

SILVERFIN CAPITAL LIMITED – STATEMENT OF INVESTMENT POLICY AND OBJECTIVES FOR INGHAMS PORTFOLIO SCHEME ('SCHEME')

1. SILVERFIN INTRODUCTION

Silverfin Capital Limited ('Silverfin') is a licenced MIS Manager and is the Manager of the Scheme.

Silverfin is in the business of property syndication and property management primarily focused on securing strong property assets for both retail and wholesale investors. Silverfin principally seeks properties for syndication in the New Zealand market although it will also consider properties in the Australian market if the properties meet Silverfin's investment criteria. Silverfin's directors and senior managers are well experienced in property syndication and development and have identified the opportunity in the market to provide good syndication stock to investors.

Silverfin will identify suitable properties and complete due diligence on those properties ensuring as best it can that they represent good investment stock. Silverfin will complete all of the syndication documentation and arrangements and will market the properties directly and through distribution agents to potential investors.

Once the syndication is fully subscribed Silverfin will complete the settlement of the property and will manage the scheme.

During the lifecycle of the scheme Silverfin will manage the relationship with investors and will oversee or be responsible for the day-to-day management of the property. Silverfin will strategically manage each asset recommending to investors where necessary development, expansion or disposal options to ensure that the asset remains current in the market and to maximise its potential. Silverfin will manage all the ongoing daily property management and maintenance along with all the financial management for the scheme. Silverfin will also manage or be responsible for all tenant relationships and lease negotiations.

In accordance with the Financial Markets Conduct Act ('FMCA') Silverfin will manage the compliance requirements, reporting and audit requirements and file all necessary annual documentation.

Silverfin has established networks in the marketplace for property acquisitions and management and will continue to utilise these networks and extend its relationships to ensure that it is a leader in the syndication industry.

Silverfin's board comprises Independent Director and Chairman Murray Cleverley, Independent Director Jonathan Bishop and Non-independent Director Paul Macaulay.

2. SCHEME INTRODUCTION

This Statement of Investment Policy and Objectives ('SIPO') is for the Inghams Portfolio Scheme, which is a proportionate ownership scheme that has been formed to invest in the following properties (each a 'Property' and together the 'Properties'):

- 2 and 16 Banks Road and 7473-7481 State Highway 27, Matamata
- 594-668 Waiheke Road, Waitoa
- 111 Pohlen Road, Matamata
- 207 Mowbray Road, Matamata
- 25 Okauia Springs Road, Matamata
- 903 Leslie Road, Tapapa.

Trustees Executors Limited (TEL) is the Supervisor of the Scheme.

The commencement of this SIPO is 26 November 2020.

3. SILVERFIN OBJECTIVES

- To be a leader among New Zealand Property Syndication Companies
- To provide good customer outcomes for its investors
- To grow investor wealth through carefully selected acquisitions, appropriately structured syndicates and comprehensive asset management
- To provide healthy investment returns to investors in line with the current market
- To manage assets in a way so they will provide the best possible capital growth to investors
- To lead investor communication and relations and to be the preferred syndication manager by investors
- To maintain small business ideals and thrive in the corporate environment
- To engage a highly qualified and experienced staff team and expand the team with engaged and committed outsource partners
- To build positive networks and relationships with key stakeholders, suppliers and industry partners to ensure Silverfin is considered a preferred and fun business to work with
- To grow the industry liquidity, and in turn grow the size of the industry, through partnership with Syndex
- To be seen to be a benchmark for FMCA compliance, reporting and engagement
- To build a property management portfolio of quality investment assets.

4. INVESTMENT STRATEGY

The Scheme's investment strategy is to acquire and hold the Properties on a fully leased basis.

The Properties will be the Scheme's sole investment, other than:

1. amounts held in the Scheme's bank account;
2. receivables relating to the operation of the Scheme;
3. assets which are incidental to the Properties and (1) and (2) above;
4. derivatives to manage interest rate exposure; and
5. any other asset agreed between Silverfin and Trustees Executors Limited or approved by investors by ordinary resolution.

There are no limits (in terms of section 164 of the FMCA) on the amount or value of the above assets that the Scheme may hold.

Silverfin will strategically manage the Scheme, recommending to investors where necessary development, expansion or disposal options to ensure that the Properties remains current in the market and to maximise their potential. Any such recommendation will be subject to the approval of investors in accordance with the Deed of Participation (if required under the Deed of Participation) and would be reflected in a change to the SIPO.

