

SHAKESPEARE HANEY
PREMIUM INCOME FUND
ARSN 106 223 483

ASIC REGULATORY GUIDE 45
BENCHMARK
DISCLOSURE



SHSL

SHAKESPEARE HANEY SECURITIES LIMITED
AUSTRALIAN FINANCIAL SERVICES LICENCE NO 226348 • ACN 087 435 783

Shakespeare Haney Premium Income Fund

ARSN 106 223 483

ASIC Regulatory Guide 45 – Benchmark Disclosure

In September 2008, the Australian Securities and Investments Commission (**ASIC**) developed and published benchmarks for unlisted mortgage schemes that are aimed at helping retail investors understand the risks, assess the rewards being offered and decide on whether these investments are suitable for them.

Responsible entities of unlisted mortgage schemes in which retail investors invest are required to report against each of these benchmarks on an 'if not, why not' basis.

Shakespeare Haney Securities Limited ACN 087 435 783 (**SHSL**) is the responsible entity for the Shakespeare Haney Premium Income Fund ARSN 106 223 483 (**Fund**) and the holder of Australian financial services licence number 226348. The Fund's compliance with each of the benchmarks as at 30 September 2011 is set out below. Biannual updates of this information can be obtained on our website at www.shsl.com.au/continuousdisclosure/benchmarkdisclosures.

Benchmark	Compliance (Yes/No)	If not, why not?
<p>Benchmark 1: Liquidity SHSL should have cash flow estimates for the Fund for the next three months and ensure that at all times the Fund has cash or cash equivalents sufficient to meet its projected cash needs over the next three months. It should also disclose its policy on balancing the maturity of its assets and liabilities.</p>	No	SHSL prepares 3 month cash flow estimates for the Fund and ensures that at all times the Fund has cash or cash equivalents sufficient to meet its projected cash needs over the next 3 months. These cash flows assist SHSL in determining the projected cash requirements of the Fund. The Fund is currently operating as a non liquid managed investment scheme and any withdrawals will only occur on a periodic basis.
<p>Benchmark 2: Fund borrowing If the Fund has borrowed funds or if SHSL expects it to, it should disclose the amount owing under those loans and whether they rank ahead of an investor's interests in the Fund, as well as the purpose for which the funds have or will be borrowed. If the loan facilities are due to mature within 12 months, SHSL should disclose the prospect of refinancing or possible alternative actions. SHSL should also</p>	Yes	The Fund does not have any borrowings. SHSL does not intend to obtain any borrowings on behalf of the Fund in the immediate future.

Benchmark	Compliance (Yes/No)	If not, why not?
explain any risks associated with the debt and credit facility maturity profile.		
<p>Benchmark 3: Portfolio diversification</p> <p>SHSL should disclose the criteria for determining what loans to make and provides details of the diversification of the mortgage portfolio.</p>	Yes	<p>This information is updated biannually and disclosed on the Fund's website: www.shsl.com.au/portfoliodiversification.html</p> <p>The Fund has invested in other mortgage managed investment schemes. These investments currently represent less than 2.7% of the net assets of the Fund. Details of these investments are disclosed on the Fund's website.</p> <p>With the issue of the ASIC Regulatory Guide 45, SHSL has determined that the Fund will not undertake additional investments in other mortgage managed investment schemes.</p> <p>If this policy changes this benchmark disclosure will be updated accordingly.</p>
<p>Benchmark 4: Related party transactions</p> <p>Any related party transaction should be disclosed, as well as SHSL's policy on related party transactions and how the process and arrangements are monitored to ensure that policy is followed.</p>	Yes	<p>SHSL has a strict policy of not lending money from the Fund to any to related parties of SHSL or its directors.</p> <p>SHSL, its directors officers and other related parties may hold units in the Fund from time to time. Where this occurs the investment is treated on the same terms as any other unitholder in the Fund.</p> <p>SH Mortgage Services Pty Ltd an entity associated with the directors provides a range of services to SHSL and the Fund. The arrangements for these services are reviewed annually to ensure they remain on commercial arms length terms.</p>
<p>Benchmark 5: Valuation policy</p> <p>SHSL should have a clear policy on how often valuations will be obtained.</p>	Yes	<p>SHSL's key valuation considerations were:</p> <ul style="list-style-type: none"> • loans were only advanced if supported by a valuation of secured property which is not more than 6 months old; • where possible valuations were conducted by a registered independent valuer. In some cases valuations may have been conducted by a registered real estate agent, but only when it is considered appropriate; • valuers were required to include a statement in their valuation report on whether the valuation complied with all relevant industry standards; • SHSL ensured that no one valuer conducted more than one third of the valuation work for the Fund; and • where loans over property were for construction and development the secured property was

