Investments are classified as either held to maturity investments or available for sale financial assets depending on the type of investment. Those investments that are held to maturity are measured at amortised cost using the effective interest rate method. The investments that are classified as available for sale are measured at a fair value basis each reporting period, with any movement in fair value being reflected through the equity reserve.

Under the Australian Equivalent of the International Reporting Standards ("AIFRS") the Fund is required to recognise all the derivative financial instruments at fair value on the balance sheet. Where possible, the Fund will adopt hedge accounting so that the gains and losses on the financial instrument are recognised in line with income recognition for the hedged term and the volatility in the profit and loss is minimised.

Where hedging accounting cannot be adopted the gains and losses on the financial instrument are recognised at fair value with changes in fair value recorded through the profit and loss.

Where fair value hedge accounting is used, fair value changes on both the hedged item and the hedging instrument are recognised directly in the profit and loss. Where cash flow hedge accounting is used the carrying value of the hedged item is not adjusted and the fair value changes on the related hedging instrument are reflected in a separate equity reserve and are then transferred to the profit and loss at the time the hedged item is realised.

The Fund uses cash flow hedge accounting. As such there is a potential for volatility in the equity reserve.

Electronic PDS

This PDS is available in electronic form at www.LMaustralia.com. Any person receiving this PDS electronically will on request be sent a paper copy of the PDS (and attached Application Form) by the Manager free of charge during the period of the offer. Applications must be made by completing a paper copy of the Application Form which forms part of this PDS.

The Manager will not accept a completed Application Form if it has reason to believe that the applicant has not received a complete paper copy or electronic copy of the PDS or if it has reason to believe that the Application Form or electronic copy of the PDS has been altered or tampered with in any way. While the Manager believes that it is extremely unlikely that during the period of the offer the electronic version of the PDS will be tampered with or altered in any way, the Manager cannot give any absolute assurance that this will not occur. Any investor in doubt concerning the validity or integrity of an electronic copy of the PDS should immediately request a paper copy of the PDS direct from the Manager or their adviser.

Anti-Money Laundering Procedures

The Australian Government has introduced anti-money laundering legislation to help combat money-laundering and the financing of terrorism. Under this legislation the Manager is required to collect more information from investors.

The Manager as Responsible Entity of the Fund needs to identify the underlying owner of each investment who has not previously been identified. For example, a private company will need to provide supporting documentation to identify the company as well as the usual account opening information. The Manager is also required to identify certain other parties to the investment such as a trustee or power of attorney.

If you hold an investment with the LM Currency Protected Australian Income Fund which commenced prior to 31 January 2008 and are making an additional investment, then you may be required to provide us with verification documents. The Manager will contact you if required.

For wholesale investors e.g. master trusts or wrap services, please contact the Manager for the latest service agreement which includes Anti-Money Laundering details if not already completed.

What Documentation Needs to be Submitted with an Application for an Australian or New Zealand Investor

Your financial adviser will be able to assist you in providing the necessary verification documents. Below is an outline of the verification documents that may be required for an Australian or New Zealand investor only.

TYPE OF INVESTOR	INVESTMENT ACCOUNT MUST BE IN THE NAME OF	SIGNATURE(S) REQUIRED	VERIFICATION DOCUMENTS REQUIRED (IN SUPPORT OF THE APPLICATION FORM)
Individual Account and Sole Traders	The individual e.g. John Citizen	The individual's	Certified copy of any of the following that verify your name, date of birth and/or current address:- Option 1: Current Passport or Drivers Licence. Option 2: Either Birth Certificate, Citizenship Certificate or Pension Card And Notice issued by a government body within preceding 12 months or utility provider issued within the preceding 3 months.
Joint Account	Both or all joint applicants e.g. John Citizen and Jane Citizen	All joint applicants'	
Superannuation Fund	The trustee(s) of the fund and name of the Super Fund e.g. ABC Trustees atf John Citizen Super Fund	All trustees' or that number of trustees as required by the Trust Deed	Certified copy of the first page, schedule (and any relevant pages including the page that list details in relation to who can sign on behalf of the Trust) of the Trust Deed confirming name and trustee(s) signatures. For one individual trustee, please also provide the same type of information requested for an Individual Account . Or For one corporate trustee please also provide the same type of information requested for a Company . Regulated Australian Superannuation Funds only require a current search of ASIC, ATO or regulator's website confirming the fund name and that the fund is regulated.
Trust	The trustee(s) of the trust and name of the trust e.g. ABC Trustees atf John Citizen Trust		
Company	The name of the company e.g. ABC Pty Ltd	Two directors; or a director and a company secretary or if there is only one director, by that director	► Certified copy of the Certificate of Registration. Or ► ASIC (or equivalent regulatory body) search within the last 30 days confirming name, registration and identification number.
Partnership	All partners e.g. John Citizen and Jane Citizen	Two partners	► Certified copy or certified extract of a partnership agreement. Or ► Certified copy or certified extract of minutes of a meeting confirming partnership. And ► Confirmation of current membership if regulated by professional association by current membership certificate or confirmation from relevant association. For one individual partner, please also provide the same type of information requested for an Individual Account .

