



## VALUATION POLICY

This valuation Policy of Sydney Wyde Mortgage Management Limited AFSL 245506, ACL 245506 applies in respect of each of:

- The *Sydney Wyde Mortgage Fund* ARSN 108 342 123 (**SWM Syndicate Fund**); and
- The *SWIMM Pooled Mortgage Fund* ARSN 090 880 890 (**SWM Pooled Fund**)

referred to in this policy as the **Funds**.

The valuation policy is the same for each of the above Funds unless the policy expressly states that it applies to one only of the Funds.

### INTRODUCTION

#### Purpose of Valuations

Valuations of any property that forms security for mortgage investments made by the Funds are obtained by Sydney Wyde Mortgage Management Limited (**Sydney Wyde**), as responsible entity of each of the Funds, at various times to determine the loan to valuation ratio (**LVR**) and the fair market value of security property for the purpose of Sydney Wyde exercising enforcement rights.

#### Objective of the Policy

Robust and objective valuations are needed to ensure that a scheme's financial position is correctly stated. It is important for investor confidence that suitably qualified independent experts perform the valuations, and that the process is transparent. The development of and adherence to a formal valuation policy assists in addressing the risk that the valuations that schemes rely on are carried out on a variety of bases, with differing assumptions and instructions. These valuations are fundamental to determining how much the scheme may lend.

The objective of this valuation policy is to ensure that a consistent framework is applied by Sydney Wyde to security property valuations from which all stakeholders can reference and have confidence in the process.





## Scope

The valuation policy applies to all properties that are provided by a borrower as security for a mortgage investment made by the SWM Pooled Fund or, in the case of the SWM Syndicate Fund through the Fund to a Mortgage Syndicate. It is part of the overall lending policy adopted by Sydney Wyde and must be read and applied in the context of the Constitution for each the Fund, the Compliance Plan for each Fund, the *Corporations Act 2001* and ASIC policy, particularly the benchmark and disclosure principles requirements in ASIC Regulatory Guide 45: *Mortgage schemes: Improving disclosure for retail investors*. If inconsistencies or conflicting requirements arise, the relevant Fund's Constitution and its Compliance Plan take precedence over this valuation policy.

## POLICY

### Requirement for a valuation

The lending policy of Sydney Wyde for the Funds includes a requirement that all loans made by the Fund are secured by a first or by a second mortgage, to a maximum loan to valuation ratio or **LVR**, as described below.

It is central to the lending policy and the LVR requirements that a valuation of the security property is obtained. Accordingly, a valuation from a panel valuer is required in all cases. Valuations submitted by borrowers will not be accepted.

### Basis of valuations

All valuations must be on an 'as is' value basis. In addition:

- for **residential loans, vacant land and rural properties**, the value is defined as the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.
- for **commercial, industrial and retail properties**, the fundamental method of valuation is the capitalisation of net rentals supported by comparable sales.

The valuation report must contain a statement as to whether the valuation complies with all relevant industry standards and codes.

### Loan to Valuation Ratios

It is the policy of Sydney Wyde that:

- the amount of the loan for a first Mortgage Investment will not exceed 66.66% of the valuation of the security property
- in the case of a second mortgage, the amount of the loan must not, when aggregated with the amount secured under a prior or equal ranking mortgage, exceed 80.0% of the valuation.

For a loan made through the SWM Syndicate Fund, the Syndicate SPDS will disclose the LVR applicable to the relevant Mortgage Investment.



## **Maintenance of Panel of Valuers**

Sydney Wyde maintains a panel of valuers who are proven to be independent, experienced and qualified to perform valuations on property of the nature and in the location of that which is to be provided by a borrower as security for a loan made by or through the Fund.

Each panel valuer must:

- be properly qualified, licensed and have at least 5 years' experience in valuing properties for mortgage purposes
- be a member of an appropriate professional body in the State or Territory in which the security property is located
- supply a curriculum vitae or resumé of their experience and confirming their qualifications
- have adequate professional indemnity insurance and provide a copy of a certificate of current insurance, as described further below. They must also produce details of any exclusions or prudent lender clauses in the policies
- be independent, including that they must have no pecuniary interest in the Fund or an asset of the Fund or a material personal interest in Sydney Wyde.

The professional indemnity insurance must extend to providing a valuation for the purpose of the loan made by or through the Fund, unless the Lending Committee waives this requirement and, in the case of a loan made through the SWM Syndicate Fund, discloses that waiver in the relevant Syndicate SPDS, so that each Member of the Syndicate also agrees to waive this requirement, in writing, before the loan is made, by signing the application form that is attached to that Syndicate SPDS.

Upon providing this information the valuer is assessed by the Board as complying with these requirements and is offered a place on the panel of valuers.

