Investment Risks

Refer to section 7 Risk section of the PDS for an explanation of the risks involved in an investment in the DomaCom Fund and the general risks associated with property markets.

To ensure Investors are aware of the risks we have re-stated several of the risks below that are relevant to an investment in this Sub-Fund and number of other risks specific to this type of property investment.

Sub-Fund not constituted – If there is insufficient investor interest or if Assetoa is not successful in purchasing the Underlying Property the Sub-Fund will not be created however Investors with an Active Bid will all be proportionately liable for the Campaign Costs.

Value changes – The value of an Investor's investment will go up and down in accordance with the value of the Underlying Property. General economic conditions will impact the underlying the value of the property.

No guarantee – Returns are not guaranteed and Investors may lose some or all their capital.

Risk of loss of Capital – If there was a significant downturn in the property market resulting in a reduction in the value of the property, this could lead to a loss of capital for the investors in this property Sub-Fund upon the eventual sale of the property. However, note that the term of this Sub-Fund is 10 years.

Past performance of the property market in the area of the Underlying Property, is no indication or guarantee of future performance.

Liquidity risk – An Investor cannot withdraw from the Sub-Fund until the Sub-Fund is terminated, and the Underlying Property is sold. Assetora does intend to offer a liquidity facility through which Investors can seek to sell their Units to another party, however there is no guarantee of this occurring.

Damage or loss– There are a range of events that can damage the Underlying Property including acts of God (fire, flood, earthquake, and other natural disasters) through to accidents, negligence, and failures of maintenance. DomaCom Fund's insurance may not cover or may not fully cover such losses.

Vacancy risk –There is a risk that the tenant may vacate, and you are required to find a new sub-tenant. This could cause issues in relation to the potential vacancy level and the time it takes to obtain a new sub-tenant, which in turn impacts on the level of income received from the tenant. To mitigate this risk the Head Lease is with a disability housing provider, who also acts as the property manager who will actively seek replacement sub-tenants. In addition to this it is believed there is currently a shortage of NDIS housing for sub-tenants with disabilities in Australia.

Insufficient income/vacancy risk – there is a risk due to not full occupancy of the property that the expenses of the property may exceed the income during certain times. To mitigate this risk and additional amount of $10,000 is held in reserve for vacancy risk.

Also, tenants can leave if there are any issues with only 30-day notice given. Rental is provided for a total of 60 days after the tenant gives notice to vacate, to provide some added security to the property owner and to provide time to find a new occupant.

Financing Risk – To support the acquisition of the property, debt funding will be used initially for a period of 2 years. The interest payable cost to fund the debt for the first 12 months while the property is being constructed will be raised in advance as part of the capital raising costs. It is anticipated after 2 years the debt will either be repaid or refinanced with another lender will be sought. If the debt could not be refinanced, which is unlikely, the Property may need to be sold and the sub-fund would be wound up and the debt would be repaid.

Unexpected property event– The risk that the Underlying Property may be negatively impacted due to a property specific event, for example, a change could occur to local zoning rules, development of competing and other events that were not anticipated at the time of acquisition.

Economic risk– There is a risk that the general economic conditions in Australia may change in relation to interest rates, employment rate and economic growth that could in turn have an impact on the Property market and specifically the value of the Underlying Property.

SMSF Regulatory Risks – there is a risk that an SMSF that invests in a Sub-Fund with residential premises that are leased to a related party may breach the Superannuation Industry (Supervision) Act 1993 (Cth) (SISA) unless the investment satisfies the sole purpose test, i.e., the investment is made and maintained solely to provide retirement benefits. Please refer to the PDS, section 9.5 SMSF Sole Purpose Test Declaration for further information. Also, refer to the PDS about other risks associated with an SMSF and its related parties owning more than 50% of a Sub-Fund.

Assetora cannot predict the likelihood of the occurrence of or the specific outcome of any of these risks, therefore it is a possibility that the performance of the Underlying Property and in turn the Sub-Fund may be negatively impacted.