



ASCENT FIRST MORTGAGE FUND

ARSN 091 921 827

A high-yielding, fixed term investment providing regular income

PRODUCT DISCLOSURE STATEMENT
Dated 20 October 2006

Ascent Funds Management Limited
ABN 40 089 245 330
AFSL 234 763

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Important Notice:

Ascent Funds Management Limited ABN 40 089 245 330 AFSL No. 234 763 ('Ascent', 'Responsible Entity' or 'Manager') is the issuer of this Product Disclosure Statement (PDS) dated 20 October 2006.

Neither the Responsible Entity, nor its associates, directors nor related parties guarantee the performance or success of the investment, the repayment of capital, or any particular rate of capital or income return.

Applications for an investment in the Ascent First Mortgage Fund ARSN 091 921 827 ('the Fund') may only proceed on an Application Form attached to this PDS or in its paper copy form as downloaded in its entirety from www.ascentfin.com.au

Investment in the Fund is likely to be illiquid. Investors should carefully read the "Other Information" section on page 7 of this PDS for information regarding the ability to withdraw their money.

The offer under this PDS is available to persons receiving it within Australia. The distribution of the PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. This PDS does not constitute an offer to any persons to whom or in any place in which it would be illegal to make that offer.

No person is authorised to provide any information or to make any statement in connection with the offer described in the PDS, which is not included in this PDS.

This PDS does not take into account the investment objectives, financial situation and particular needs of any potential investor. Accordingly, before you invest you should read this PDS and any supplementary PDS in full. We also recommend that before making a decision to invest in the Fund you should consult a licenced financial adviser or other professional adviser.

This PDS contains important information and you should read it carefully and in its entirety and if required, obtain independent legal and financial advice.

FROM THE MANAGER

“The Fund is designed to provide investors with a **high-yielding, fixed term investment**, through participation in First Mortgages advanced to borrowers. The First Mortgages are in turn secured by Real Property.”

Dear Investor,

I am pleased to introduce you to the Ascent First Mortgage Fund ('the Fund').

The Fund is designed to provide investors with a **high-yielding, fixed term investment**, through participation in First Mortgages advanced to borrowers. The First Mortgages are in turn secured by Real Property.

The Fund is well-suited to a range of investors, but particularly those who are seeking regular and relatively high income from their investment.

We believe that the Fund offers a number of important benefits, including:

- competitive rates of return
- provision of a regular income stream with income payments made to you either monthly or quarterly
- your money is directed into short term First Mortgages, with terms no greater than three years
- you hold a beneficial interest in the First Mortgage in which you invest
- there are no entry or ongoing fees
- there are no exit fees so long as you keep your money invested in the Fund for the term of the First Mortgage in which you participate (exit fees may apply, however, if you withdraw your money prior to the completion of the First Mortgage term)
- our lending criteria is strict and stringently followed, helping to minimise the risk of a non-performing First Mortgage
- the minimum investment in the Fund is only \$5,000, however, you can invest as much as you wish above this amount.

The management team at Ascent Funds Management Limited possess many years of experience in managing mortgage funds of this type, and are committed to managing the Fund in a risk-controlled environment. Even where borrowers have defaulted in the repayment of their First Mortgage, the Manager has always recovered investors' money and all of their interest at the penalty rate.

Our website at www.ascentfin.com.au offers further information about the Fund and if you have any questions, you can phone (03) 8676 0244.

I look forward to welcoming you as an investor in the Fund.

