



**US Masters Residential Property Fund  
(ARSN 150 256 161) (AFSL 231 143)**

**Dixon Advisory & Superannuation Services Limited  
(ACN 103 071 665)  
as responsible entity for the Fund**

**Supplementary Product Disclosure Statement**

This is a supplementary product disclosure statement (**Supplementary PDS**) intended to be read with a product disclosure statement dated 15 May 2012 (**Original PDS**) relating to the offer of Units to raise up to \$50,000,000 (with the ability to accept oversubscriptions to raise another \$50,000,000).

This Supplementary PDS is dated 8 June 2012 and was lodged with the Australian Securities and Investments Commission (**ASIC**) pursuant to Section 1013H of the Corporations Act 2001 on that date. ASIC and its officers take no responsibility for the contents of this Supplementary PDS.

Pursuant to Section 1014C of the Corporations Act, the information set out below is taken to be included in the Original PDS. Terms defined in the Original PDS have the same meaning in this Supplementary PDS except where otherwise defined in this Supplementary PDS. A reference to "this PDS" in this document or the Original PDS refers to the Original PDS and Supplementary PDS read together.

**Important Information**

**This Supplementary PDS contains important information for you as a prospective investor in the Fund and requires your immediate attention.** It is an important document and should be read together with the PDS prior to investing in the Fund.

An application has been made for the Units to be issued under the Offer to be quoted on the ASX. The fact that the Units issued under the PDS may be quoted on the ASX or that the Fund is currently admitted to the official list of the NSX is not to be taken as an indication of the merits of the Fund or the Units.

This PDS has been prepared without taking account of your investment objectives, financial situation or needs. You should assess whether or not the Fund is appropriate for you and if you have any doubt as to the course of action you should take you should consult your financial adviser before making any investment decision.

**If you have any questions as to its contents or the course you should follow, please consult your stockbroker, accountant, solicitor or other professional adviser immediately.**



## 1. Update on the capital raising - Oversubscribed

As set out in the Original PDS, the Fund is undertaking the Offer to raise up to \$50,000,000, with the right to receive oversubscriptions for a further \$50,000,000.

As at 7 June 2012, being the business day prior to the date of this SPDS, the Responsible Entity has received Applications with total Application Monies in excess of \$60,000,000.

## 2. Update on transition to ASX

In the Original PDS the Fund stated that it intended to apply to NSX for approval to suspend trading on NSX and, following admission to the Official List of ASX, to withdraw its listing on NSX. It also stated that the Fund had applied for a waiver permitting the Fund to be delisted within 45 days of the date of the Original PDS and for a waiver from the requirement to obtain Unitholder approval to delist from NSX.

On 24 May 2012 NSX confirmed that it would waive strict compliance with NSX Listing Rule 2.25 to the extent necessary to allow the Fund to voluntarily de-list without Unitholder approval within the time frame set out below requested by the Fund.

The Fund applied for admission to the Official List of ASX on 21 May 2012. This application is presently being considered by ASX. The Fund is confident that it will be granted admission to the Official List of ASX.

The Allotment of Units under the Offer is conditional on the Fund receiving confirmation from ASX that it will be admitted to the Official List of the ASX on terms acceptable to the Fund.

## 3. Revised Timetable

As a result of the waivers granted by NSX, the revised timetable for the Offer will be as follows:

|  |                     |
|--|---------------------|
| <b>Date of PDS</b>                                 | <b>15 May 2012</b>  |
| Opening Date                                       | 15 May 2012         |
| <b>Offer Closing Date</b>                          | <b>15 June 2012</b> |
| Suspension of trading on the NSX                   | 15 June 2012        |
| <b>Final calculation of Offer Price</b>            | <b>25 June 2012</b> |
| Offer Allotment Date                               | 26 June 2012        |
| <b>De-list from NSX</b>                            | <b>30 June 2012</b> |
| Anticipated date of despatch of holding statements | 17 July 2012        |
| <b>Anticipated trading of Units to commence</b>    | <b>23 July 2012</b> |

The dates are indicative only and may vary, subject to the requirements of the Listing Rules and the Corporations Act.

Subject to the Corporations Act and the ASX and NSX Listing Rules, the Responsible Entity may vary the dates and times of the Offer (including closing the Offer early) without notice. The Fund may close the Offer once the Fund has been granted conditional admission to the Official List of ASX. Accordingly, investors are encouraged to submit their Applications as early as possible.