5. INVESTMENT OBJECTIVES

The Scheme's investment objectives are to invest in the Properties as a long term hold with a view to delivering the following key deliverables to investors:

1. Provide investors with a cash return of 8.25% per annum before tax on the investor's original investment. The cash return does not take into account any increase or decrease in the value of the Properties or any other non-cash items;
2. Maintain full occupancy of the Properties;
3. Maintain the loan to value ratio for Scheme borrowing (LVR) at or below 55%;
4. Maintain the interest cover ratio for Scheme borrowing at a level not less than 2.5 times (i.e. the income from the Properties is at least 2.5 times the interest cost);

5. Maintain net tangible assets (NTA) of not less than 90% of NTA when the Properties were acquired; and
6. Preserve the investment made by the holders of interests in the Scheme.

The objectives will be reviewed as necessary and a minimum of once per year. Any changes to the objectives will be reflected in an amendment to the SIPO (see section 9).

6. INVESTMENT PHILOSOPHY

The commercial property investment market is influenced by emerging and receding international markets and trends, rising and falling interest rates and economic cycles. It is important to recognise long term market trends and opportunities with geographical growth and carefully select assets that are expected to provide longevity in changing economic climates.

Silverfin's investment philosophy is based on the following principles:

- Acquire assets that can weather the test of time and deliver stable returns over the longer term.
- Put investor's interests first; if investors are first, Silverfin will do well. This is in terms of maximising the return to investors, communicating with investors and putting their interests ahead of Silverfin's.
- Work with positive credible people in the industry – stay abreast of all of industry's developments; be well connected.
- Work within the industry positively to promote liquidity through Syndex.

Silverfin's investment philosophy is based on ensuring (as best as can be expected) that we deliver stable returns to our investors and at a minimum that investors do not lose money in a Silverfin property syndication. In order to do that Silverfin must have a good understanding of the industry and where possible read the signs of changes. Silverfin must move with the market to continue to source quality investment stock and in all instances ensure that assets are well maintained.

The approach is to ensure that any risks taken are appropriate and commensurate with the Scheme's goals, to help protect investors' interests and to create satisfied investors who seek repeat investment opportunities.

Silverfin is also mindful that the property syndication industry has been criticised for having a perceived lack of liquidity. Syndication parcels/units have not traditionally had an independent trading forum in which investors can trade their parcels the same as the share market. Silverfin utilises Syndex which offers investors an independent registry and trading exchange on which to improve liquidity through secondary sales. The Scheme will have its information available on the Syndex registry.

Silverfin will, when we deem it in the best interests of investors, recommend the sale of the Properties in their entirety. The recommendation will be based on the Properties' life cycle, the state of the wider investment market, and other relevant considerations. It will ultimately be the investor's decision, via either special or ordinary resolution, to sell the Properties.

7. INVESTMENT POLICIES

Set out below is an outline of key investment policies that will be followed in the management of the Scheme:

7.1 Liquidity & Cash Flow Management Policy

The overarching principle in liquidity management of the Scheme is that the Scheme needs to be structured and managed to ensure it can meet any reasonable level of operating expense. Liquidity and cash flow requirements are considered prior to making investor distributions, ensuring that a reasonable level of cash is available. This is based on Silverfin's managers' and directors' assessment, with the support of appropriate professional advisers if required.

Silverfin will manage the Scheme's cash flow in such a way to not cause undue risk or expense to the Scheme

by:

- incurring only costs that are deemed appropriate and reasonable and that are permitted by the Deed of Participation; and
- maintaining and regularly reviewing a cash flow budget for a minimum of two years in advance to provide an early warning system for potential problems.

7.2 Leverage and Hedging Policy

The debt in the Scheme will be no more than 55% of the gross asset value of the Properties (LVR). Hedging may be considered during the course of the investment's life for the purposes of providing certainty over interest to be paid and managing volatility in interest rates. Lending is reviewed periodically with the Scheme's lender(s) (initially Bank of New Zealand) to ensure that the best finance package and interest rate management strategy is in place. Those reviews will include a review of the loan term, interest rate margin, LVR and assessing when it is prudent to amortise debt. The Scheme's leverage is tested at least annually (or more frequently if circumstances require it) against an independent market property revaluation from a qualified registered valuer.