Yours faithfully,



Robert John Smith

Executive Director

KEY FEATURES

<p>What is the Fund's investment objective?</p>	<p>To provide a high-yielding, fixed term investment that delivers regular income.</p>
<p>Where is my money invested?</p>	<p>Your money is invested in First Mortgages, with Real Property as security.</p> <p>First Mortgages shall not be for amounts greater than:</p> <ul style="list-style-type: none"> • two-thirds of the valuation of the secured property, or • where the First Mortgage is secured in full by a person authorised to insure First Mortgages under a relevant state or territory law, three quarters of the valuation of the secured property.
<p>What rate of interest does my money earn?</p>	<p>Your money starts earning interest as soon as your Application has been received and accepted.</p> <p>The rate of interest that your money earns will depend on the particular First Mortgages that you are participating in, and will be detailed in each Summary of Mortgage. Generally however, the rate of interest will be approximately 2% pa above the Reserve Bank of Australia's (RBA's) Cash Rate applicable at the time that the First Mortgage is offered.</p>
<p>When is interest paid to me?</p>	<p>Generally, interest is paid to you monthly. However, the timing of interest payments will depend on the First Mortgages that your money is invested in, and will be detailed in each Summary of Mortgage.</p> <p>You can choose to have the interest payments paid directly into your bank account, sent to you by cheque, or reinvested in the Fund.</p>
<p>Who manages the Fund?</p>	<p>The Fund is managed by Ascent Funds Management Limited ABN 40 089 245 330, Australian Financial Services Licence (AFSL) No. 234 763.</p>
<p>Who can invest?</p>	<p>Anyone can invest in the Fund including individuals over 18 years of age, partnerships, companies, superannuation funds, pension funds, clubs and other non-profit organisations.</p>
<p>What is the minimum and maximum investment?</p>	<p>The minimum investment is \$5,000 (unless otherwise agreed by the Manager). There is no maximum investment limit.</p>
<p>What is the term of my investment?</p>	<p>The length of your investment will vary from between three months and three years and will depend on the term of the First Mortgages in which your money is invested. Once your money is invested in a First Mortgage, it should be regarded as a fixed term investment.</p>
<p>What are the fees?</p>	<p>Fees are generally nil (please see the "Fees and other costs" section on page 9 for further information).</p>
<p>Can I withdraw my money?</p>	<p>Under cooling-off provisions, you can withdraw your investment within 14 days of the Manager receiving your investment application without incurring a withdrawal fee.</p>

INVESTING IN THE FUND

The Ascent First Mortgage Fund ('the Fund') offers you the opportunity to invest in one or more First Mortgages, secured by Real Property throughout Australia. The Fund is tailored towards investors who require higher returns than those offered by term deposits with a short to medium investment timeframe of up to three years. Over time, you can build a diversified portfolio of First Mortgages which meets your medium to long term income requirements.

INVESTMENT OBJECTIVE

The Fund's investment objective is to provide a high-yielding, fixed term investment that delivers regular income.

THE APPLICATION PROCESS

Investment in the Fund is a two-stage process.

Stage 1

Stage 1 involves completing the Application Form at the rear of this PDS and forwarding it to us with a cheque for the amount of your investment.

The minimum investment in the Fund is \$5,000 and thereafter in \$1,000 increments. There is no maximum investment amount.

At this time, we deposit your investment monies in the Fund's Trust Account, where it earns interest at a rate of 0.5% pa below the RBA Cash Rate. This interest is calculated daily and:

- paid monthly into the bank account of your choice, or
- reinvested in the Fund, within two business days of the end of each month.

Stage 2

Stage 2 involves us offering you a First Mortgage in which to participate.

First Mortgages are approved by us, based on our lending criteria (please see the "Lending criteria" section on page 5). We will then place your money in the next available First Mortgage. Placement is on a first in, first out basis from monies held in the Fund's Trust Account.

Once the First Mortgage has settled (that is, money has been advanced to the borrower), you will be sent a Summary of Mortgage for each First Mortgage in which your money has been invested. The Summary of Mortgage details essential terms of the First Mortgage, including:

- the name and address of the borrower
- total money advanced
- amount of money contributed by you
- due date for repayment of the First Mortgage
- interest rate and due dates for payment of interest
- address and value of the secured property, and
- details of the insurance cover on the secured property.

Upon you receiving the Summary of Mortgage, the investment is deemed to be approved by you for the term of the First Mortgage, unless you advise us that you do not wish to participate in the First Mortgage within 14 days (please see the "Withdrawal of money" section on page 7).

INTEREST RATES AND INCOME PAYMENTS

Interest rates are negotiated by the Manager with each borrower prior to the approval of the First Mortgage.

The interest rate you receive for your investment depends entirely on the terms of the First Mortgage in which you invest, and is detailed in your Summary of Mortgage. Generally however, the rate of interest will be approximately 2% pa above the RBA Cash Rate applicable at the time that the First Mortgage is offered.

The rate may be fixed or variable, depending on the terms of the First Mortgage.

INVESTING IN THE FUND CONT.

INTEREST RATES AND INCOME PAYMENTS CONT.

Where interest is payable:

- monthly, borrowers must pay interest to the Manager on or before 15th day of each month
- quarterly, borrowers must pay interest to the Manager on or before the 15th day of February, May, August and November
- in advance for the term of the First Mortgage, borrowers must pay interest to the Manager on the settlement of the First Mortgage.

Interest is then paid to you by direct debit into your nominated bank account or by cheque within 10 business days of the interest payment dates.

