

FUND UPDATE

Fund name: Capital Mortgage Income Trust
Registered scheme: Capital Mortgage Income Trust

30 June 2018

What is the purpose of this update?

This document tells you how Capital Mortgage Income Trust Group Investment Fund (“CMIT GIF”) has performed and what fees were charged. The document would normally help you to compare the fund with other funds but as it is in wind-up it is more a compliance advisory update. Fund Managers Otago Limited (“Manager”) prepared this update in accordance with the Financial Markets Conduct Act 2013 (“FMCA”). This information is not audited and may be updated.

Description of this Fund

The CMIT GIF holds cash deposits with registered banks and loans secured by registered first mortgages over land and buildings. The investment objective was to provide investors with an income return at a level normally better than bank deposits and competitive with comparable investment products. The fund is closed for new investments. Since the last fund update, the Manager, in association with the Supervisor, has resolved to wind-up the CMIT GIF as at 31 March 2018, as permitted under the CMIT GIF Trust Deed. Notice of winding up has been given to investors and the FMA as required under the FMCA.

Total value of the fund: \$ 3,662,934
The date the Fund started: 19 September 2003

What are the risks of investing?

Risk Indicator for CMIT GIF

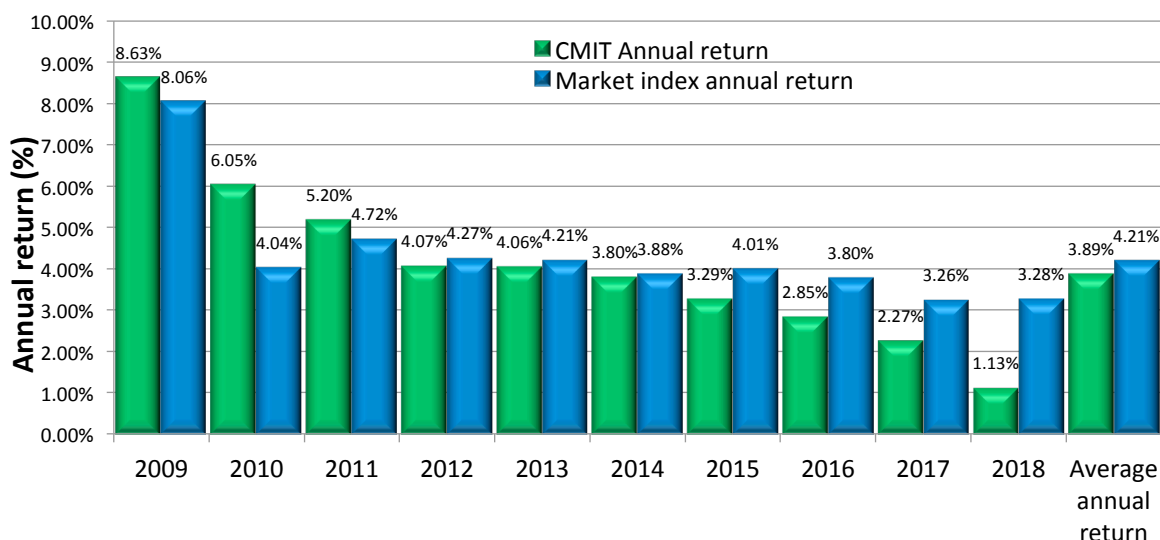
←	Potentially lower returns	Potentially higher returns	→
1	2	3	4
5	6	7	→
←	Lower risk	Higher risk	→

The risk indicator is rated from 1 (low) to 7 (High). The rating reflects how much the value of the CMIT GIF’s assets goes up and down (volatility). A higher risk generally means higher potential returns over time, but more ups and downs along the way. To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz/tools/investor-kickstarter. Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating. This risk indicator is not a guarantee of a fund’s future performance. The risk indicator is based on the returns data for the 5 year period ending 30 June 2018. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates. Note that, as the fund is in wind up, it is closed to new investors.

How has the fund performed?

	Average over past 5 years	Past year
Annual return (after deductions for charges and tax)	2.47%	0.57%
Annual return (after deductions for charges but before tax)	2.47%	0.57%
Market index annual return (reflects no deduction for charges and tax)	3.64%	3.33%

The market index return is based on the weighted average registered banks’ six month deposit rate (as published by the Reserve Bank of New Zealand). Additional information about the market index is available on the offer register.



Previous complete disclosure years

The above graph shows the return after fund charges and tax for each year ending 31 March for the last 10 complete years. The last column shows the average annual return for the last 10 years up to 30 June 2018.

Important: This does not tell you how the fund will perform in the future (noting that the fund is now in wind up with effect from 31 March 2018).

What fees are investors charged?

Investors in the CMIT GIF are charged fund charges. In the year to 31 March 2018 these were:

	% of net asset value
(A) Total Fund charges = B + C + D	4.88%
Which are made up of -	
(B) Total management and administration charges = E + F Including -	4.88%
(E) Manager’s basic fee	1.75%
(F) Other management and administration charges	3.13%
(C) Total performance-based fees	Nil
(D) Other Charges	0.00%

Note: Management fees increased from 1.75% p.a. to 2% p.a. from 1 April 2018.

Investors may also be charged individual action fees for specific actions or decisions (example, for withdrawing from or switching funds).

Example of how this applies to an investor.

Small differences in fees and charges can have a big impact on your investment over the long term.

Max had \$10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Max received a return after fund charges were deducted of \$225 (that is a 2.25% of his initial investment). Max paid no other charges. This gives Max a total return after tax of \$225 for the year.

