

## INVESTOR UPDATE

# IPO Wealth Fund

7 April 2020

Dear Unitholder

We are writing to you as the trustee of the IPO Wealth Fund (**Fund**).

As you would be aware the current COVID-19 epidemic has caused disruption to capital markets around the world. Australia, and indeed the Fund, are not immune.

The Fund, as described in the Information Memorandum dated 1 March 2019, is primarily a debt fund that lends money to IPO Wealth Holdings Pty Ltd trading as Mayfair 101 Holdings (**Borrower**), a related party of the Fund's investment manager, IPO Wealth Pty Ltd (**Investment Manager**). Both the Investment Manager and the Borrower are part of the Mayfair 101 group of companies.

The Borrower has used the loan monies and invested (both directly and indirectly) in a range of investments, including private equity investments. As trustee of the Fund, we hold a registered general security interest on behalf of unitholders in respect of all of the present and future property acquired by the Borrower as well as specific security over any assets purchased by the Borrower using the monies loaned by the Borrower from the Fund (**Security Interest**).

The most significant investment held by the Borrower is an investment in accounting software provider, Accloud. We have been informed by the Investment Manager that it had envisaged there would have recently been a significant liquidity event in relation to Accloud, enabling the Borrower to repay a material amount of its Loan to the Fund, but due to the state of capital markets around the world the sale of a stake in Accloud is now some time away.

The recent market events have also generally impacted liquidity on a broader scale. As a result of the above events the Borrower has failed to meet its recent interest and principal repayments due to the Fund.

### Freeze on Redemptions

As a consequence of these events, the Trustee has determined it to be in the best interests of investors as a whole to implement the following measures:

1. with immediate effect and until further notice, suspend any applications for units in the Fund. Any application monies received will be returned to applicants without interest;

2. with immediate effect and until further notice, no redemptions from the Fund will be processed and therefore no redemptions monies will be paid to any person;
3. after careful consideration of the Fund's liquid assets and reasonable estimates of Fund expenses and anticipated liabilities over the next 12 months, the Trustee intends to continue to pay unitholder distributions in accordance with your agreed Investment Term for at least the next 3 months; and
4. with immediate effect and until further notice, any distributions paid will be transferred to each unitholder's nominated account with no reinvestments to be made.

These actions are intended to protect the value of unitholders' capital while discussions with the Borrower continue and to ensure all unitholders are treated fairly.

You will recall the Information Memorandum for the Fund explains:

- that the Trustee may suspend withdrawals from the Fund should it be of the opinion that doing so would be in the best interests of all investors;
- where there is limited liquidity then any withdrawals will likely be managed on a pro-rata basis; and
- the liquidity risks associated with an investment in the Fund and that an investment in the Fund should be considered illiquid.

### **Loan Repayment Plan**

We are in discussion with the Borrower about a repayment plan in relation to outstanding interest, payment of future interest and repayment of the Loan.

We have taken external legal advice in relation to the Fund's rights as lender and Security Interest holder and the best course of action for us to take in order to both continue to pay distributions and to preserve the value of unitholders' capital.

We will continue to keep unitholders updated as discussions with the Borrower progress.

### **Current Financial Status of the Fund**

As at the date of this letter, the Fund has unitholder funds of approximately \$82 m of which approximately \$5.6 m is held in cash across the Operations, Cash Reserve and Performance Fee Reserve bank accounts. There is also an additional \$2.3m held by the Trustee in the Capital Protection Reserve which may be utilised for the benefit of unitholders in certain circumstances.

Each of those accounts have particular rules as to what the monies can be used for.

In terms of the value of your investment, the Trustee confirms that late last year we engaged an independent accounting firm to conduct an assurance exercise to verify the existence of assets held by the Borrower, over which the Fund benefits from the Security Interest, and to report on the value of

those assets. The report showed that as at 30 June 2019 the value of assets was significantly in excess of the loan amount from the Fund.

Whilst there has been significant disruption to investment markets since the time the report was prepared, we have no reason to believe, at the current time, that the value of the assets held by the Borrower are insufficient for it to repay its loan to the Fund in due course. Once markets normalise we expect the Borrower to continue to meet all of its obligations to the Fund under the loan arrangement. Of course, we cannot guarantee to you that the assets will not be written down, that repayments will be made in full or that markets will return to their pre-COVID-19 levels.

We intend to have the value of the assets held by the Borrower independently valued again as at 30 June this year.

We will keep you informed once we have greater clarity from the Borrower in relation to the timing of the repayment of the loan and interest and will provide any update to you in writing. We are committed to acting in unitholders' best interests at all times.

In the meantime, if you have any questions in relation to your investment in the Fund or the temporary restrictions we have imposed on applications and redemptions, please contact Vasco Trustees by email on [info@vascofm.com](mailto:info@vascofm.com).

Yours faithfully



**Craig Dunstan**

Managing Director

**Vasco Trustees Limited as trustee for the IPO Wealth Fund**