Where borrowers do not pay interest on the interest payment date, interest will be paid within two business days of receipt of cleared funds from the borrower. Where the default is not corrected within seven business days, penalty interest is charged to the borrower. **The default interest rate is detailed in your Summary of Mortgage, and is usually 4% pa higher than the normal rate of interest. Upon collection from the borrower, the default interest is paid to you.**

TERM OF YOUR INVESTMENT

The term of your investment will depend upon the term of the First Mortgage in which you have invested. This will be somewhere between three months and three years.

During the month before the First Mortgage becomes due, the Manager will contact the borrower to arrange repayment of the First Mortgage.

If the First Mortgage is to be repaid, we will notify you within two business days of the repayment taking place. The amount that you have contributed to that First Mortgage will be returned to the Fund's Trust Account. You may:

- withdraw this money from the Fund, or
- leave it in the Fund's Trust Account pending allocation to the next available First Mortgage.

The Manager is authorised on your behalf to negotiate an extension in the term of a First Mortgage, an increase in monies advanced or other variations.

If the borrower wants to extend the term of the First Mortgage, we will provide you with a new Summary of Mortgage. You will be given 14 days to decide if you do not wish to participate in that renegotiated First Mortgage. Otherwise, your money will remain invested according to the terms contained in the new Summary of Mortgage.

EARLY REPAYMENT OF FIRST MORTGAGE

If a borrower repays all or part of a First Mortgage at any time, they will be required to pay the early repayment penalty as specified in the Summary of Mortgage.

HOW TO INVEST

Applications to invest may only proceed on an Application Form contained in the rear of this PDS (please see the "How to invest" section on page 12).

INVESTMENT PROFILE

LENDING CRITERIA

The criteria upon which the Manager lends your money to borrowers is set by the Manager's AFSL, the Fund's Constitution and other parameters as determined by the Manager.

The lending criteria set by the Manager's AFSL and the Fund's Constitution are:

- First Mortgages must be secured by Real Property
- the maximum loan to valuation ratio is
 - two-thirds of the valuation of the secured property, or
 - where the First Mortgage is secured in full by a person authorised to insure First Mortgages under a relevant state or territory law, three quarters of the valuation of the secured property
- the minimum term is three months and the maximum term is three years, however, First Mortgages may be extended at the end of the term for a further period upon receipt of a new valuation.

Other parameters that the Manager currently includes in its lending criteria are as follows:

- the maximum First Mortgage amount is \$2.5 million
- borrowers are required to provide evidence of their ability to service the proposed First Mortgage facility
- replacement insurance is required.

These parameters vary from time to time depending on the Manager's views as to market conditions, property market cycles and other micro and macroeconomic conditions. They may be changed by the Manager without providing notification to you.

For further information on the Fund's lending criteria, please contact the Manager.

SUITABLE SECURITY

Real Property that the Manager considers to be suitable security for First Mortgages is non-specialised residential, commercial and industrial properties situated in Melbourne, Sydney, Brisbane or other major regional centres with a population of more than 25,000 people in Victoria, New South Wales and Queensland. Specialised freehold real estate security such as hotels, motels, reception centre and child care centres may be considered by the Manager on a case by case basis. Rural land, broad acre subdivisional land and "progress payment" construction First Mortgages are considered unsuitable security.

Depending on the Manager's views as to market conditions, property market cycles and various other conditions, these parameters vary from time to time. They may be changed by the Manager without providing notification to you.

For further information on the Manager's view as to what constitutes suitable security, please contact the Manager.

SETTLEMENT OF FIRST MORTGAGES

Before settling First Mortgages and lending money to borrowers, the Manager:

- instructs a suitably certified valuer to conduct a valuation of the property which the borrower proposes to use as security for the First Mortgage. The valuer's report will cover the marketability of the property and any known matters which could affect the value of the property including title particulars, land description, local authority zoning and all restrictions, site details, improvement description, general comments, sales evidence, rental valuation, insurance value and a break up of land and improvement values. Valuers must adhere to the Mortgage Valuation Standard for both residential and commercial properties as set out by the Australian Property Institute.
- receives an appropriate certificate of currency of insurance from an acceptable insurance company in respect of buildings or improvements on a property which are to secure a First Mortgage. The certificate of currency must note the interest of the Manager.
- must be satisfied of a borrower's ability to abide by the terms and conditions of the First Mortgage. The Manager assesses evidence of income provided by the intending borrower, bankruptcy or company searches of the borrower (as the case may be) and the valuation report obtained by the Manager.

PROPERTY REVALUATIONS

The Manager will have mortgaged property revalued whenever the Manager considers that a significant change may have occurred in the property's value, and at any other time it considers it to be in the best interests of investors.

