

FUND UPDATE
for the period ended 30 June 2020

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

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. 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 as at 30 June 2020:	\$807,455
The date the Fund started:	19 September 2003

What are the risks of investing?

Risk Indicator for CMIT GIF

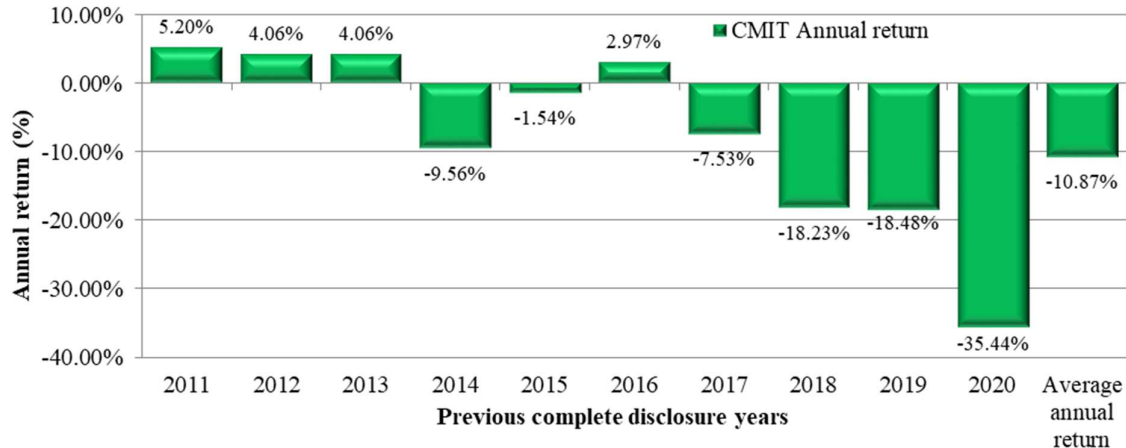
←←← Potentially lower returns	Potentially higher returns →→→
1 2 3 4 5 6 7	
←←← Lower risk	Higher risk →→→

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 2020. 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)	-22.10%	-49.15%
Annual return (after deductions for charges but before tax)	-22.10%	-49.15%



This shows the return after fund charges and tax for each year ending 31 March for the last 10 years. The last bar shows the average annual return for the last 10 years, up to 30 June 2020.

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).

The Financial Markets Conduct (Market Index) Exemption Notice 2018 came into force on 17 July 2018. This exemption relates to the requirements in schedule 4 (managed investment products in managed fund) of the Financial Markets Conduct Regulations 2014 that refer to the return on an appropriate market index. As there is no appropriate market index and no suitable peer group index for the Fund, the Fund is exempt from the requirements to provide comparisons of return to an index. See the document entitled “Financial Markets Conduct (Market Index) Exemption Notice 2018” on the offer register.

What fees are investors charged?

Investors in the CMIT GIF are charged fund charges. In the year to 31 March 2020 these were:

% of net asset value	
(A) Total Fund charges = B + C + D which are made up of -	23.82%
(B) Total management & administration charges = E + F Including -	23.82%
(E) Manager’s basic fee	11.91%
(F) Other management and administration charges	11.91%
(C) Total performance-based fees	Nil
(D) Other Charges	Nil

Note: Management fees were set at a flat annual rate from 1 April 2019 at \$125,000.00 per annum. These have been reduced from 1 April 2020 to \$75,000.00 per annum. 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 \$300 (that is a 3% of his initial investment). Max paid no other charges. This gives Max a total return after tax of \$300 for the year.