Should the maximum allowable loan amount exceed the LVR limit, anticipated strategies to remedy are:

- undertake a strategic scheme review and assess options for the Properties (such as a sale of the Properties, or some of them);
- reduce or cease investor distributions to facilitate debt reduction through principal repayments; and
- issue additional interests, subject to compliance with the Deed of Participation and applicable laws.

7.3 Interest Rate Policy

Silverfin adopts and frequently reassesses the appropriate interest rate policy for the Scheme depending on the following factors:

- current and predicted economic and market conditions (in consultation with economists and interest rate specialists);
- overall Scheme risk profile;
- remaining WALE (weighted average lease expiry);
- cash flow impacts – assessing if there is a material impact on the short term cash flow or if investor distribution expectations are compromised;
- the condition of the Properties and any requirements for structural repairs, maintenance or capital works;
- flexibility requirements of the Scheme – potential future development, sale and/or wind down of the Scheme; and
- prevailing market interest rates.

The Scheme's interest rate policy is regularly reviewed to ensure the Scheme stays within its banking covenants and maintains the interest cover ratio, and is subject to change.

7.4 Distribution Policy

The Scheme's distribution policy is to provide investors with monthly cash distributions equal to a minimum pre-tax cash return of 8.25% per annum. The distribution is subject to adjustment where required to reflect the Scheme's circumstances.

The circumstances in which Silverfin may reduce or withhold investor distributions include:

- projected reduction or cessation of rental income;
- breach of lender interest cover ratio covenant;
- breach of lender LVR covenant;
- the bank account balance is less than the equivalent of one month of rent;
- unexpected expenditure;

- adverse interest rate movement; or
- any other circumstance where Silverfin deems a reduction or withholding to be appropriate.

The circumstances in which Silverfin may increase investor distributions include:

- there are sufficient funds in the bank account to fund all anticipated expenses, repairs and maintenance and capex costs for the medium term;
- there is a regular monthly surplus from rent receipts after paying expenses and investor distributions;
- favourable interest rate movement; or
- any other circumstance where Silverfin deems an increase to be appropriate.

No particular level of distribution is guaranteed and the actual distribution rate may vary.

PIE tax will be deducted from distributions, where applicable.

7.5 Conflict of Interest

Silverfin have a conflicts of interest/related party transactions policy in which all conflicts of interest are required to be disclosed and recorded and any potential related party transactions will be addressed appropriately. This is complemented by restrictions placed on Silverfin, its directors and staff when investing or trading in any Silverfin-managed scheme.

7.6 Interest cover policy

The interest cover ratio is to be maintained at a level that is not less than 2.5 times (i.e. the income from the Properties is at least 2.5 times the interest cost).

7.7 Capital expenditure policy

The ongoing capex policy for the Properties is to work closely with the tenant to monitor the general condition of the sites and the buildings and to ensure ongoing routine repairs and maintenance for the buildings and other relevant services are undertaken as required with a high level of workmanship.

Under the lease, the tenant is responsible for most capital costs although in certain circumstances the Scheme may be required to fund expenses of a capital or structural nature for repairs or the cost of expansion works. Silverfin and the tenant will meet once every 12 months to discuss any capital repairs or expansion works that are expected to be required in the next 12 months.

Silverfin can incur financial liability on the Scheme's behalf without the prior approval of investors:

- where the liability is either recoverable from tenant(s) or is part of the monthly or recurring operating charges for the Properties;
- where the liability needs to be incurred to comply with leases or is required for a repair that in Silverfin's opinion is necessary to protect the Properties from damage or to maintain essential services to the tenant(s); or
- where the aggregate liability (not including liabilities incurred under sub-clauses a) or b)) does not exceed 0.5% of the Properties' gross asset value, based on the most recent valuation, plus GST in respect of any financial year.

Silverfin will request and review all tenders if and when required for any major capex needed for the Properties to be funded by the Scheme, produce for investors potential strategy(s) of how to fund costs (if necessary) and seek investor consent if it is necessary as per the Deed of Participation. Furthermore, Silverfin will ensure that any works being undertaken comply with current health and safety legislation.

8.0 INVESTMENT PERFORMANCE MONITORING

8.1 Internal Performance Monitoring

The Scheme is financially monitored on a monthly basis – ensuring all the income is received and appropriate

expenses are paid. The Scheme is measured against its budget which is set annually. The Properties will be monitored against an annual revaluation and an annual debt review with the trading bank to ensure it is appropriately geared.

