NORFOLK MORTGAGE MANAGEMENT LIMITED

Statement of Investment Policy and Objectives (SIPO) for the Norfolk Mortgage Trust (Trust)

Effective Date: 29 April 2025

The latest version of the SIPO is available on the Disclose Register at https://disclose-register.companiesoffice.govt.nz/

Unless indicated otherwise, capitalised terms have the meaning set out in the Trust Deed.

Description of the Trust

The Trust is a Portfolio Investment Entity (PIE) trust and is a managed investment scheme under the Financial Markets Conduct Act 2013 (FMCA). The Trust invests in loans secured by mortgages over land and buildings. The Trust also invests in deposits with registered banks.

The Trust was established by a master trust deed dated 15 December 2006, as restated and amended by deed dated 12 September 2008 (Original Trust Deed) and establishment deed dated 15 December 2006 as restated and amended by deed dated 6 July 2009 (Original Establishment Deed), between Norfolk Financial Management Limited and Covenant Trustee Company Limited (CTCL).

CTCL was amalgamated with a number of companies under Part XIII of the Companies Act 1993 to become Covenant Trustee Services Limited (Covenant) on 12 September 2014. As a result, Covenant succeeded to the rights, powers, privileges, and obligations of CTCL, including (without limitation) in respect of the Trust.

The Trust is to continue until wound up.

Norfolk Mortgage Management Limited (Manager) was appointed manager of the Trust by a resolution passed by unit holders for the purposes of section 18 of the Unit Trusts Act 1960 on 18 July 2016. The Manager has agreed to comply with and be bound by the Original Trust Deed as manager by deed of accession dated 1 August 2016.

The Original Trust Deed was further restated and amended by deed dated 27 October 2016 between the Manager and Covenant and further amended by deed of amendment between the same parties dated 29 March 2018 (Trust Deed). The Original Establishment Deed was further restated and amended by deeds dated 16 September 2016 and 1 August 2017 between the Manager and Covenant (Establishment Deed).

Covenant retired as supervisor of the Trust and the Manager appointed Public Trust (Supervisor) to replace Covenant by Deed of Retirement and Appointment of Supervisor dated 19 December 2023, which took effect from the same date.

The Supervisor is, amongst other things, responsible for holding the Trust's assets and for supervising the performance by the Manager of its functions and obligations under the Trust Deed, Establishment Deed, and FMCA.

The Manager is, amongst other things, responsible for managing the Trust's assets and investments. The Manager must ensure that the Trust has a statement of investment policy and objectives that provides adequately for the following matters:

- The nature or type of investments that may be made, and any limits on those;
- Any limits on the proportion of each type of asset invested in; and
- The methodology used for developing and amending the investment strategy and for measuring performance against investment objectives of the Trust.

Investment Objective

The investment objective of the Trust is to provide investors with an income return at a level higher than bank deposits and competitive with similar investment products.

The Manager's objective is to exceed the Trust's benchmark, the Six-month term deposit rate (published by the Reserve Bank of New Zealand (RBNZ) on the last Business Day of each of the 3 months of the relevant Distribution Period), by 1.4% per annum (after deduction of management fees and expenses).

Investment Philosophy

The policy of the Manager, as manager of the Trust, in relation to the mortgage lending of the Trust, is to establish and maintain a range of mortgage secured investments with a mixture of types of property, interest rates, maturity dates, and physical locations.

There are no specific sector allocation rules. The Manager's preference is to retain flexibility and manage the risk of sector exposure through prudent judgment, utilising the experience of the directors. The Manager has considered a sector allocation policy and after careful review has decided not to impose any sector allocation rules.

The policy of the Manager, as manager of the Trust, in relation to deposits with registered banks, is to restrict the Trust's cash holding to as little as possible in order to maximise returns.

The Manager's preference is to manage liquidity by placing restrictions on redemptions.

Cash is invested in short term on-call deposits and these deposits have a term of 90 days.

INVESTMENT STRATEGY

Loans must be secured by first mortgages within defined lending ratios. Investment in loans secured by mortgages may also be obtained through entities such as companies, limited partnerships, and collective investment schemes. The Trust may also invest in deposits with registered banks. The Manager generally has a discretion as to which authorised investments are acquired, held, or disposed of for the Trust.

Restriction on investments

There are restrictions on the type of investments the Trust can make, as set out in the Establishment Deed.