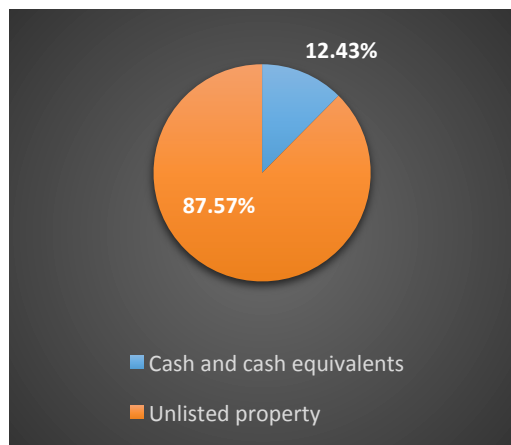
What does the Fund invest in?

The following graph shows the types of assets that the fund invests in.

Target investment mix

Cash and cash equivalents	5% - 25%
Unlisted property	75% - 95%

Actual investment mix as at 30 June 2018



Cash and cash equivalents are term deposits and deposits on call with New Zealand registered banks and other liquid assets. Unlisted property is mortgage loans secured by registered first mortgages over land and buildings in New Zealand.

Top 10 investments

Name	Percentage of fund net assets	Type	Country	Credit rating (if applicable)
ANZ Bank	12.32%	Cash	New Zealand	AA-
716921.1 – Commercial – Wellington	26.44%	Unlisted property	New Zealand	unrated
9345866.2 - Residential - Wellington	10.51%	Unlisted property	New Zealand	unrated
10042590.2 - Commercial Wellington	7.26%	Unlisted property	New Zealand	unrated
7195694.3 - Commercial - Manawatu-Wanganui	6.25%	Unlisted property	New Zealand	unrated
9812230.2 - Residential Wellington	5.82%	Unlisted property	New Zealand	unrated
8530702.1 - Residential Tasman Wellington	5.77%	Unlisted property	New Zealand	unrated
10516882.3 - Commercial - Auckland	5.72%	Unlisted property	New Zealand	unrated
10827855.3 - Commercial - Wellington	5.29%	Unlisted property	New Zealand	unrated
10676054.3 - Residential Otago	5.05%	Unlisted property	New Zealand	unrated

The total value of the 10 individual assets as a percentage of the net assets of the fund is 90.43%.

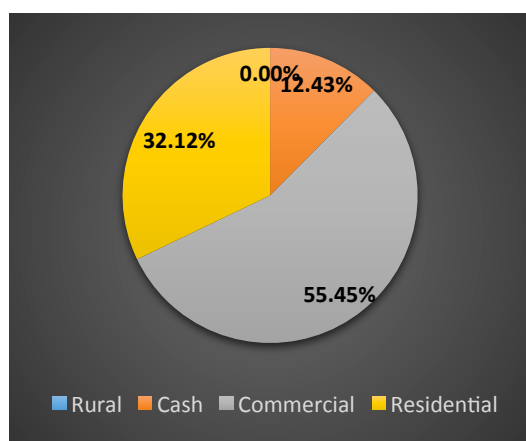
Key Personnel

Name	Current position	Time in current position	Previous position	Time in previous position
Peter Hutchison	Managing Director	3 years 10 months	Chief Executive	20 years
Annette Marshall	Office Manager	23 years 5 months	N/A	N/A
Ann Burton	Senior Lending Officer	11 years 3 months	N/A	N/A
Ruth Schmelz	Senior Administration Assistant	16 years 0 months	N/A	N/A

Additional Information

As indicated above, the CMIT GIF is now in wind up with effect from 31 March 2018.

The graph below shows the comparison of the CMIT GIF assets as a percentage to asset types as at 30 June 2018. As at 30 June 2018 there were no loans under the rural classification.



Cash	Cash deposits with NZ registered banks and other liquid assets
Residential	Mortgage loans for which the principal security is residential property
Commercial	Mortgage loans for which the principal secured property is commercial property
Rural	Mortgage loans for which the principal secured property is property.

This graph shows the composition of the mortgage loans expressed as a percentage according to each geographical region and within each geographical region details of the proportion of mortgage loans asset types.

List of regions	Percentage by region
Auckland	8.28%
Manawatu - Wanganui	7.11%
Wellington	68.29%
Tasman	10.44%
Marlborough	0.00%
West Coast	0.13%
Otago	5.75%
Southland	0.00%

The fund has two impaired mortgages at the time this fund update was prepared. As at 30 June 2018 the top six exposures of the fund equalled 70.66% which is in excess of the 20% benchmark and came about due to the fund shrinking in size.

Mortgage loans are allocated an asset type based on the use of the funds borrowed. The CMIT GIF has lending limits, based on the amount of the mortgage loan when compared with the value of the mortgage security portfolio (“LVR”) at the time of mortgage loan approval, as follows: -

Residential Mortgages	Commercial Mortgages	Rural Mortgages
Fee simple land and buildings: up to 80% LVR	Fee simple land and buildings: up to 66.7% LVR	Fee simple land and buildings: up to 60% LVR
Leasehold: up to 50% LVR	Leasehold: up to 50% LVR	Leasehold: up to 50% LVR
Vacant land with power, water, sewage and associated services (“Services”) completed: up to 70% LVR	Vacant land with power, water, sewage and associated services (“Services”) completed: up to 60% LVR	
Land which does not have Services: up to 50% LVR	Land which does not have Services: up to 50% LVR	Land which does not have Services: up to 50% LVR

Further information

You can also obtain some additional information from the offer register at www.business.govt.nz/disclose.