#### 4. Interpretation of investments

The Responsible Entity provides the following clarifications regarding its investments generally:

- The Responsible Entity is likely to invest existing cash together with the proceeds of the Offer in residential property investments in the Initial Target Investment Area. The Responsible Entity will review its investment strategy, including investing in the Initial Target Investment Area, from time to time and may amend this strategy without Unitholder approval. See Section 7.8 of the Original PDS for details.
- All property investments held by the Fund are held directly or indirectly by the US REIT. Accordingly, references to the Fund's property investments in the PDS should be interpreted as investments made through the US REIT. See Section 7.3 of the Original PDS for details.
- The US REIT is controlled by the Fund. The US REIT's board of trustees is Alan Dixon, Tristan O'Connell, Alex MacLachlan, Adam Davis and Phillip Lois. Alan Dixon, Tristan O'Connell and Alex MacLachlan, being 3 of 5 members of the board of trustees, are also directors of the Responsible Entity. See Section 6.3 of the Original PDS for information regarding the directors. See Section 6.5 of the Original PDS for information regarding Adam Davis and Phillip Lois.
- A sale by the Fund of its shares in the US REIT generally will be subject to US federal taxation under FIRPTA. Accordingly, any gain recognised will generally be subject to US federal income tax at the rates applicable to a US corporation (currently 35%), and the purchaser of the shares could be required to withhold 10% of the purchase price and remit such amount to the US Internal Revenue Service. See Section 12.2(E) of the Original PDS for details. The Fund does not anticipate undertaking selling its shares in the US REIT.
- The investment strategy of the Fund as set out in Section 7 of the PDS comprises the investment strategy of both the Fund and the US REIT.
- Cash assets are held by the Fund or the US REIT. Other controlled entities of the Fund do not hold any of the Fund's cash assets.
- To be regarded as a REIT for US tax purposes there are various conditions that must be satisfied. In a Section 7.8 of the Original PDS the Responsible Entity states that the US REIT is limited to investments in US residential real estate and appropriate financial products which are of a type treated as "qualifying assets". The "qualifying assets" which it can hold are generally as follows:
  - (i) at least 75% of the value of the US REIT's total assets must be represented by interests in real property, interests in mortgages in real property, shares in other real estate investment trusts, cash, cash items, government securities, and qualified temporary investments;
  - (ii) in relation to the remaining 25%, the US REIT can invest this generally without restriction. However, the US REIT is prohibited from owning securities representing more than 10% of the outstanding securities of any non-government issuer other than a qualified real estate investment trust subsidiary, another REIT or a taxable REIT subsidiary; and



- (iii) no more than 25% of the value of the US REIT's total assets may be represented by securities of one or more taxable REIT subsidiaries, and no more than 5% of the value of the US REIT's total assets may be represented by securities of any non-government issuer other than a qualified real estate investment trust subsidiary, another REIT or a taxable REIT subsidiary.
- While the US REIT is a Maryland real estate investment trust formed under the Maryland REIT Law it is not regulated to the same extent as the Fund is regulated as a registered managed investment scheme. Dixon Advisory USA is a private corporate and is not subject to regulation under US Federal law equivalent to that applicable to a public company in Australia.

## 5. Confirmation in relation to the Fund's policies

The Original PDS provides information in relation to the Fund's investment policies. The Responsible Entity confirms in relation to these policies:

- The Fund's foreign exchange rate policy is to not hedge against fluctuations in the A\$/US\$ exchange rate.
- The Responsible Entity will generally determine the distributable income of the Fund for each financial year based on the operating income of the Fund (which excludes unrealised gains and losses). However, the Responsible Entity may in its sole and absolute discretion determine that the distributable income for the Financial Year will be some other amount, whether income or capital, which the Responsible Entity considers appropriate for the distribution for that Financial Year. The Responsible Entity may also distribute capital of the Fund from time to time. See Section 14.1(B) of the Original PDS for details.
- The Fund's cash management policy does not include a limit on the amount of cash, term deposits and cash equivalents that can be held by the Fund. The Fund's policy allows for cash to be held for an indefinite period until suitable residential property investments have been identified.
- The Fund's investment policy in relation to "appropriate financial products" allows the Fund to hold cash, term deposits and cash equivalents. See Section 7.8 of the Original PDS.
- At each reporting date, the fair values of investment properties are assessed using management's knowledge of relevant market factors impacting the residential markets in which the Fund invests. It is expected that this assessment will be supported by suitable qualified external property valuers to assist the Responsible Entity in its determination of active market prices (fair values). The Responsible Entity will assess whether or not to engage an external property valuer at each reporting date, but will only engage a valuer when it considers such an appointment as necessary.
- The Responsible Entity has determined not to establish a formal policy limiting the value or scale of property investments undertaken through joint venture arrangements. The Responsible Entity will determine whether or not a joint venture arrangement is suitable in light of the investment strategy set out in Section 7 of the PDS. The types of investments made through joint venture arrangements will be limited to investments consistent with the investment types made by the US REIT.



## 6. Confirmation in relation to joint venture arrangements and joint venture risk

The Original PDS provides information regarding a joint venture agreement with Urban American Management (Urban American), a highly experienced US based joint venture partner, to acquire, renovate, manage, lease and hold for the long-term 13 specific multi-dwelling properties in Hudson County, New Jersey.

Urban America is not related to the Responsible Entity or any of its associates.

The counterparty risk disclosed in the Original PDS applies to any party to a joint venture arrangement.