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		valued on both an "as is" estimate of market value of the property in its current state and an "as if complete" estimate of market value assuming specified improvements are made.
<p>Benchmark 6: Lending principles - loan-to-valuation ratios</p> <p>SHSL should maintain the following loan to valuation ratios:</p> <ul style="list-style-type: none"> for loans made by the Fund where the loan relates to property development not more than 70% on the basis of the latest 'is if complete' valuation in all other cases not more than 80% on the basis of the latest market valuation 	No	<p>All loans are secured by registered first mortgages. A loan will not be approved where the loan amount advanced exceeds 80% of the loan to valuation ratio at the time the loan proceeds. Most loans were at the time of the initial advance between 65% and 73% of the market value of the security properties.</p> <p>The Fund is currently not making new loans.</p> <p>Historically, prior to advancing construction funding SHSL provided all plans, specifications and building contracts to a quantity surveyor who approximated the cost to complete the development in order to ensure that the borrower had made adequate allowance for future development costs.</p> <p>Funds were then advanced progressively on a 'cost to complete' basis. The quantity surveyor appointed by SHSL inspected the development at set stages of construction prior to further loan advances and certified to SHSL the cost of completing the development at each stage in writing.</p> <p>SHSL withheld the amount of loan funds necessary to complete the development in accordance with the advice received from the quantity surveyor.</p> <p>If the borrower become unable to complete the development, SHSL based on the advice of the quantity surveyor expected to have sufficient funds to complete the development.</p>
<p>Benchmark 7: Distribution practices</p> <p>SHSL should disclose the expected source for each distribution, as well as details of circumstances in which a lower return may be payable, together with details of how that lower return will be determined.</p>	Yes	<p>Historically, distribution rates for the Fund were variable and dependent upon the income the Fund generated from loans and cash on deposit less management fees and expenses.</p> <p>The value of the mortgage investments of the Fund is reviewed at 30 June and 31 December each year to determine if there is any evidence of impairment.</p> <p>Impairment losses represent estimates of unrealised losses that may be incurred (for example, where the value of a mortgaged property decreases) and realised losses for amounts of loans written off (in circumstances where a borrower defaults in making interest repayments).</p> <p>If an impairment exists, the impairment (realised or unrealised) must be recognised by recording a loss against the income generated by the Fund.</p> <p>Conversely, if in a subsequent period, an impairment recovered in whole or in part, as a result of an increase in value of a mortgaged property or in</p>

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		<p>recognition of money received, the impairment may be reversed.</p> <p>Because of differences in the timing of when such impairments or recoveries (and other expense or income items) may be recognised for accounting purposes, as opposed to when recognised for taxation purposes, either:</p> <p>(a) cash distribution payments made to investors may include 'tax-deferred' amounts, in excess of the taxable amount of the distribution. Such 'tax deferred' amounts are required to be, firstly, adjusted against the tax cost base of an investor's investment in the Fund and, thereafter, may give rise to taxable capital gains; or</p> <p>(b) the taxable amount of a distribution may exceed the cash distribution.</p> <p>In the past, the Fund has paid distributions to investors which included a 'tax-deferred' component, as a result of differences in the timing of when such impairments or recoveries were recognised for accounting or tax purposes.</p> <p>On 2 August 2011, investors were notified that SHSL intends to wind down the Fund and all future distributions are likely to comprise capital and not income. This announcement can be found at http://www.shsl.com.au/disclosure.html</p> <p>SHSL made an initial distribution of \$3 million on 15th August 2011, and proposes to continue making monthly distributions on the 15th day of each month, subject to cash flow indications.</p> <p>All investors will receive capital distributions without requiring an election to participate in the process.</p> <p>A taxation statement will be forwarded to every investor after the end of each financial year, detailing the total amount of distributions paid.</p>
<p>Benchmark 8: Withdrawal arrangements</p> <p>SHSL should provide details of whether investors will have the ability to withdraw from the Fund.</p>	<p>Yes</p>	<p>The Fund is currently operating as a non liquid managed investment scheme and investors are only entitled to withdraw in response to periodic withdrawal offers issued by SHSL.</p> <p>As noted above, the Fund is currently in the process of being wound down.</p>