

Fund Update

Conrad Investment Scheme- CFML Mortgage Fund

For the quarter ending 31 December 2020

What is the purpose of this update?

This document tells you how the CFML Mortgage Fund (the “Fund”) has performed and what fees were charged. The document will help you to compare the Fund with other funds. Conrad Funds Management Limited (the “Manager”) prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this Fund

The Fund invests solely in shares in CFML Lending Limited (“CFML Lending”). CFML Lending then enters into loans predominantly secured by first ranking mortgages over residential freehold apartments (excluding serviced apartments) and other residential freehold properties (including houses, townhouses, units, terraced houses and rural lifestyle properties) in New Zealand (“Mortgages”), and in on-call and short-term deposits at a New Zealand registered bank. The Fund has a low to medium level of volatility.

| | |
|----------------------------------|-----------------|
| <i>Total value of the Fund</i> | \$36,632,850.00 |
| <i>The date the Fund started</i> | 08/02/2018 |

What are the risks of investing?

Risk indicator for the CFML Mortgage Fund:

| | | | | | | |
|----------------------------------|----------|----------|-----------------------------------|----------|----------|----------|
| Lower risk | | | Higher risk | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Potentially lower returns | | | Potentially higher returns | | | |

The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the Fund’s assets goes up and down. 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 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 for the 5-year period to 31 December 2020 and is calculated using the returns of the Fund from 8 February 2018 to 31 December 2020, and a method that the Manager reasonably considers will allow the risk indicator to reflect the potential future volatility of the Fund. 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.

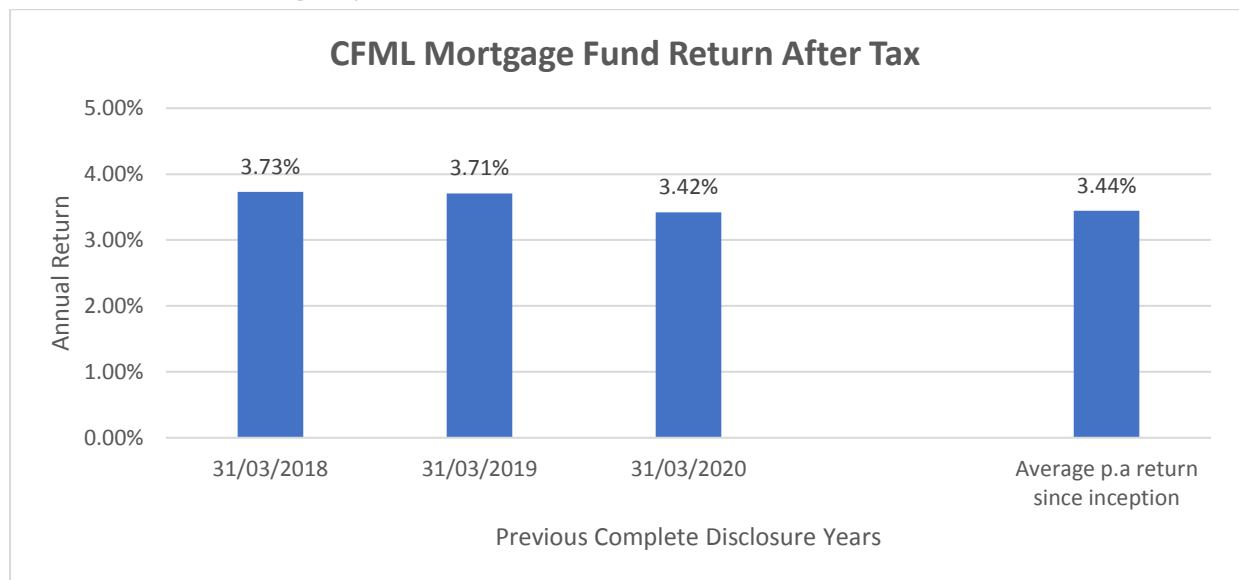
See the product disclosure statement (PDS) for more information about the risks associated with investing in this Fund.

How has the Fund performed?

| | Past Year |
|------------------------------------------------------------------------------|-----------|
| Annual return <i>(after deductions for charges and tax)</i> | 3.08% |
| Annual return <i>(after deductions for charges but before tax)</i> | 4.28% |

There is no appropriate market index and no suitable peer group index or indices for the Fund against which to assess either movements in the market in relation to the returns from the assets in which the Fund invests or the performance of the Fund as a whole.

Annual return graph



This shows the return after fund charges and tax for each year ending 31st of March since the Fund started. The last bar shows the average annual return since the Fund started, up to 31st December 2020.

Important: This does not tell you how the Fund will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

What fees are investors charged?

Investors in the Fund are charged fund charges. In the year to 31 December 2020 these were:

| | % of net asset value |
|----------------------------------------------------|-----------------------------|
| Total fund charges* | 1.64% |
| <i>Which are made up of:</i> | |
| Total management and administration charges | 1.64% |
| <i>Including:</i> | |
| <i>Manager's basic fee</i> | 1.30% |
| <i>Other management and administration charges</i> | 0.34% |

Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from the Fund). See the PDS for more information about those fees.

Small differences in fees and charges can have a big impact on your investment over the long term. All fees are stated on a GST exclusive basis.

