# BELL CASH TRUST.

## Benchmark Disclosure

Issued by:
The Trust Company (RE Services) Limited ABN 45 003 278 831
AFSL No. 235150

Administered by:
Bell Potter Capital Limited
ABN 54 085 797 735
AFSL No. 360457

Offered by:
Bell Potter Securities Limited
ABN 25 006 390 772
AFSL No. 243480

Benchmark disclosure
As at 30 June 2020

BELL POTTER

# Benchmark disclosure for retail investors

Up until 2013, Bell Potter Capital raised funds from investors via the issue of secured notes and had available to investors a prospectus which described the secured notes on offer. The prospectus contained information which was required for an issue of secured notes under ASIC's Regulatory Guide 69 "Debentures and notes – Improving disclosure for retail investors" dated February 2012. Under that Regulatory Guide, ASIC identifies eight Benchmarks (of which six are relevant to debenture/ note issues such as those which Bell Potter Capital issued, and the other two are relevant only to property-based note issues) on which all note issuers are required to comment, on an 'if not, why not' basis. This means that Bell Potter Capital, as the note issuer, was required to state either:

1. that it met the benchmark; or
2. that it did not meet the benchmark and explain how and why it deals with the business factor or issue underlying the benchmark in another way.

A full copy of Regulatory Guide 69 can be obtained from the ASIC website www.asic.gov.au. Bell Potter Capital wound up its note issue for retail clients, and from mid-2015 Bell Potter Capital has raised funds via loans made to it from the Bell Cash Trust, a registered managed investment scheme made available to retail clients. The risk profile of the Cash Trust is similar in many respects to the risk profile of our previous note issue – and accordingly we have elected to provide investors in the Cash Trust with the information they would have received pursuant to RG 69 had they invested in the note issue. Please note though that an investment in the Bell Cash Trust is not an investment in secured notes issued by Bell Potter Capital.

Set out below are the six benchmarks relevant to our secured note issue and a summary of Bell Potter Capital's disclosure against benchmarks. Please note that terms used are defined in the PDS available on our website.

We encourage you to discuss these benchmarks with your financial adviser or contact us on 1800 061 327. We do not provide disclosure in relation to the two property related benchmarks "Valuations" and "Lending Principles loan-to-valuation ratios" - as these benchmarks are not relevant to our business. We also encourage investors to consider the ASIC guide entitled "Investing in Unlisted Debentures and Unsecured Notes" which is available from ASIC's MoneySmart website.

| BENCHMARK | DO WE MEET THE BENCHMARK? | EXPLANATION |
|---|---|---|
| **1. EQUITY CAPITAL**<br>Issuers to maintain a minimum of 8% equity, issuers to disclose comparative equity ratio from prior year. | No | If there is less equity invested in the business, there might be no safety margin to tide things over if the business runs into financial difficulties. It could also mean that there is less incentive to operate the business prudently and responsibly because less of its own money is at risk.<br>Using ASIC's definition of equity capital, Bell Potter Capital's level of equity is:<br>Total Equity / (Total Liabilities + Total Equity) = 1.35% equity<br>Bell Potter Capital is required under the Loan Agreement with the Responsible Entity to maintain committed capital of 2% of total tangible assets or $15m, whichever is higher.<br>Bell Potter Capital is also required under its AFSL to maintain NTA of at least $5m. NTA is $6.7m.<br>Committed capital' as defined in the Loan Agreement is not the same as ASIC's definition of 'equity capital' and in particular, committed capital pursuant to the Loan Agreement includes subordinated debt. Currently Bell Financial Group (the listed parent of Bell Potter Capital) has provided a committed subordinated debt facility of $15m and accordingly the level of committed capital is $21.7m. If ASIC's definition of "equity capital" included committed subordinated debt, Bell Potter Capital's level of equity would be 4.28%.<br>In addition, Bell Financial Group has guaranteed the repayment of principal and interest (more details in section 3 below).<br>We consider the level of capital required in our Loan Agreement and our NTA sufficient for the business. The assets of Bell Potter Capital that constitute security for the security interest given in favour of the Responsible Entity are sufficient and are reasonably likely to be sufficient to meet the repayment of all other liabilities that:<br>▪ have been made or incurred; and<br>▪ rank in priority to or equally with that liability. |
| **2. LIQUIDITY**<br>All issuers:<br>1. Have cash flow estimates for next 3 months; and<br>2. Ensure they have on hand cash or cash equivalents to meet projected cash needs for next 3 months | Yes | Liquidity is an important measure of the short-term financial health of a business.<br>If the issuer has insufficient cash or liquid assets, it might be unable to meet its short-term obligations (e.g. to run the business properly, pay interest, or pay investors their money back at the end of the term).<br>The assets supporting the units issued in the Bell Cash Trust are predominantly margin loans, which are repayable on demand and are mostly at-call – thus there is inherent liquidity in the business (i.e. current liabilities [repaying unit holders] are closely matched by our current assets [at-call loans to margin lending clients]).<br>We produce high level cash flow expectations on a monthly basis for the next 2 years, with detailed cashflow measurements produced every day for the following 3 days (to take into account the settlement of trades in the margin lending book).<br>In preparing our forecasts, we assume that the growth in margin loans will be matched by the growth in the Bell Cash Trust. In the event that margin loans grow at a faster rate, Bell Potter Capital has a committed funding line sufficient to meet its forecast requirements.<br>In aggregate, the total cash book exceeds the margin loan book and excess funds are on deposit with major banks.<br>We are, subject to terms and conditions, able to raise funds from the BPMLT. More information is in the Bell Cash Trust PDS.<br>If in aggregate the level of secured loans made by the Bell Cash Trust to Bell Potter Capital on an at call basis over the next three months dropped by 20%, we would have sufficient cash on hand to meet our needs, or could draw down from the BPMLT. |