## 7. Confirmation in relation to US Residential property market

The Responsible Entity provides the following information regarding the US residential property market:

- Section 7.8 of the Original PDS states that "*all acquisitions are subject to property and legal due diligence consistent with standard US market practice*". The US market practice is on the whole, largely consistent with that of Australian market practice.
- Section 5.2 of the Original PDS provides information about the residential tenancy market in Hudson County. The Responsible Entity considers that the US tenancy market in relation to expenses is, on the whole, largely consistent with that of the Australian residential tenancy market. For example, tenants in the US are required to pay electricity and gas expenses. In some circumstances landlords will pay expenses associated with heating. Residential tenancies generally have 12 month terms and tenants of the Fund are required to pay rent 1 month in advance.

In Hudson County, a landlord is entitled to seek the eviction of a tenant if rent is more than 10 days in arrears. Landlords in Hudson County are usually able to complete an eviction within a very short period of time (on average 5 to 8 weeks).

The Responsible Entity has experienced low rates of rental delinquency to date on tenants it has leased properties.

## 8. Fee confirmation

The Responsible Entity provides the following additional information regarding the leasing fee:

- The Investment Manager receives a leasing fee equal to 1 month's gross rent of properties that are leased by the US REIT. This includes leases assigned or novated to the Fund and new leases but excludes new leases with pre-existing tenants.
- As indicated above, US leases generally have a 12 month term after which the tenant can elect to enter into a new lease.
- If an existing tenant executes a new lease, the Investment Manager will be paid a leasing fee equal to the monthly increase in rent under the new lease. No leasing fee will be paid if the rent is not increased.



Fees detailed in Section 8 of the Original PDS are not in replacement of other fees and expenses payable by the Fund or the US REIT to third parties. Dixon Advisory as the Responsible Entity or the Investment Manager may change fees. There may be changes in regulations or economic conditions which necessitate a change in fees. The Responsible Entity or the Investment Manager will only change their fees if three months prior written notice of the proposed changes is given to Unitholders. Further detail about the maximum fee limits that can be charged are set out in Section 8.3 and 13.1 of the Original PDS.

The following table gives you an idea of the annual outgoing fees (exclusive of GST), excluding one off payments made by the Fund (including asset acquisition fees, asset disposal fees, leasing fees, debt arranging fees and any one off additional fees payable to joint venture managers) assuming a \$5,000 investment:

| Ongoing Fees  | Amount             | Dollar Value  |
|---|--------------------|---|
| Responsible Entity Fee                                | 0.08%              | \$4.00  |
| Custodian Fee   | 0.02%              | \$1.00  |
| Administration Fee                                    | 0.25%              | \$12.50   |
| Urban American joint venture ongoing management costs | 0.1% <sup>1</sup>  | \$5.00  |
| Investment Management Fees                            | 1.24% <sup>2</sup> | \$62.00   |
| Total ongoing cost of fund <sup>3</sup>               | 1.69%              | If you made an investment of \$5,000 in the Fund at the beginning of the year, you would be charged fees of \$84.50 |

**Notes:**

1. This percentage is calculated based on the size of the Fund immediately after Units are allotted under the Offer, assuming \$60 million is raised under the Offer and reflects the Fund's percentage interest in the ongoing management fees that will be paid by the joint venture entity. Urban American is entitled to a one off additional fee on realisation of the assets of the joint venture above a pre-agreed hurdle. See Section 13.3 of the Original PDS for details. Assuming realisation of the joint venture occurs after 7 years, a return on the joint venture of 11% and the assets of the Fund and the joint venture achieve annual growth during this period equal to 2.3% being the current rate of inflation in US, it is not anticipated that this fee would exceed 0.28% of the Fund or \$14.00 (assuming a \$5,000 investment).

2. The Investment Manager has elected to waive this fee for an indefinite period on the first \$100 million of gross assets of the US REIT.

3. The table excludes all one off fees including acquisition, disposal, leasing fees and additional fees paid to joint venture managers. Refer to Sections 8.3(e)-(f) for worked examples of acquisition, disposal and leasing fees and Section 13.3 for the additional fees that may be paid to Urban American.

## 9. New key investment risk – gearing risk

Section 10.2(E) of the Original PDS sets out 'Borrowing and Deposit Risk' associated with an investment in the Fund. The Responsible Entity highlights the following additional risk associated with borrowing:

There is a risk that the value of the Fund's property investments will fall. If the value of the properties against which loans are secured fall, there is the risk that the Fund may lose the capital invested if rental income is insufficient to cover recurring outgoings such as fees, interests and other expenses. For this reason, it is possible that investors in the Fund could lose the value of their investment.



## 10. Custody

If appropriate, the RE may elect to appoint an external custodian. If an external custodian is appointed, the RE will waive the custody fee.

## 11. Directors' Authorisation

Each director of the Responsible Entity has given and has not, as at the date of this Supplementary PDS, withdrawn their consent to the content and lodgement of this Supplementary PDS with ASIC.

A handwritten signature in black ink, appearing to read "D. A. Dixon".

**Daryl Dixon**

Dixon Advisory & Superannuation Services Limited

A handwritten signature in black ink, appearing to read "M. S. Walsh".

**Max Walsh**

Dixon Advisory & Superannuation Services Limited