MANAGING DEFAULTS

If a borrower fails to pay interest on the due date or another default occurs, investors are notified of the default and the proposed action to be taken by the Manager.

Where the default is not corrected within 7 days, penalty interest is charged to the borrower.

If the borrower does not pay the penalty interest, the Manager will instruct solicitors to take appropriate legal action to enforce the mortgage. This may include seeking a Court Order for possession of the property and the subsequent sale of the property to recover investors' money and penalty interest.

RISKS

A degree of risk applies to all types of investments. As investing in First Mortgages involves exposing your investment to a range of risks it is important that you understand:

- the risks involved in investing in First Mortgages;
- how these risks compare with the risks of other investments;
- how comfortable you are in exposing your investment to risk; and
- the extent to which First Mortgages fit into your overall financial plan.

Careful consideration should be given to the following risk factors, as well as other information in this PDS.

RISK FACTORS AFFECTING THE FUND

• **Market risk**

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 First Mortgage if a default occurs. We aim to manage this risk by using highly experienced staff who closely monitor the ongoing First Mortgage portfolio to ensure continued compliance with our lending criteria. It is also managed within the First Mortgage approval process when the maximum loan valuation ratio is determined.

• **Liquidity risk**

Liquidity risk is the risk that First Mortgages are not actively traded and therefore may not be readily convertible to cash without some loss of capital through early repayment fees.

• **Investment manager risk**

Investment manager risk exists in all managed investments and refers to the possibility, amongst other things, that the Manager may fail to anticipate market movements or manage investment risks.

• **Diversification risk**

Diversification risk is the risk that First Mortgages approved by you may not be sufficiently diversified.

• **Credit risk**

Credit risk is the risk that a borrower or a guarantor to a First Mortgage may not meet their obligations in full and/or on time to pay interest and repay principal or other financial obligations.

• **Documentation risk**

Documentation risk is the risk that a deficiency in documentation could, in certain circumstances, adversely affect the return on an investment. We minimise this risk by ensuring that we only deal with independent valuers and solicitors that have adequate professional indemnity insurance.

• **Economic risk**

Economic risk is the risk that a downturn in general economic conditions either inside or outside Australia may adversely affect investments.

• **Income risk**

Income risk is the risk that rising interest rates will result in a fixed level of income paid to you during the term of the First Mortgage being less than if you had invested with a variable interest rate. We manage this risk by including a right to increase the interest rate in most First Mortgages.

• **Regulatory risk**

Regulatory risk is the risk that the value of some investments may be adversely affected by changes in government policies, regulations and taxation laws. These are not factors that we are able to influence.

RISK MANAGEMENT STRATEGIES

The Manager has established and applies the following risk management strategies to help alleviate many of the risks outlined previously:

- day to day management of the Fund is undertaken by appropriately trained and experienced staff
- using only certified valuers to value property which is to secure a First Mortgage
- maximum First Mortgage terms of three years
- prudent loan to valuation ration policies
- appropriate insurance for any buildings or improvements on a property which is to secure a First Mortgage
- the Manager's interest as mortgagee is noted on any insurance policy
- timely responses to any defaults.

These risk management strategies assist in reducing risks to capital and income loss but do not completely remove the possibility of loss.

OTHER INFORMATION

THE FUND

The Ascent First Mortgage Fund is a registered managed investment scheme ARSN 091 921 827.

THE RESPONSIBLE ENTITY AND MANAGER

The Fund's Responsible Entity and Manager is Ascent Funds Management Limited ABN 40 089 245 330, AFSL No. 234 763.

The Manager's Directors possess a variety of relevant skills and experience to oversee the performance of the Fund. The Directors are:

Michael Quinert
Bachelor of Laws, Bachelor of Economics

Michael graduated with a Bachelor of Economics and Bachelor of Laws at Monash University in 1984 and 1985 respectively.

Having been admitted to practice in 1986, Michael spent three years in private commercial practice before joining the legal team at the Melbourne Stock Exchange. In 1989, Michael joined the law firm Donovan & Howard, which consequently merged with Oakley Thompson & Co. in 1991.

Michael has been providing commercial legal advice for publicly listed companies and private corporate clients for over 20 years. He has had extensive experience with corporate and commercial matters including capital raising, acquisitions, corporate reconstruction, corporate governance and director's duties.