Alternate Verification Documentation

For details of other verification documentation which is acceptable to the Manager other than outlined above or other entity types, please refer to the Anti-Money Laundering Form available from the Manager's website at www.LMaustralia.com or by telephoning the Manager on +617 5584 4500.

What Documentation Needs to be Submitted with an Application for an Investor other than an Australia or New Zealand Investor

Your financial adviser will be able to assist you in providing the necessary verification documents. In addition to completing the Application Form in the PDS investors will need to complete an Anti-Money Laundering Form applicable to the investor's classification (i.e. individual, company, trust, country the investor resides etc). These forms are located on the Manager's website at www.LMaustralia.com.

Suitable Certifiers for Copies of Documents

Where an investor's identification documents need to be certified, the Manager suggests that the person certifying the document(s) for the investor use the following statement on the copy being certified:-

"I certify this to be a true and correct copy of the [Name of Document] the original of which, was produced to me at the time of signing and it is a true likeness of the identified (where there is a photo id)".

The document must also be dated and have the signature, printed name, occupation, employer and address of the person certifying the document.

Some of the persons who may certify copies of the original documents are:-

- ▶ a finance company officer with 2 or more continuous years of service with one or more finance companies (may include such professionals as financial adviser);
- ▶ an officer with 2 or more continuous years of service with one or more financial institutions;
- ▶ an officer with, or authorised representative of, a holder of an Australian financial services licence, having 2 or more continuous years of service with one or more licensees;
- ▶ a member of the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants with 2 or more years of continuous membership;
- ▶ a Justice of the Peace;
- ▶ a notary public (for the purposes of the Statutory Declaration Regulations 1993);
- ▶ a police officer;
- ▶ a legal practitioner who is on the roll of a Supreme Court of a State or Territory, or the High Court of Australia;
- ▶ a judge of a court;
- ▶ a magistrate;
- ▶ a chief executive officer of a Commonwealth court;
- ▶ a registrar or deputy registrar of a court;
- ▶ an agent of the Australian Postal Corporation who is in charge of an office supplying postal services to the public;
- ▶ a permanent employee of the Australian Postal Corporation with 2 or more years of continuous service;
- ▶ an Australian consular officer or an Australian diplomatic officer.

Queries

Should you require information in relation to what documents need to be submitted with an application or if you are unsure which classification your application falls under please contact your financial adviser or the Manager on +617 5584 4500 prior to submitting an application.

Incomplete Applications

An application cannot be processed by the Manager unless the appropriate verification documentation and information is supplied with the application or if the Manager is not satisfied with the legitimacy of the verification documentation or information supplied. The Manager takes no responsibility for any delay in processing an incomplete application. The Manager will contact advisers as soon as practicable and ask them to supply any necessary additional information for the investor in order for the application to be processed.

The Manager reserves the right to refuse or cancel applications at any time if it believes that the application breaches any anti-money laundering/counter-terrorism financing law or the money laundering or terrorism financing risk is unacceptable to the Manager. The Manager may also request any further information at any time throughout the investment from an investor that it considers necessary for it to satisfy any applicable anti-money laundering/counter-terrorism financing laws. If the Manager has requested an investor to provide further information, the processing of their application may be delayed until the information is received.

The directors of LM Investment Management Ltd have authorised and consented to the issue of this PDS.

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Application Form Checklist

To ensure the Manager is able to process an investor's application quickly and efficiently please check the Application Form is completed as set out below and that all additional information in relation to Anti-Money Laundering requirements is provided.

Section 1 – Nominate the type of investment and type of investor to open a new account.