Under the Establishment Deed, the Trust must always be invested in the "authorised investments," which are defined as follows:

- Cash and deposits with a registered bank (as defined in the Reserve Bank of New Zealand Act 1989)
- Debt securities (as defined in the FMCA), issued or guaranteed by any of the following:
  - A registered Bank;
  - The New Zealand government, or any political sub-division or agency of that government;
  - A local authority within the meaning of the Local Authorities Act 1956; or
  - Debt securities listed on the debt market of the NZX;
- Mortgages over land registered under the Land Transfer Act 2017 including as a contributory to any contributory mortgage or pursuant to any other security sharing arrangements.
- Any investment vehicles which invest predominantly in mortgages (including, without limitation, companies, limited partnerships, and collective investment schemes).

Notwithstanding the range of authorised investments described above, the policy of the Manager is to invest predominantly in loans either directly or otherwise through investment vehicles which invest in mortgage secured loans. Although investment in a broad range of debt securities is permitted, the Manager currently intends to invest only in cash and deposits with registered banks.

Specific policy guidelines

Lending limits

The investment policy of the Trust restricts the type of mortgage loan that can be held by the Trust as follows:

- **For all mortgages,** at the time of approval the loan must be within 75% of the value of the mortgaged property;

  - The maximum amount of a single loan is to be no more than 10% of the Gross Asset Value of the Trust at the time of the advance.[1];

  - No loans are to be made to "Related Parties;"

  - Total loans to any one borrower are not to exceed 10% of the Gross Asset Value of the Trust at the time of advance. [2]

Valuations

- Except as provided below, valuations are provided by a registered valuer, who is independent of the Borrower. Subject to the following paragraph, each valuation must be addressed to the Manager, be completed by a registered valuer approved by the Manager and dated no earlier than 6 months prior to the date of approval of the loan or be confirmed by a certificate from the valuer if the valuation date is prior to this time.

  Rating values may be relied on if the loan is within 60% of the most recent rating value of the property and the Manager is of the opinion that the value represents no greater than fair market value of the property at the date of approval of the loan.

  Valuations for loans secured by contributory mortgages with any contributory lender managed by or associated with Glaister Ennor or by a mortgage to Vulcan Mortgage Limited Partnership, Vulcan Mortgage (No.2) Limited Partnership or Vulcan Mortgage (No.3) Limited Partnership (if the Trust is investing through any of these entities) are not required to be addressed to the Manager, provided they are addressed to the lender (and can accordingly be enforced on behalf of the Trust if required).

Mortgage Mix

- Loans may be secured against any category of residential, commercial (including industrial), rural or mixed use property. Generally, the Trust is split between residential and commercial loans, with little exposure to rural or mixed use property. There are no restrictions on the level of investment in each category. The board has considered a sector allocation policy and after careful review has decided not to impose any sector allocation rules.

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[1] These requirements may be waived by the Supervisor.

[2] As above.

Interest

- Loans are predominantly interest only, with a mix of interest rates and maturity dates. The Trust may invest in mortgage secured loans where interest is paid monthly or where interest is capitalised and paid by increasing the loan amount each month.

Terms

- Loan terms are generally for 1 – 2 years although they may be up to 5 years. All loans with a term longer than 12 months are reviewed at the end of each 12 month period with the loan continuing only as long as the loan continues to meet standard loan criteria.

  The Manager may from time to time agree to extend the maturity date of the loan. The Manager will only do so if the Borrower continues to meet the Trust's criteria for a new loan (as set out under the heading "Specific policy guidelines") at the time of the extension.

  The Manager considers that risk of rollover loans lessens slightly as the interest payment record is then known.

Development loans

This SIPO does not restrict the purpose for which loans are made. The Trust may make loans for development purposes. For a loan application of this nature, the Manager will exercise a high degree of caution. The Trust does not take on the risk of the development, only the underlying land asset. Any improvements on the land that are being changed or built are not considered in the security value. At any stage of a development, the underlying land security must meet standard lending criteria and be readily saleable for a sufficient amount to repay in full the Trust's principal, interest, and any costs.

For any development loan, the Manager must be satisfied with the Borrower's ability to refinance or otherwise repay the loan on expiry. The Manager must also be satisfied that the Borrower has a proven track record in the development sector.

Benchmark Asset Allocation

There are no benchmark asset allocation ranges for mortgages or cash. Nor are there any asset allocation ranges for lending between the residential, commercial, rural, and mixed used sectors.

Appropriate benchmark index

The market index for the Trust is the Reserve Bank of New Zealand six-month term deposit rate. The investment objective is set out on page 2 and sets out the Trust's benchmark.

Hedging policy

There is no specific hedging policy for the Trust. The Manager does not believe that such a policy is necessary given that the Trust currently invests only in New Zealand loans secured by mortgages and cash. In addition, the mismatch between maturities of assets and liabilities for the Trust is limited.