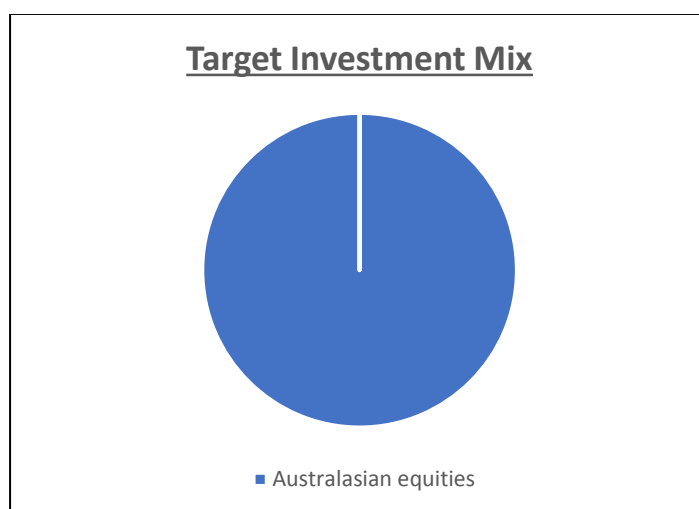
Example of how this applies to an investor:

Sarah 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, Sarah received a return after fund charges were deducted of \$370 (that is 3.70% of her initial \$10,000). This gives Sarah a total return after tax of \$370.

What does the Fund invest in?

Actual Investment Mix

This shows the types of assets the Fund invests in.



Target Investment Mix

This shows the mix of assets that the Fund generally intends to invest in.

| Investment Type | % of Fund's net asset value |
|------------------------|-----------------------------|
| Australasian equities* | 100% |

Top 10 Investments

| Name | % of Fund's net asset value | Type | Country |
|----------------------|-----------------------------|------------------------|-------------|
| CFML Lending Limited | 100% | Australasian Equities* | New Zealand |

The total value of the top 10 investments make up 100% of the net asset value of the Fund.

*The Fund invests solely in shares in CFML Lending. CFML Lending enters into loans predominantly secured by Mortgages, and in on-call and short-term deposits at a New Zealand registered bank.

Key Personnel

| NAME | CURRENT POSITION | TIME IN CURRENT POSITION | PREVIOUS POSITION | TIME IN PREVIOUS POSITION |
|--------------------------|-----------------------------------|--------------------------|--------------------------------------------------------------|---------------------------|
| PATRICK MIDDLETON | CEO | 4 years, 3 Months | CEO - Perpetual Group | 4 years |
| JOHNY KALE | COO | 4 years, 3 Months | Treasury and Operations Manager – North Asset Management LLP | 7 years 1 month |
| FRANK CHAN | Chairman – Non-Executive Director | 4 years 9 months | Director and Principal Lawyer – Hesketh Henry | 8 years 4 months |
| SUSAN HANSEN | Non-Executive Director | 4 years, 8 months | Non-Executive Director – various companies | 5 years 6 months |
| JAEWYN MOCKFORD | Mortgage and Credit Manager | 2 years, 9 months | Retail Credit Manager – ICBC New Zealand | 1 year 1 month |

Additional Information – CFML Lending investments

The returns you receive from the Fund depend on the amount of distributions paid by CFML Lending to the Fund, the amount of which is dependent on interest paid on loans secured by Mortgages made by CFML Lending and interest earned on the on-call and short term deposits at CFML Lending’s New Zealand registered bank in which CFML Lending invests any surplus capital.

All information in this section is as at 31st December 2020.

Actual Investment mix for CFML Lending:

Investment Mix

| | |
|-------------------------|-------------|
| Cash & Cash Equivalents | 17% |
| Unlisted Property | 83% |
| Total | 100% |

Top 10 investments for CFML Lending:

| Top Ten Investments ** | | | | | |
|------------------------|---------------------------------------|--------|-------------------------|-------------|---------|
| No. | Investment | % Port | Investment Type | Country | Rating |
| 1 | ASB Bank - Cash Deposits | 12.2% | Cash & cash equivalents | New Zealand | AA- |
| 2 | ICBC Bank - Cash Deposits | 4.7% | Cash & cash equivalents | New Zealand | A |
| 3 | Residential First Mortgage Auckland | 3.4% | Unlisted Property | New Zealand | Unrated |
| 4 | Residential First Mortgage Auckland | 3.0% | Unlisted Property | New Zealand | Unrated |
| 5 | Residential First Mortgage Otago | 3.0% | Unlisted Property | New Zealand | Unrated |
| 6 | Residential First Mortgage Northland | 2.9% | Unlisted Property | New Zealand | Unrated |
| 7 | Residential First Mortgage Auckland | 2.8% | Unlisted Property | New Zealand | Unrated |
| 8 | Residential First Mortgage Auckland | 2.7% | Unlisted Property | New Zealand | Unrated |
| 9 | Residential First Mortgage Canterbury | 2.7% | Unlisted Property | New Zealand | Unrated |
| 10 | Residential First Mortgage Auckland | 2.7% | Unlisted Property | New Zealand | Unrated |

Geographic distribution of loans made by CFML Lending:

| Geographic distribution (Loans)* | |
|----------------------------------|-------------|
| Northland | 3.4% |
| Auckland | 88.4% |
| Canterbury | 4.6% |
| Otago | 3.6% |
| TOTAL | 100% |

There are no impaired loans as at the date of this fund update, and there were no loans impaired during the quarter ending 31st December 2020.

Further Information

You can also obtain this information, the PDS for the Fund, and some additional information from the offer register at disclose-register.companiesoffice.govt.nz.

| | |
|--------------------|-------------------------------------|
| Scheme Description | Conrad Investment Scheme (SCH12556) |
| Offer Number | OFR12557 |
| Fund Number | FND12657 |
| ISIN | NZ000A2JD2P6 |
| Supervisor | Covenant Trustee Services |