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|---|---|---|
| **3. ROLLOVERS**<br>All issuers to clearly disclose their approach to rollovers, including what process is followed at the end of the investment term and how they inform those rolling over of any current prospectus and continuous disclosure announcements. | Yes | All funds invested in the Bell Cash Trust are held at call. |
| **4. DEBT MATURITY**<br>All issuers to disclose:<br>a. an analysis of the maturity profile of interest-bearing liabilities<br>b. the interest rate or average interest rates applicable to their debts | Yes | We are required under this benchmark to provide an analysis of the maturity profile of our interest bearing debts and the average interest rate applicable to those debts. As at 30 June 2020, we were only funded by money we raised from the Bell Cash Trust and all interest rates paid on those loans are disclosed on our website. We had no amount drawn the bank facility through Bell Potter Margin Loan Trust (See the Product Disclosure Statement for more information). |
| **5. LOAN PORTFOLIO**<br>Issuers who on-lend funds should disclose the current nature of their loan portfolio, their policies on these issues and explanations about security taken in relation to the loans | Yes | Funds lent to Bell Potter Capital via the Bell Cash Trust are predominantly on-lent to clients as margin loans. All margin loans are made on a secured basis only and Bell Potter Capital holds a mortgage over all the assets used as security for its margin loans. Security for the loans is usually ASX listed Australian shares and managed funds. We do not extend margin loans until we have control of, and good title to, the underlying shares and managed funds.<br>As at 30 June 2020, the total secured loan book $438m. All loans are fully secured by marketable securities.<br>The vast majority secured loans have a maturity of less than 1 year and the bulk are at call and repayable on demand.<br>The interest rates on our margin loans typically vary between 4% and 6% per annum.<br>Loans are extended to clients from across Australia and we also have a small number of clients who reside overseas. The vast majority of our clients have a Bell Potter Securities or independent financial adviser.<br>As at 30 June 2020, there are currently no loans in arrears. No impairment provision has been made and recoverability is monitored and assessed on an ongoing basis.<br>All risk policies are established and governed by the Bell Financial Group Credit Committee which has established a series of limits, including maximum loan size. The Credit Committee regularly reviews concentrated exposures and aggregate exposures to individual stocks.<br>The average gearing of the margin loan book is 21%. The median level of gearing is 28%. We have 3009 active margin lending clients. |

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|---|---|---|
| **5. LOAN PORTFOLIO (CONT.)** | | In aggregate we have lent $52.5m to the top 10 borrowers. Our policy is that no loan should exceed 10% of the total loan book, except with appropriate authorisation. Our largest loan is 2.3% of the total loan book. This loan has been approved in accordance with the Company's lending policy and has operated according to the facility agreement at all times.<br>There are no loans subject to legal proceedings. |
| **6. RELATED PARTY TRANSACTIONS**<br>Issuers to disclose their approach and policies in relation to related party transactions | Yes | The risk with related party transactions is that they may not be made with the same rigour and independence as transactions made on an arm's-length commercial basis. There is a greater risk of the loans defaulting and, therefore, investors' money is at greater risk if:<br>▪ The issuer has a high number of loans to related parties, and<br>▪ The assessment and approval process for these loans is not independent.<br>Bell Potter Capital provides all margin loans on commercial, arm's length terms. We do not extend loans to our parent, nor to any other company in the Bell Financial Group. Some margin loans have been made to senior staff including directors. These loans have all been made on standard commercial terms and are subject to the same risk management scrutiny including impairment assessment as all other loans. In aggregate, we have made 150 loans to staff totaling $10.5m (3.8% of total loan book) and no loans to related entities. |

Note: All information in this table is as at 30 June 2020