Malcolm Burrell
Master of Laws (London School of Economics and Political Science), Bachelor of Laws, Bachelor of Jurisprudence

Malcolm Burrell graduated in 1980 with a Bachelor of Laws and a Bachelor of Jurisprudence at Monash University. Malcolm also obtained a Master of Laws at the London School of Economics and Science in 1985 and is currently a member of the Property Law section of the Law Institute of Victoria.

Malcolm initially spent three years with Warren Graham Murphy at Bairnsdale practicing in the areas of probate and estate planning before commencing further studies in London to complete his Master of Laws. He then worked for some years in the area of family law before concentrating on the areas of wills and probate, deceased estate litigation, estate planning and trust law.

Robert John Smith

John Smith has over sixteen years direct experience in managing mortgage funds such as the one offered under this PDS. As Executive Director of the Ascent First Mortgage Fund, he is responsible for all matters relating to the day-to-day running and management of the Fund, including supervising applications and loan settlements.

Prior to that time, his professional life has involved working for several leading finance and banking groups in senior management positions.

David Rodda
Bachelor of Laws, Bachelor of Arts

David Rodda graduated with a Bachelor of Laws and a Bachelor of Arts in 1988 at Melbourne University and was admitted to practice in 1992.

Since joining Oakley Thompson & Co. in 1991, David has gained extensive experience in the area of commercial law, with an emphasis on Managed Investment Act Schemes, commercial leasing, franchising, corporate governance, Corporations Act compliance, intellectual property and information technology law.

CONSIDERATION OF LABOUR STANDARDS OR ENVIRONMENTAL, SOCIAL OR ETHICAL ISSUES

The Manager does not take into account labour standards or environmental, social or ethical issues for the purpose of selecting, retaining or realising interests in the Fund.

COOLING-OFF PERIOD

A 14 day statutory cooling-off period applies to any investment in the Fund. You may cancel your investment within 14 days of investing in the Fund by notifying the Manager in writing. No withdrawal fees apply in the event that money is withdrawn during the statutory cooling-off period.

WITHDRAWAL OF MONEY

Investor money held in the Fund's Trust Account may be withdrawn at any time at no charge.

Once money is invested in a First Mortgage and 14 days have passed, each investment should be considered as a fixed term investment for the term detailed in the Summary of Mortgage.

OTHER INFORMATION CONT.

WITHDRAWAL OF MONEY CONT.

If you need to withdraw your money prior to the end of the term of the First Mortgage in which your money is invested, you should write to the Manager. The Manager will endeavour to withdraw your money before the end of the term of the First Mortgage by replacing your money with another investor's money. However, the Manager cannot guarantee this and is under no obligation to do so.

You may be liable for costs associated with the withdrawal of money including any interest adjustment made by the Manager as a consequence of finding a replacement investor. A withdrawal fee of \$150 may also be charged.

NET TANGIBLE ASSETS

As at the date of this PDS, the Manager meets the net tangible assets requirements stipulated by ASIC for licences of this type.

ELECTRONIC PDS

This PDS may be accessed electronically at www.ascentfin.com.au

Any person reviewing the PDS electronically may request a paper copy of the PDS (and attached Application Form) from the Manager free of charge. The Application Form may only be distributed attached to a complete and unaltered copy of the PDS or Supplementary PDS.

PRIVACY

The Manager takes your privacy seriously. Information collected by us will be used to record your investments with us, to enable us to communicate with you and to pay interest to you. We take reasonable measures to ensure the confidentiality and security of your personal information. You may request us to tell you what personal information we hold about you and to correct any errors.

TAX FILE NUMBERS

Collection of Tax File Numbers (TFNs) is authorised and their use and disclosure are strictly regulated by tax law and the Privacy Act. Quotation is not compulsory, but tax may be taken out of your interest income if you do not quote your TFN or claim an exemption. If you quote your TFN or claim an exemption this will automatically be applied to future investments in the Fund unless, at the time of making the future investment, you state or include an alternative TFN or exemption claim, or state that you do not wish to quote a TFN or to claim a previously claimed exemption.

For existing investors not wanting their previously quoted TFN or exemption claim to be re-used in respect of an Application made on the attached form, please insert an alternate TFN or exemption category or write "not quoted".

For information about the use of TFNs or exemptions, please phone the Australian Taxation Office.

COMPLAINTS

The Fund's Constitution establishes a procedure to resolve in good faith any complaints by investors.

Initial complaints should be directed in writing to the Complaints Officer as follows:

Mr Malcolm Burrell
The Complaints Officer
Ascent First Mortgage Fund
Level 19, 500 Collins Street
Melbourne VIC 3000

We will endeavour to respond to your complaint within 28 days.