A separate file of valuers is maintained by Sydney Wyde containing details of each individual valuer appointed to the panel and updated and maintained by adequately experienced staff.

At the expiration of the period of currency of the insurance, a current certificate of currency will be required for the valuer to remain on the panel.

Panel valuers are advised that any changes to professional indemnity insurance including exclusions and prudent lender clauses must be provided to Sydney Wyde, and all written instructions issued to valuers remind them of this obligation.

The Compliance Officer of Sydney Wyde is responsible for maintaining the register, following up valuers for copies of their renewed PI insurance policies and notifying valuers if they have been removed from the panel for non-compliance.

## **Rotation and diversity of Panel Valuers**

It is the policy of Sydney Wyde that it will use reasonable endeavours to ensure that in respect of each Fund:

- no one valuer may give more than 3 consecutive valuations of the one security property for a Fund
- no one valuer may provide more than 50% of the current valuations relied upon by the relevant Fund, by number or by value.



These policies recognise that it may not be possible at any particular time to achieve the preferred position as to diversity and rotation of valuers in light of the overriding requirements that the valuation meets the competency, independence, and professional indemnity insurance criteria adopted by Sydney Wyde, as well as the ability of Sydney Wyde to rely on the valuation as having been provided for the purpose of the loan.

A valuation register of scheme assets is updated and maintained to enable the monitoring of the extent to which the preferred positions under these policies are being met at any given time.

### **Managing any conflict of interest**

If a conflict of interest arises or a potential conflict identified in the course of an engagement of a valuer or its undertaking of a valuation, it will be managed in accordance with the procedures adopted by Sydney Wyde as documented in the Conflicts of Interest Policy that Sydney Wyde has adopted.

### **Instruction of Panel Valuers**

Upon receipt of a mortgage proposal which satisfies the lending policy for the relevant Fund an offer of finance is made to the borrowers subject to payment of the valuation fee and a valuation obtained from a Fund panel valuer. The valuation report must be made for mortgage purposes, confirm the value of the property and refer to a recommendation of the security as suitable security for mortgage purposes. In determining the value of the property it must be on an 'as-is' basis, and not valued on the basis of projected realisation, using accepted valuing industry practices and methodology. The valuation report must set out the valuation methodology used.

A panel valuer, who must be a member of an appropriate professional body in the jurisdiction in which the security property is situated, will be chosen based on the location of the property to be valued in relation to the area in which that valuer works, their availability and the number/value of the previous valuations undertaken by the valuer firm. The valuer should include a statement in their valuation report on whether the valuation complies with all relevant industry standards and codes.

In arriving at their opinion of value the panel valuer is instructed to address several issues as set out in the letter of valuation instruction. All valuations from panel valuers must be under instructions from Sydney Wyde as the responsible entity for the relevant Fund. Instructions in writing may be made by Sydney Wyde, or by a panel solicitor acting on behalf of Sydney Wyde.

### **Reliance on Valuation report**

The valuation is valid for 3 months after the date of the report so all settlements must occur within 3 months after the valuation date so it can be relied upon. It is Sydney Wyde's policy to monitor all assets securing loans in the portfolio.

### **Requirement for an updated valuation**

A further valuation of the property must be obtained by Sydney Wyde before the term of the loan is extended or the loan is rolled over.

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It is not the current position that the mortgage security documents for either Fund contain a provision that covenant that the borrower may be in default if the LVR falls below a stated level. If, in the future there were to be such a provision, the policy of Sydney Wyde is that a further independent valuation must be obtained within 2 months after the Board forms the view that there is a likelihood that a decrease in the value of the security property may have caused a material breach of the loan covenant (if a clause requiring a particular level of LVR is contained in the mortgage documents).



The Managing Director has the responsibility to monitor the movement of real property values in specific and general property locations and security types.

### **Monitoring and compliance**

The Compliance Officer has the responsibility for monitoring the compliance of Sydney Wyde with this policy. The Compliance Officer must report to the Board of Sydney Wyde at least quarterly as to compliance and at such other times as may be necessary for the purpose of ensuring the continued accuracy of any information as to valuations provided in updates of the ASIC Benchmark and Disclosure Principles Report issued for each of the Funds for the purpose of RG 45.

### **Adoption and review of policy**

This valuation policy was first adopted by the Board of Sydney Wyde in February 2004.

The policy is to be reviewed by the Compliance Officer not less than every 12 months. The Compliance Officer must consult with the members of the Lending Committee. A report of the review, together with the recommendations, if any, of the Compliance Officer and of any comments of the Lending Committee, must be tabled at the next meeting of the Board of Sydney Wyde held after the report is completed.