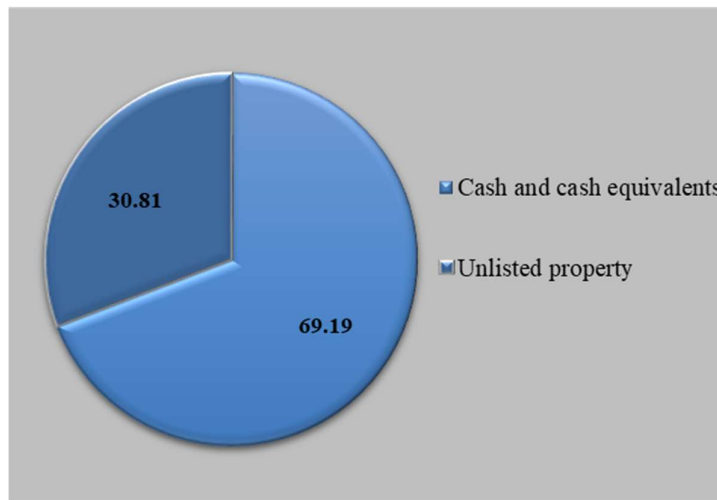
What does the Fund invest in?

The following table 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 2020 (as a percentage of Total Assets)



Cash	Term deposits and deposits on call with NZ registered banks and other liquid assets
Unlisted Property	Mortgage loans secured by first mortgages over land and buildings in New Zealand

Top 10 investments

Name	% of net assets	Type	Country	Credit rating (if applicable)
ANZ Bank	72.18%	Cash	New Zealand	AA-
Loan secured over residential property in Wellington	32.15%	Unlisted	New Zealand	unrated

The total value of the remaining property asset as a percentage of the net assets of the fund is 32.15%.

Key Personnel

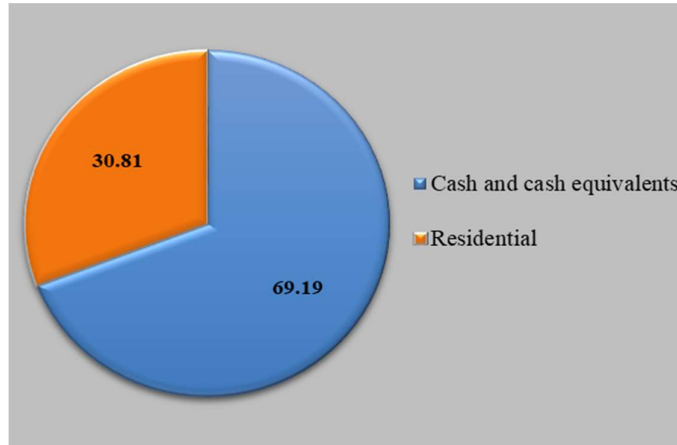
Name	Current position	Time in current position	Previous position	Time in previous position
Peter Hutchison	Managing Director	5 years 10 months	Chief Executive	6 years 1 month
Lynnette Scott	Office Manager	1 years 4 month	N/A	N/A
Lynda Taylor	Compliance Officer	0 years 8 months	N/A	N/A
Ann Burton	Senior Lending Officer	13 years 2 months	N/A	N/A
Ruth Schmelz	Senior Administration Assistant	18 years 0 months	N/A	N/A

Additional Information

The Manager has prepared this additional information in accordance with the Financial Markets Conduct (Managed Funds – Loan Disclosure Requirements) Exemption Notice 2019.

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 of Total Assets according to asset types as at 30 June 2020. As at 30 June 2020 the remaining asset was under the Residential classification.



Cash	Term deposits and deposits on call 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.

The table below 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. The remaining property asset was a Residential mortgage loan in the Wellington region. The remaining property asset was impaired at the time this fund update was prepared. As at 30 June 2020 the remaining property exposure of the fund equalled 100% which is in excess of the 20% benchmark and came about due to the fund shrinking in size.

List of regions	Percentage by geographic region	Proportion by asset type: Residential	Proportion by asset type: Commercial	Proportion by asset type: Rural
Wellington	100.00%	100.00%	0.00%	0.00%

Mortgage loans are allocated on asset type based on the zoning of the principal secured property (by value) that is set in the local council's district plan, and 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:

Loans secured (or principally secured) by mortgage over residential property	Loans secured (or principally secured) by mortgage over commercial property	Loans secured (or principally secured) by mortgage over rural property
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

LVR means loan-to-value ratio. LVR shows the amount of a loan as a percentage of the value of the property that secures the loan. The lower the LVR, the lower the amount of the loan relative to the value of the secured property.

Further Information

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