The Manager is also a member of the Financial Industry Complaints Service Limited, an external complaints resolution scheme. If you are dissatisfied with our response to your complaint, you may address your complaints to:

Financial Industry Complaints Service Limited
PO Box 579
Melbourne VIC 8008
Freecall: 1300 78 08 08

DOCUMENTS AVAILABLE FOR INSPECTION

The Manager is required to operate within the strict investment requirements detailed in this PDS, the Fund's Constitution and the Corporations Act.

Copies of the Manager's AFSL, the Fund's Constitution and the Manager's Compliance Plan are available for inspection at the office of the Manager during ordinary business hours. These documents articulate the rights of investors and the terms and conditions of investment.

The Fund's financial accounts and statements are audited twice each year by an independent auditor and may be inspected at the office of the Manager. A compliance audit is conducted annually by a different independent auditor and may be inspected at the office of the Manager.

FEES AND OTHER COSTS

CONSUMER ADVISORY WARNING

The warning below is required by law. The fees and other costs associated with investing in the Fund are described in this section.

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 management 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.

This section of the PDS shows fees and other costs that you may be charged. These fees and costs may be deducted from your money or from the returns on your investment or from the Fund's assets as a whole. Taxes are outlined in another section of this PDS. You should read all of the information about fees and charges, as 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.	Nil.	Not applicable.
Withdrawal fee: The fee on each amount you take out of your investment.	Nil. Except in the case where you withdraw your funds prior to the term of the investment. Early withdrawal is only allowed at the Manager's discretion and if allowed you may be charged a fee of \$150 inclusive of GST. ¹	Payable upon early withdrawal of investment money and is deducted from the amount to be withdrawn.
Termination fee: The fee to close your investment.	Nil.	Not applicable.
Management Costs:		
The fees and costs for managing your investment.	Nil. Please refer to the "Additional explanation information of fees and costs" on page 10 for information about fees payable by borrowers.	Not applicable.
Service Fees:		
Investment switching fee: The fee for changing investment options.	Nil.	Not applicable.

¹ You may also be liable for costs associated with any interest adjustment made by the Manager as a consequence of finding a replacement investor.

FEES AND OTHER COSTS CONT.

ADDITIONAL EXPLANATION OF FEES AND COSTS

Management costs – expense recoveries

Under the Constitution, the Manager is entitled to recover all expenses incurred in the proper performance of its duties in respect of the Fund. They may include such things as the management fee, normal operating expenses, and abnormal expenses. The Manager will pay these expenses out of its own funds and provide 30 days notice of any change to this arrangement.

Taxation

Please refer to the “Taxation” section on page 11.

If the Manager is required to pay GST on the supply of any goods or services made in connection with the Fund or in relation to its fees or expenses, it may recover an amount equal to the GST from the assets of the Fund to the extent allowable under the Constitution.

Borrowers’ fees

The Manager is entitled to fees payable by a borrower. These fees will vary from case to case.

Commissions

Commission may on occasion be paid to outside parties for the referral of subsequent investors. This fee will be up to 0.25% of the amount invested. For example, the commission on a \$5,000 investment may be up to \$12.50. These commissions are paid by the Manager out of its own resources and are not charged to investors.

EXAMPLE OF ANNUAL FEES AND COSTS FOR THE FUND

The table below gives an example of how fees and costs in the Fund can affect your investment over a one year period assuming a \$50,000 investment. You should use this table to compare this product with other managed investment products.

	Amount	Dollar value
Contribution fee	Nil.	For every \$50,000 you put in, you will not be charged a contribution fee.
Plus Management Costs	Nil.	And, for every \$50,000 you have in the Fund you will be not be charged with management costs.
Equals Cost of the Fund		If you had an investment of \$50,000 at the beginning of the year, you will be charged fees of: Nil. ²

² Additional fees may apply: an early withdrawal fee of \$150 is payable in the case where you withdraw your funds prior to the term of the investment, and you may also be liable for costs associated with any interest adjustment made by the Manager as a consequence of finding a replacement investor.

TAXATION

The Australian taxation consequences of any investment in the Fund will depend upon an investor's particular circumstances. Generally for investors who are Australian residents, all income will form part of their assessable taxable income.

Tax is not generally paid or deducted from an investor by the Fund's Manager, where the investor quotes a Tax File Number (TFN). If a TFN is not quoted, the Manager will deduct tax at the highest marginal rate of tax (currently 48.5%) from the income earned and such tax is remitted to the Australian Taxation Office with the net income paid or credited to the investor. Any tax deducted is available as a credit in the investor's income tax return for the respective year.