Conflict of interest policy

The Manager is precluded from lending to related parties. Any other transactions with related parties are only entered into with the consent of the Supervisor or where the Manager can certify that any such transaction is on an arm's length basis in accordance with the provisions of the FMCA. All related party transactions must comply with the Manager's Conflict of Interest Policy.

Liquidity and cash flow management policy

The Manager's Liquidity Policy includes the identification of key metrics governing the Trust's liquidity, including any loans where interest is capitalised and paid by increasing the loan amount each month. Restrictions are placed on redemptions to assist with liquidity management. A redemption request will be actioned with effect from the Valuation Day[3] falling 6 months from the date on which the redemption request is received. This timeframe can be shortened at the Manager's discretion. This rule applies only to units issued on or after 16 September 2016. For units issued between 10 July 2009 and 15 September 2016, at least 12 months' notice is required from the date on which the redemption request is received, unless the Manager approves a shorter period. For Units issued prior to 10 July 2009, a redemption request will be actioned with effect from the valuation date falling 3 months after the date on which the redemption request is received.

Taxation Policy

The Trust has elected to be a portfolio investment entity (PIE).

Under the PIE tax regime, the Trust attributes income to investors and pays tax on attributed income on behalf of investors who have a notified investor rate (NIR) of greater than zero. PIE tax liability paid by the Trust on investors' behalf will be a final tax as long as investors have provided their correct prescribed investor rate (PIR) to the Manager. A PIR once notified becomes a NIR. If a PIR is not notified, then the NIR applied will be the default maximum rate.

Applicable rates will vary depending on levels of investor taxable income and PIE income.

Borrowing

The Manager may borrow to increase the exposure of the Trust to mortgage secured investments or to fund settlement mismatches (i.e. funds from a repayment or investment not being available to fund a loan due to a delay in payment). This may

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[3] Valuation Days are each Business Day of each month

increase the risk of losses to the Trust. The total exposure of the Trust to borrowings and leverage is restricted to no more than 20% of the Gross Asset Value of the Trust.

Investment performance monitoring

The Manager monitors the Trust's investment performance continuously and monthly at its board meetings. At the meetings, a report is provided by the Chief Executive Officer. The report is considered and reviewed by the Board. If the Board considers that further action needs to be taken, the Chief Executive Officer will implement the strategy approved by the Board.

The Manager provides quarterly reports to the Supervisor on the performance of the Trust. These reports include confirmation that or advice as to whether:

- The amounts payable by investors will only be invested in authorised investments;
- The Manager has duly observed and performed all covenants, conditions, agreements, and provisions binding upon it under the Trust Deed and this SIPO;
- There has been any deviation in the accounting method or method of valuation of investments or liabilities of the Trust not already disclosed in the financial statements;
- Full and adequate provision for taxation liabilities to be paid or reclaimed (including deferred taxation) has been made;
- The composition, nature or type of investments permitted to be made under the Trust Deed (limit breaks) have been adhered to.
- The Trust has met the PIE eligibility requirements for the period, and that reasonable measures are in place to monitor and manage any potential breaches of the PIE eligibility criteria;
- In accordance with the requirements of the FMCA and the Financial Markets Conduct Regulations 2014 (Regulations), the Manager will report to the Supervisor:
- As soon as is practicable, any limit breaks (as defined in the FMCA) that have not been corrected to conform with the Trust Deed and this SIPO within 5 working days after the date that the Manager becomes aware of the limit break;
- Quarterly, the report required under regulation 95 of the Regulations.

The Manager benchmarks the Trust's quarterly returns with information published by RBNZ (https://www.rbnz.govt.nz/statistics/series/exchange-and-interest-rates/retail-interest-rates-on-lending-and-deposits).

Investment strategy review and amendment

The SIPO is formally reviewed by the directors of the Manager annually and may also be reviewed at any other time if the Manager considers such a review is desirable as a result of a change in market conditions.

In the course of the review, the Manager's investment staff will consider the Trust's liquidity policy and investment strategy remains appropriate given prevailing market and economic conditions.

Staff will make the recommendations to the Manager's directors, who will then consider such recommendations. They will then decide whether or not to change the SIPO.

If such recommendations are adopted, the Manager, with the agreement of the Supervisor, may change the SIPO from time to time provided the Manager provides Unitholders at least 1 months' notice before implementing any change. If the change is of a material nature (i.e. investment in asset classes other than first mortgages), the Manager will reduce the notice period of redemption to 1 month, so that investors who do not wish to invest in that asset class may exit the Trust.

In accordance with the FMCA, the Manager may amend or replace this SIPO after having given reasonable prior notice to and in consultation with the Supervisor.