The Properties will be commissioned for revaluation at the end of each calendar year Dec/Jan with a view to ensuring the valuation is current as at 31 March at the end of the financial year, and where otherwise required under the Deed of Participation. In January of each year the Silverfin property team and finance team collaborate on the requirements for the Properties for its next financial year and compile recommendations and budgets for Chief Executive Officer and director review. Once final budgets and recommendations are approved by the board these recommended budgets are adopted and included in the end of year financial reporting. Investors will receive copies of the end of financial year financial accounts signed off by auditors by 30 June each year.

Silverfin's finance team is responsible for the management of investment risk by monitoring performance against the Scheme's investment objectives set out in this document. The objectives are designed to be measured and reported in a transparent manner and are measured every quarter or more frequently if necessary if a potential problem has been identified. This monitoring provides an early warning system for any issues.

Quarterly performance tests include:

- sustainability of investor distribution;
- WALE;
- property occupancy rate;
- term remaining on the Scheme's loan;
- loan value ratio;
- interest cover ratio;
- net tangible assets; and
- the Scheme's bank account balance.

Performance is measured against the result from the previous quarter. If any result has deteriorated beyond what is expected or does not meet the relevant objective (if any) it is communicated to the board.

Furthermore, any downward trends in performance are monitored relative to the investment objectives and general market conditions.

Silverfin will provide all performance monitoring to TEL quarterly.

8.2 Reporting to Investors

All investors will be reported to on a quarterly basis where the following will be provided:

- asset performance against budget;
- property condition reporting;
- compliance reporting;
- tenant performance; and
- general market commentary.

This reporting data and/or commentary will include the following, to the extent applicable:

- tenant: WALE, updates and any concerns;
- properties: current independent market valuation, any issues or anticipated costs, keys risks or opportunities (if applicable); and
- loan amount, loan maturity, LVR interest rate and interest coverage ratio.

Investors will be reported to on an annual basis with annual audited financial accounts, budgets and valuation reports. Silverfin will hold an annual investor scheme meeting, and special meetings as required in line with the Deed of Participation and FMCA.

9. INVESTMENT STRATEGY AND SIPO REVIEW

The Silverfin board is responsible for the SIPO, and for ensuring compliance with the SIPO. Accordingly, the board will review the operation of the Scheme against the SIPO at each board meeting. There will be a strategic planning session annually with the board and at this time the SIPO will be reviewed in depth to ensure its strategies and policies remain appropriate. Changes may also be proposed as a result of Silverfin strategically managing the Scheme and identifying necessary development, expansion or disposal options to ensure that the Properties remains current in the market and maximises their potential.

Without limiting the above, the investment strategy, investment objectives, and policies in this SIPO, are subject to rigorous review as follows:

- reviewing the cash flow budget for a minimum of two financial years in advance, assessing liquidity, loan to value ratio (LVR) projections, sustainability of investor distribution rate, future repairs and maintenance and capital spend requirements and tenant inducement requirements;
- reviewing the bank facilities and interest rate management strategy, researching interest rate forecasts and implementing opportunities to hedge interest rate costs where appropriate;
- reviewing the annual Properties' revaluation and, where necessary, examining why there are value differences to the prior year;
- reviewing and placing suitable insurance cover for the Properties including a provision for two years of loss of rents cover;
- assessing the tenant's business operations to monitor their financial standing;
- proactively negotiating rent reviews and lease extensions;
- reviewing potential development opportunities in conjunction with the tenant to improve returns and / or to improve the ability to tenant the tenant on expiry;
- researching and investigating any potential external factors relating to the location of the Properties that could affect the use and/or value; and
- reviewing opportunities for a sale of the Properties (and in all likelihood therefore an end to the Scheme), making assessments of return on capital, and ensuring the property plan in place always ensures that the Properties are in good saleable condition.

Where a change in the SIPO is requested by a member of senior management, the board of directors must consider the proposed changes at the next board meeting. The Board will review the SIPO in consultation with TEL in advance of the change. Where a change requires investor approval (for example, if it relates to a proposed major development or expansion of a Property) Silverfin will follow the process in the Scheme's Deed of Participation to seek that approval, and the change will not take place unless and until that approval is obtained. If investor approval is not required Silverfin will provide investors with one months' written notice before implementing and adopting the change (unless Silverfin and TEL agree that the change is not material).