Generally for investors who are Australian taxation non-residents, all income (interest) received will be subject to Australian withholding tax at a rate of 10%. The Manager will deduct the tax from the income earned and remit it to the Australian Taxation Office with the net income paid or credited to investors. Income which has been subject to withholding tax is excluded from the Australian assessable taxable income of non-resident investors.

It is an obligation of investors to make their own enquiries concerning the taxation consequences of an investment in the Fund. If in doubt as to taxation matters, investors should consult their own financial adviser or accountant before investing in the Fund.

DEFINITIONS

ABN	Australian Business Number
ARSN	Australian Registered Scheme Number. The ARSN is a unique identifier issued to managed investment schemes by ASIC
ASIC	Australian Securities and Investments Commission
Application	an application for an investment in the Fund under this PDS
Application Form	the application form(s) attached to this PDS
Ascent	Ascent Funds Management Limited ABN 40 089 245 330 AFSL No. 234 763
Constitution	the constitution of the Fund (as amended from time to time) which has been lodged with ASIC
Corporations Act	The Corporations Act 2001 (Cth) as amended and associated regulations
First Mortgage	money or monies advanced to a borrower in the form of a loan, with Real Property pledged as security for the repayment of the loan
Fund	The Ascent First Mortgage Fund ARSN 091 921 827
Manager	Ascent Funds Management Limited ABN 40 089 245 330 AFSL No. 234 763
PDS	this Product Disclosure Statement dated 20 October 2006, as modified or varied by any supplementary PDS made by the Fund and lodged with ASIC from time to time and any electronic copy of this PDS, and any supplementary PDS
RBA	the Reserve Bank of Australia
RBA Cash Rate	the RBA official rate of interest
Real Property	land or real estate pledged as security for the loan
Responsible Entity	Ascent Funds Management Limited ABN 40 089 245 330 AFSL No. 234 763
Secured Property	the real property over which a First Mortgage is registered to secure the advance made pursuant to the First Mortgage
Summary of Mortgage	the formal correspondence issued by the Manager that sets out in summary format the key particulars of the First Mortgage that an investor has invested in
Trust Account	the Fund's interest bearing account held with an Australian bank

HOW TO INVEST

Please read the PDS before completing the application form on the following pages.

Complete all relevant sections of the application form using BLOCK LETTERS. Any changes to the form will render the form invalid. Further particulars and the correct forms of registrable names to use on the application form are shown on the next page. If you have any questions concerning any part of the application form please call **(03) 8676 0244**.

STEPS TO COMPLETE

1. Insert the amount that you wish to invest in the Fund. The minimum investment in the Fund is \$5,000 and thereafter in \$1,000 increments. There is no maximum investment amount.

Complete the cheque details as requested. Your cheque must be in Australian currency drawn on an Australian bank. Your cheque must be crossed "Not Negotiable".

Make your cheque payable to "Ascent First Mortgage Fund".

Cheques will be deposited on the day of receipt. Sufficient cleared funds should be held in your account, as cheques returned unpaid will result in your application being rejected. Attach your cheque to the application form.

2. Write the full name of the applicant. This must be either your own name or the name of a company. Up to three joint applicants may invest. Applications using the wrong form of name will be rejected. Natural person applicants must be at least 18 years of age.
3. Enter your postal address for all correspondence. All communication to you from Ascent will be mailed to the person(s) and address as shown. For joint applicants only one address can be entered. Company investors, please provide a contact name.

4. Enter your telephone number(s), area code and contact name in case we need to contact you in relation to your application.
5. Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFNs is authorised by taxation law. Quotation of your TFN is not compulsory and will not affect your application, however if you do not quote your TFN, tax will be deducted from your distributions at the top marginal tax rate plus the Medicare levy.
6. Indicate whether you would like the interest from your funds held in our Trust Account, and the interest from your First Mortgages, to be reinvested or paid into an account of your choice. If you want interest to be paid into a bank account, please provide details.
7. Sign the application form. It must be signed by the applicant(s) personally or, for a company, by the sole director/ secretary, two directors or a director and secretary, or in either case, by an attorney. If your application form is signed by an attorney, the power of attorney is required to be lodged. Joint applicants must each sign the application form.
8. Send your completed application form together with your cheque (either delivered or mailed) to:

The Manager
Ascent First Mortgage Fund
Level 19, 500 Collins Street
Melbourne VIC 3000

APPLICATION FORM

PRODUCT DISCLOSURE STATEMENT DATED 20 OCTOBER 2006

A. Application amount

I/We lodge full application money of:

AUD\$, , .00

Minimum application amount is \$5,000 followed by increments of \$1,000 unless the Manager agrees otherwise.