Section 2 – Individual and Joint Investor/s Details - Provide the investor/s' full name/s. Joint investors must each provide their full names and sign the Application Form. All correspondence about the investment (including interest distributions and withdrawals) may be sent to the first person named on the Application Form. Joint investors are treated as joint tenants. This means that if one of two joint investors dies, only the other joint investor will be recognised as having any claim to the investment.

Section 3 – Sole Trader Investor Details

Section 4 – Company Investor Details

Section 5 – Superannuation Fund/Trust Investor Details – only the trustee has rights and obligations under the Fund's constitution.

Section 6 – Partnership or Association Investor Details

Section 7 – Politically Exposed Persons

Section 8 – Provide contact details for the investor/s.

Section 9 – Provide the investor/s' residential street address or if applicable business street address.

Section 10 – Provide Tax File Number or Exemptions (refer below).

Your alternatives to quoting a Tax File Number

If the investor's Tax File Number or the Tax File Number Exemption details are not supplied, the Manager is required to withhold tax from your income distribution at the highest marginal tax rate (plus Medicare Levy).

Exemptions:-

Pensioner - Write the name of your pension on the Exemption Line (eg Age Pension)

Non-Resident - Write your country of residence on the line below the Tax File Number

Non-Profit Organisation - If you are not required to lodge a tax return write "NL"

Section 11 – Nominate the investment amount to be invested and complete whether interest distributions are to be reinvested or not.

Section 12 – Select instructions for investment at maturity/rollover.

Section 13 – The investment amount must be paid by telegraphic transfer (although New Zealand investors should note the alternative payment options referred to in Section 13)

- ▶ **Telegraphic Transfer** – Details of the financial institution account to be credited are contained in the "How to Invest" Section of this PDS on Page 10. Once you have forwarded the telegraphic transfer you must fax the completed Application Form and copy of the telegraphic transfer (and forward the original by mail) to the Manager on facsimile number +617 5592 4116.

Section 14 – Provide details of where the funds for this investment came from.

Section 15 – Complete details of the investor/s financial institution account to which interest distributions and withdrawals will be paid.

Section 16 – Please read this section for details on how the Manager can use the investor/s personal information provided on the Application Form.

Section 17 – Authorised Delegate or Power of Attorney – If the Application Form is being signed under a Power of Attorney the Attorney must provide personal details in this section. If you wish to authorise another person to access and operate your investment (please read the section headed "Appointment of Authorised Delegate" in the Additional Information Section of this PDS on Page 24), then:-

- ▶ complete the name of the authorised delegate;
- ▶ have the authorised delegate sign where indicated; and
- ▶ investor/s must also sign this section.

The appointment is limited to this Fund and the authorised delegate can only direct withdrawals to the nominated account or other existing investment accounts of the investor held by the Manager.

Application Form Checklist (continued)

Section 18 – Please read this section and execute the Application Form in acknowledgement. Ensure that **if you are investing under a Joint Account** all applicants have signed and dated the form. **If the investor is a company** please ensure that the Application Form is executed by either 2 directors, 1 director and company secretary, or the sole director who is also the sole secretary. **If the investor is a trust** please ensure the Application Form is executed by all trustees or the sole trustee if there is only one trustee. **If signing under a Power of Attorney**, please attach a certified copy of the Power of Attorney document together with a declaration by the attorney/s that the Power of Attorney has not been revoked and a certified copy of the Attorney/s' passport or driver's licence and forward with this Application Form to the Manager.

Section 19 – Complete details of any special instructions including any amount of commission payable to the adviser in relation to this investment.

Section 20 – Complete details of the investor's financial adviser (if any).

Once you have completed and executed the Application Form

Please send the form and your prescribed method of payment to either:-

Your financial adviser

or

The Manager:
LM Investment Management Ltd
PO Box 485
Surfers Paradise Qld 4217

If Proprietary Company Names of All Company Directors. If more than 2 Company Directors attach a list to this Application Form.

Company Director 1

First Name(s)

Last Name

Company Director 2

First Name(s)

Last Name

5. SUPERANNUATION FUND / TRUST INVESTOR DETAILS

Full Organisation Name of Trust/Superannuation Fund

Country in which the organisation was established

Type/Activity of Trust

Names and Residential or Principal addresses of All Trustee/s. If more than 2 trustees, attach a list to this Application Form.

