

FREQUENTLY ASKED QUESTIONS

Key references

TE – Trustees Executors Limited
FMCA – Financial Markets Conduct Act 2013
FMCR – Financial Markets Conduct Regulations 2014
FMA – Financial Markets Authority
FMO – Fund Managers Otago
KPMG Restructuring Services - KPMG Restructuring Services NZ Limited

Investors

1. What's changing?

FMO were the former managers of three managed investment schemes which comprise:

- Capital Mortgage Income Trust Group Investment Fund ("CMIT");
- NZ Mortgage Income Trust Group Investment Fund ("NZMIT"); and
- NZ Mortgage Income Trust (No 2 Fund) Investment Fund ("NZMIT2") (individually referred to as a "Fund" or collectively referred to as "the Funds").

FMO have been removed as Manager, effective as of 2 November 2020. KPMG Restructuring Services has been appointed as Temporary Managers of the Fund by the FMA, effective as at the same date.

2. How was the change effected?

As the Licensed Supervisor, TE exercised its powers under the FMCA and Trust Deed to remove FMO. TE provided written advice to the FMA, setting out their reasons for removing FMO as manager and, in the best interests of investors, further requested that the FMA appoint a Temporary Manager.

The FMA subsequently appointed KPMG Restructuring Services as the Temporary Manager to manage the process of winding up the Funds.

3. What else will change as a result of FMO's removal as Manager and KPMG Restructuring Services' appointment as Temporary Manager?

KPMG Restructuring Services will continue to progress with the wind up of CMIT and NZMIT. We will be seeking to resolve all residual matters relating to the wind-up of these two funds quickly and efficiently so that investors receive their money as soon as practicable.

With regards to NZMIT2, as a result of the removal of FMO as the manager, the Fund has entered wind up. As a result of this, no further units will be issued to investors, no further redemptions will be made, and regular quarterly distributions of income will no longer be paid. Distributions of the Fund will be made on an interim basis, as funds

become available, before a final distribution is made at the end of the wind up. Distributions will be made to all investors on a pro rata basis. We intend to urgently review the status of the Fund and prepare a wind-up plan that sets out our plan to efficiently wind up the Fund in the best interests of the investors.

4. Who will be affected by this change?

We anticipate that some investors and mortgagors may be affected by the changes. If you fall into one of the categories below, please contact us by telephone or send us an email to discuss your circumstances in more detail:

- borrowers who have pre-approved loans that are not yet drawn;
- investors who have made redemption requests and are waiting on payment;
- potential investors who have applied for units, or otherwise deposited money in anticipation of receiving units in the Fund.

5. I am an investor. Do I need to do anything in relation to this change?

Unless you are an affected person, as set out above, there is nothing that you are required to do. Once we have reviewed all information relating to the Funds, we will develop a plan for administering the wind-up of the Funds and making repayments to investors. If we should require any further information, we will correspond with you through the usual communications channels such as notifications on the website, emails and letters.

In the meantime, please let us know, via telephone or email, of any changes to your personal details and addresses so that we can update our records.

6. Why has TE decided to remove FMO as Manager of the three funds it manages?

As the Licensed Supervisor, TE had been concerned with the performance of FMO in their role as Manager of the Funds and raised various breaches with FMO of FMO's obligations under FMCA and the Trust Deeds. TE has worked closely and continuously with FMO's board and management to address these issues, which related to governance, compliance, solvency and regulatory breaches. After careful consideration TE determined that it was in the best interests of investors that FMO be removed as Manager, using its powers under both the Trust Deeds and FMCA.

7. How was FMO in breach of their responsibilities?

The FMCA, the FMCR and the Trust Deed set out a number of obligations required to be fulfilled by the Manager. FMO had failed to comply with their obligations under these.

8. Are there any actions being taken against FMO?

KPMG Restructuring Services have only just taken over as Temporary Manager and we are not in a position to comment on that at this stage.

