

11 March 2020

Pooled Mortgage Managed Investment Scheme Illiquidity Determination – Frequently Asked Questions

Further to our letter dated 4th March 2020 advising of the illiquidity determination of the Pooled Mortgage Managed Investment Scheme, we have prepared a list of commonly asked questions relating to the Fund position.

Why has the Fund been frozen?

The Pooled Mortgage Managed Investment Scheme (“PMMIS” or “Fund”) is currently experiencing an unusually large number of redemption requests in terms of volume and value. Historically, redemptions from the Fund have been dealt with on an ‘as received’ basis. More recently the Fund has been utilising its discretion to apply a 90-day redemption window. However, modelling of current and forecast redemption requests shows that the Fund will likely not be able to meet the increased number of redemption requests within this timeframe.

Tidswell currently considers the Fund to be an illiquid investment. The current freeze on redemptions is designed to safeguard liquidity levels and to preserve value for, and protect the interests, of all investors (both withdrawing and continuing). We have taken this action in the best interest of all investors. Nothing has changed in terms of the way the fund is run and the same people remain in place managing the fund.

When was the Fund first declared as being illiquid?

The Fund was declared illiquid on 2nd March 2020, and notification to this effect was immediately sent to investors.

What does it mean to declare the Fund 'illiquid'?

A mortgage fund is an investment vehicle that pools investor money to lend to borrowers in exchange for registered first ranked mortgages over property as the primary security. In return for the investment, investors receive a right to receive regular income derived from the interest paid by borrowers. As disclosed in the Product Disclosure Statement (PDS) at page 6, a mortgage fund is generally an illiquid investment. An illiquid investment means that it will take time to realise the value of an investment. In the case of PMMIS, it means that cash only becomes available to meet redemption and repurchase requests when and as the underlying loans become due and are repaid.

What are repurchase requests?

The letter to investors notifying of the fund freeze contained reference to 'repurchase requests' being suspended. Clause 18 of the PMMIS constitution notes the following types of requests are referred to as 'repurchase requests':

- a drawdown request
- a regular drawdown request
- a termination request

What are the loans and when do they fall due?

The Fund invests in short term loans with maturities of between 1-2 years, with due dates which are staggered across the year. There are loans that will be discharging during March and April 2020 (and future months) which will assist in injecting liquidity back into the Fund. The portfolio of loans are summarised in the attached 'loan portfolio' document.

Are interest payments being paid or are they being withheld?

The underlying loans continue to be serviced and the Fund is receiving interest payments, however at this time, and until liquidity returns to the Fund, distributions will only be made to investors as funds allow. We anticipate that these will resume as normal once the freeze is lifted.

What is the effect on the rate of return of the Fund?

To 31 December 2019, the annualised return was 4.46%. As noted above, the Fund continue to receive interest payments with respect to the underlying loans.

What is the current size of the fund?

The current size of the Fund is approximately \$37m.

Is there trouble with the underlying loans and mortgages?

The portfolio of loans and mortgages are, in the main, expected to be repaid in full within the timeframes specified in the relevant agreements with the parties to which the loans have been made. Tidswell have made allowances for the potential default of some loans however this is not expected to impact the issue of redemptions in the normal course of operating the Fund. As previously noted, the fund is currently experiencing an unusually large number of redemption requests in terms of volume and value which has resulted in the decision to freeze the fund while the cash reserves of the fund are rebuilt.

When will the suspension lift? Is it short or long term?

Tidswell are working to lift the suspension as quickly as possible. We are unable to presently provide an exact timeframe, however we currently believe that the freeze will be of a short term nature.

Can investors still submit withdrawal forms?

You are still able to submit a withdrawal form, however these will still be subject to the freeze. Any and all redemption requests will be treated consistently with our duties to treat all investors equally.

Will I still be paying fees?

Tidswell have arranged to temporarily waive the PMMIS management fee of 0.80% per annum while we work to unfreeze the Fund and reopen redemptions.

I have financial commitments. Can at least a portion be paid?

Given our duty to treat all investors equally we are currently unable at this time to pay redemptions in full or in part. We reiterate however that the redemption freeze is likely to be of a short term nature.

What is going to happen to my pension payments?

Tidswell, in its capacity as trustee of the TMSP, has determined to continue to meet its payment obligations with respect to minimum pension payments.

Is my capital safe? Is PMMIS insolvent?

The Fund is not insolvent, and Tidswell expects the freeze will be lifted in due course. The Fund continues to be managed as it has historically, and the underlying loans and mortgages are being monitored.

Tidswell will keep you informed as the solution to lift the Suspension progresses.

Yours faithfully,



Andrew Peterson
Chief Operating Officer
Tidswell Financial Services Limited

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