Trustee 1

First Name(s)

Last Name

Date of Birth

/ /

Gender

Male Female

Residential or Principal Street Address

Suburb

State

Country

Trustee 2

First Name(s)

Last Name

Date of Birth

/ /

Gender

Male Female

Residential or Principal Street Address

Suburb

State

Country

If the Trustee is a Company please complete the Company details in Section 4 of this Application Form.

Names of All Beneficiaries or class of beneficiaries of a Superannuation Fund /Trust (except for regulated Australian Superannuation Funds). If more than 2 Beneficiaries of a Superannuation Fund/Trust, attach a list to this Application Form.

Beneficiary 1

First Name(s)

Last Name

Beneficiary 2

First Name(s)

Last Name

Class of Beneficiaries (if applicable)

6. PARTNERSHIP / OR ASSOCIATION INVESTOR CONTACT DETAILS

Full Organisation Name of Partnership/Association

Country in which the organisation was established

Business/Type/Activity of Partnership /Association

If Regulated Partnership – provide name and membership details of professional association

Australian Business Number or equivalent regulatory number (if applicable)

Names and Residential or Principal addresses of All Partners / Association's 2 public officers. If more than 2 partners or public officers, attach a list to this Application Form.

Partner 1

First Name(s)

Last Name

Date of Birth

Gender

Male Female

Residential or Principal Street Address

Suburb

State

Country

Partner 2

First Name(s)

Last Name

Date of Birth

/ /

Gender

Male Female

Residential or Principal Street Address

Suburb

State

Country

7. POLITICALLY EXPOSED PERSONS

Are you or anyone named on this form or any of your or their close personal or business relationships, associates or family members politically exposed persons e.g. Heads of State, senior politicians, judicial or military officers, senior executives of state owned corporations?

Yes No

If yes please provide details _____

8. INVESTOR CONTACT DETAILS

Contact Name

Postal Address

Email

Phone (Business/Home)

Phone (Mobile)

Please indicate your preferred method of receiving correspondence

Email Post OR All correspondence to Adviser only

Financial statements are available on the Manager's website.

Do you wish to receive financial statements of the Fund Yes No

If Yes – do you wish to receive the financial statement by email Yes No

9. RESIDENTIAL / PRINCIPAL BUSINESS STREET ADDRESS OF INVESTOR/S

Individual investors must provide their residential street address and if sole trader their principal business address (if different). Company, partnership, superannuation fund, association or trust investors must provide their principal business street address and registered office address (if different). Post office boxes are not acceptable.

INVESTOR 1 / COMPANY/ TRUST / SUPERANNUATION FUND / PARTNERSHIP / ASSOCIATION / SOLE TRADER

Residential / Principal Business Street

Suburb

State

Country

INVESTOR 2 / INCORPORATED REGISTERED ADDRESS (if applicable)

Residential / Principal Business Street

Suburb

State

Country

10. INVESTOR TAX FILE NUMBER OR EXEMPTION DETAILS

INVESTOR 1 / COMPANY PARTNERSHIP / SUPERANNUATION FUND / TRUST

Tax File Number

OR Exemption

If a foreign resident for tax purposes, specify country of residence

INVESTOR 2

Tax File Number

OR Exemption

If a foreign resident for tax purposes, specify country of residence

16. PERSONAL INFORMATION

The privacy of an investor’s personal information is important to the Manager. The purpose of collecting investor information on the Application Form is to process the application and manage an investor’s investment in the Fund. If the information an investor gives is not complete or accurate, the Manager may not be able to provide the products and services applied for.

In processing the application and managing investors’ investments in the Fund, the Manager may disclose personal information to other parties such as an investor’s financial adviser and/or IT service providers of financial advisers, the financial adviser’s licensee or as required by law.

Investors are entitled to request reasonable access to their personal information. The Manager reserves the right to charge an administration fee for collating the information requested.

For further details on the Manager’s Privacy Policy please visit the Manager’s website at www.LMaustralia.com.

17. APPOINTMENT OF AUTHORISED DELEGATE /POWER OF ATTORNEY

Please ensure an identity verification document (e.g. Certified copy of current Passport) for the Authorised Delegate/Attorney is attached.

Name of Authorised Delegate

First Name(s)

Last Name

Date of Birth

 / /

Gender

Male Female

Nationality

Current Occupation

Residential Street Address

Suburb

State

Country

Signature of Authorised Delegate and Investor must be provided below. Attorneys are not required to complete the balance of this section.