9. What happens to the funds?

On removal of the Manager, and on appointment of KPMG Restructuring Services as Temporary Manager, the wind-up process will be commenced for NZMIT2 and continue for CMIT and NZMIT.

10. What happens to my money?

As the Funds are in wind-up, we will proceed to realise assets and collect on loans. Funds will be held in trust by TE as custodian until such time that distributions of the Funds to investors can be made.

11. Can I make redemptions?

Under the terms of the Trust Deed of NZMIT2, the removal of FMO automatically results in the Fund entering wind up. From this date, investors will be unable to redeem units. This ensures that all investors will be treated fairly and equally from the date that FMO is removed.

Redemptions relating to requests received before 2 November 2020 will be paid to investors.

12. Will I receive my quarterly distributions?

Under the terms of the Trust Deed of NZMIT2, the removal of FMO automatically results in the Fund entering wind-up. From this date, all quarterly distributions will be suspended. This ensures that all investors will be treated fairly and equally from the date that FMO is removed.

13. Am I going to get my money back?

The amount to be returned to investors will depend on a range of factors, such as the recoverability of loans and the time to complete the wind up. We will endeavour to complete the wind up as efficiently and quickly as we can. We will provide updates on the progress of the wind up in further six-monthly reporting to investors.

14. When will I get my money?

Interim distributions of the Funds will be paid to investors throughout the course of the wind-up, based on amount of funds held, expected future cashflows, and the timeframe from the last distribution.

In respect of all three Funds, a final distribution will be paid to investors in the relevant Fund once all assets have been realised and KPMG Restructuring Services finalises the wind-up process.

15. How long will this take?

For the CMIT and NZMIT Funds, the timeframe depends on how long it will take to finalise residual matters in the wind-up process. For NZMIT2, the timeframe depends on the maturity period and recoverability of the loans. KPMG Restructuring Services aims to administer the wind-up process efficiently and as quickly as possible.

16. How much will this cost?

Whilst there will be a cost to transition from FMO to KPMG Restructuring Services NZ Limited, costs incurred through the administration and management of the Funds are not estimated to be significantly higher than the current management costs for each Fund.

17. Why were KPMG Restructuring Services selected?

KPMG Restructuring Services participated in a competitive process and have demonstrated the requisite experience and capability to manage the wind up of the Funds. The appointment was made by the FMA, at the request of TE.

18. What is KPMG Restructuring Services' role?

We take on the role of Temporary Manager and have all of the powers and duties of a manager of the registered scheme.

19. How is KPMG Restructuring Services planning to manage the fund?

We will continue the wind-up process for CMIT and NZMIT. Wind-up will be commenced in respect of NZMIT2.

20. Why it has taken this long for TE to act?

As the Licensed Supervisor, TE repeatedly communicated its concerns about breaches under the legislation and the Trust Deed to FMO. TE was required to give FMO sufficient time to address these issues, which it undertook to do on multiple occasions.

FMO was unable to address these issues to TE's satisfaction. Accordingly, TE took decisive action to protect the interests of investors by removing FMO as the manager of the funds and requesting the FMA to appoint a temporary manager.

21. Where can I get further information?

Updates to the FAQs and any additional information for investors will be available on this website.



22. Who can I contact?

If you would like to speak to someone more about your circumstances, please contact us on 0800 576477.

Alternatively, please send us an email at NZmortgagetrust@kpmg.co.nz.

23. Who can I complain to?

If you have concerns relating to your investment, or are unhappy with the way in which KPMG Restructuring Services has managed the wind-up process, please set out your concerns in an email to nzmortgagetrust@kpmg.co.nz.

24. What can I do if I am unhappy with this decision?

As the Licensed Supervisor, TE can be contacted, in relation to your concerns, at Alex.Wainwright@trustees.co.nz.

25. Do I need to speak to a lawyer about this?

If you have any concerns regarding your investment, or your position as an investor, we recommend that you obtain independent legal advice.