B. Full name of applicant(s)

Mr Mrs Ms Miss Applicant 1—Given Name(s) or Company Name Surname

<input type="text"/>	<input type="text"/>
----------------------	----------------------

Mr Mrs Ms Miss Joint Applicant 2—Given Name(s) or Company Name Surname

<input type="text"/>	<input type="text"/>
----------------------	----------------------

Mr Mrs Ms Miss Joint Applicant 3—Given Name(s) or Company Name Surname

<input type="text"/>	<input type="text"/>
----------------------	----------------------

Trust / Superannuation Fund

<input type="text"/>

C. Tax file number or exemption code

Applicant 1

<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------

Company

<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------

Joint Applicant 2

<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------

Trust / Superannuation Fund

<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------

Joint Applicant 3

<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------

D. Postal address

Number and Street

<input type="text"/>

Suburb/City or Town

<input type="text"/>

State

<input type="text"/>

Postcode

<input type="text"/>

Home Telephone

()

Work Telephone

()

Contact Name

<input type="text"/>

Email

<input type="text"/>

E. Cheque details

Important—Please make cheques payable to 'Ascent First Mortgage Fund' and crossed 'not negotiable'. Send your cheque to 'The Manager, Ascent First Mortgage Fund, Level 19, 500 Collins Street, Melbourne, Victoria 3000' together with this application form.

Drawer

<input type="text"/>

Bank

<input type="text"/>

Branch

<input type="text"/>

\$

<input type="text"/>

<input type="text"/>

<input type="text"/>

<input type="text"/>

<input type="text"/>

<input type="text"/>

<input type="text"/>

<input type="text"/>

<input type="text"/>

Total must equal amount in AUD			\$
---------------------------------------	--	--	----

Please turn over

F. Interest payment options

Interest from First Mortgages to be (please tick):

reinvested, or

paid back to the bank account detailed below

Interest from the Fund's Trust Account to be (please tick):

reinvested, or

paid back to the bank account detailed below

You can change these directions at any time by notice in writing to the Manager.

If you do not make a selection, your interest will be reinvested.

Please pay interest into the following bank account:

Bank Name

BSB Number

--	--

Account Name

Account Number

--	--

H. Declaration and signing

By lodging this application form, you agree:

- you have read the PDS to which this application form is attached;
- by signing this form, you will be bound by the Constitution of the Fund; and
- we may accept or reject this application in whole or in part.

Further, by lodging this application form, you acknowledge:

- you have had the opportunity to seek independent professional advice regarding the legal, tax and financial implications of subscribing to the Fund;
- you have not relied on any statements or representations made by anybody (including Ascent or its officers, employees or agents) prior to applying, other than those representations made in this PDS; and
- you have made an offer to become an Investor in the Fund and that offer cannot be revoked.

By lodging this application form, you also represent and warrant that you are in compliance with all laws of jurisdictions outside the Commonwealth of Australia relevant to this application, and you are not a foreign investor.

Individual or joint applicants:

Signature of Applicant 1

Signature of Applicant 2

Signature of Applicant 3

Date

Company applicants:

Common seal (if required)

Signature of Director

Signature of Director / Secretary

IMPORTANT NOTICE

- A person who gives another person access to this application form must, at the same time and by the same means, give the other person access to the PDS.
- You should read the PDS in full before completing this application form because the PDS contains important information about the Fund and investment in the Fund.

Firm's Stamp

APPLICATION FORM

PRODUCT DISCLOSURE STATEMENT DATED 20 OCTOBER 2006

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<input type="text"/>	<input type="text"/>
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<input type="text"/>	<input type="text"/>
----------------------	----------------------

Trust / Superannuation Fund

<input type="text"/>

C. Tax file number or exemption code

Applicant 1

<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------

Company

<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------

Joint Applicant 2

<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------

Trust / Superannuation Fund

<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------

Joint Applicant 3

<input type="text"/>	<input type="text"/>	<input type="text"/>
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Number and Street

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<input type="text"/>

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<input type="text"/>

Postcode

<input type="text"/>

Home Telephone

()

Work Telephone

()

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<input type="text"/>

<input type="text"/>

Total must equal amount in AUD			\$
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Date

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Firm's Stamp



Ascent Funds Management Limited

Level 19, 500 Collins Street
Melbourne Victoria 3000

T: 03 86 76 0244
F: 03 8676 0275

E: enquiries@ascentfin.com.au
W: www.ascentfin.com.au