I/We have read the section on authorised delegates in this PDS under the section headed “Additional Information” and agree to its terms and conditions. I/We appoint the following authorised delegate:

Signature of Authorised Delegate

Date

 / /

I/We request that my/our authorised delegate receive access to my/our financial records in relation to my/our Fund/s investment/s and consistent with the Fund/s terms and conditions, agree that my/our authorised delegate has the same powers as I/we do to make further investments in or withdrawals from, the Fund/s. I/We release, discharge and agree to indemnify the Manager and the Custodian as provided in the “Additional Information” section of this PDS.

Signature of Investor 1/Company Officer (please nominate office held eg. Director)

Date

 / /

Signature of Investor 2/Company Officer (please nominate office held eg. Director)

Date

 / /

20. ADVISER/INTERMEDIARY DETAILS

Title Mr Mrs Miss Other

First name(s)

Last Name

AFS Licensee

Adviser Email

Telephone Number (Business)

Facsimile Number

Mobile Telephone Number

AFS Licence No

LM Adviser ID No (Optional)

Adviser Stamp

Postal Address

Australian Financial Adviser Investor Identity Verification Declaration

I certify that in accordance with the IFSA/FPA Industry Guidance Note 24 that:- *(tick the appropriate box)*

- 1. My licensee has an agreement in place with LM where I have collected, verified and retained the appropriate customer identification documentation to confirm the identity of all investors associated with this application to meet my obligations in respect of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 ('AML/CTF laws') and agree to provide access to these records as required.
OR
- 2. My licensee has an agreement in place with LM and as such I have attached a copy of the industry "Customer Identification Form" which confirms that I have sighted and verified all of the documentation required to identify a customer under the AML/CTF laws.
OR
- 3. I have attached a copy of the source documents from which I have identified the customer as required by the AML/CTF laws.

If no box is marked, I agree Option 3 applies.

Adviser Signature

Date

/ /

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Terms and Conditions of the New Zealand Dollar Direct Debit Authority

1. The Initiator:

- (a) Has agreed to give written notice of the net amount of each Direct Debit no later than the Direct Debit is initiated.

This notice will be provided either:

- (i) in writing; or
- (ii) by electronic mail where the Customer has provided prior written consent to the Initiator.

The advance notice will include the following message:

The amount \$ _____, will be direct debited to your Bank account on (initiating date).

- (b) May, upon the relationship which gave rise to this Authority being terminated, give notice to the Bank that no further Direct Debits are to be initiated under the Authority. Upon receipt of such notice the Bank may terminate this Authority as to future payments by notice in writing to me/us.

2. The Customer may:

- (a) At any time, terminate this Authority as to future payments by giving written notice of termination to the Bank and to the Initiator.
- (b) Stop payment of any direct debit to be initiated under this authority by the Initiator by giving written notice to the Bank prior to the direct debit being paid by the Bank.

3. The Customer acknowledges that:

- (a) This authority will remain in full force and effect in respect of all direct debits made from me/our account in good faith notwithstanding my/our death, bankruptcy or other revocation of this authority until actual notice of such event is received by the Bank.
- (b) In any event this authority is subject to any arrangement now or hereafter existing between me/us and the Bank in relation to my/our account.
- (c) Any dispute as to the correctness or validity of an amount debited to my/our account shall not be the concern of the Bank except in so far as the direct debit has not been paid in accordance with this authority. Any other disputes lie between me/us and the Initiator.
- (d) Where the Bank has used reasonable care and skill in acting in accordance with this authority, the Bank accepts no responsibility or liability in respect of:
 - the accuracy of information about Direct Debits on Bank statements;
 - any variations between notices given by the Initiator and the amounts of Direct Debits.
- (e) The Bank is not responsible for, or under any liability in respect of the Initiator's failure to give written advance notice correctly nor for the non-receipt or late receipt of notice by me/us for any reason whatsoever. In any such situation the dispute lies between me/us and the Initiator.

4. The Bank may:

- (a) In its absolute discretion conclusively determine the order of priority of payment by it of any monies pursuant to this or any other authority, cheque or draft properly executed by me/us and given to or drawn on the Bank.
- (b) At any time terminate this authority as to future payments by notice in writing to me/us.
- (c) Charge its current fees for this service in force from time-to-time.



LM Investment Management Ltd

- > Manager and Responsible Entity
ABN 68 077 208 461 Responsible Entity & AFSL No. 220281
- > **AUSTRALIA HEAD OFFICE**
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