

INVESTOR UPDATE

IPO Wealth Fund

3 September 2020

Dear Unitholder

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

This Investor Update follows our Investor Update of 28 August 2020.

Today's Court hearing outcomes

Wind up application of IPO Wealth Group

The main purpose of today's hearing was for the Supreme Court of Victoria (**Court**) to hear the application that IPO Wealth Holdings Pty Ltd (**Borrower**) and each of its wholly owned subsidiaries (collectively, the **IPO Wealth Group**) be wound-up.

This would in-effect mean that the current provisional liquidators would be appointed as liquidators to IPO Wealth Group to control and manage the sale and realisation of its assets and ultimately the payment of the net realisation proceeds to the Fund as a likely partial repayment of the Borrower's loan from the Fund.

Mr. James Mawhinney, the former controller of the IPO Wealth Group, was seeking to argue that the IPO Wealth Group should not be wound up on 'just and equitable grounds' as there was a valid alternative currently being proposed to Unitholders.

Justice Robson presiding over today's hearing considered that it was not appropriate for Mr. Mawhinney to be making such arguments given his conflict of interest in the matter and the significant issues highlighted to date in his mismanagement of the IPO Wealth Group, notably including transferring assets outside of the IPO Wealth Group to an entity in the British Virgin Islands controlled by him.

Justice Robson decided that an independent Queens Counsel should instead be appointed to act as "contradictor" at the hearing of the wind-up applications. This contradictor would be tasked with reviewing the material to date and making submissions to the Court as to why the IPO Wealth Group should not be wound-up. This afternoon, Mr. Stewart Maiden was engaged by the Court as the contradictor.

The hearing was then adjourned until 16 September 2020, at which point the wind-up applications will be heard with submissions from all parties, namely Vasco as trustee of the Fund, the provisional liquidators, ASIC and the now appointed contradictor.

Our expectation remains strong that the Court will ultimately order the winding-up of IPO Wealth Group.

Strongly supported by ASIC, we maintain that this is the best outcome for investors in the circumstances. An alternative where Mr. Mawhinney is given back effective control of the assets of the IPO Wealth Group, remains untenable.

We have at length in previous updates highlighted the extraordinary mismanagement and even potential unlawful conduct of Mr. Mawhinney identified by the receivers and manager (now appointed as provisional liquidators) to the IPO Wealth Group.

Conduct of Mr. Mawhinney

The conduct of Mr. Mawhinney in his attempts to procure Unitholder support for his desired proposal was also in issue in today's Court hearing. The issue needs to be understood in the context of his other 'investment' activities, and that ASIC have recently obtained interim orders in the Federal Court of Australia against companies in the 'Mayfair 101 Group' and Mr. Mawhinney personally, including orders restraining Mr. Mawhinney from leaving Australia and from engaging in certain conduct that involves advertising or marketing any financial product. In that other proceeding, ASIC has informed the Court that it is investigating whether criminal proceedings should be brought against Mr. Mawhinney.

A further application was made to the Court today that Mr. Mawhinney be restrained from further contacting Unitholders of the Fund in relation to his proposal. Justice Robson was not prepared to hear that application today and will now hear it on Monday morning.

We have always maintained our willingness to hear a credible proposal from Mr. Mawhinney to repay the monies owed to the Fund.

However, given the issues raised to date, we do not have any trust or confidence in Mr. Mawhinney acting in the best interests of Unitholders to safely manage the sale of the assets of the IPO Wealth Group. Justice Robson was concerned about Mr. Mawhinney's conflict of interest in seeking to procure Unitholder support to his proposal that would effectively see him seize control of the Fund and the assets of the IPO Wealth Group.

If Mr. Mawhinney was serious about looking after investors, he would immediately and of his own volition transfer back to the IPO Wealth Group the assets he appears to have transferred without due consideration to other entities in his control, including those assets transferred to a company which is apparently controlled by him in the British Virgin Islands.

Control of the Fund and Mayfair Proposal

We understand that a significant number of investors may have voted in favor of a number of 'proposals' put forward by Mr. Mawhinney representing the 'Mayfair 101 Group', which we addressed in our last Investor Update (**Mayfair Proposal**).

The upshot of the Mayfair Proposal from Mr. Mawhinney is to extract \$2.3 million of investors' money from the Fund, to remove Vasco as trustee of the Fund to be replaced by an as yet unidentified trustee (but nominated by Mr Mawhinney) and for Mayfair 101 Group to take control of the assets of the IPO Wealth Group. The effect of that proposal would be to weaken the position of the Trustee and Provisional Liquidator to take action against Mr. Mawhinney for the return of Fund assets for the benefit of unitholders.

At today's Court hearing, ASIC was seeking that the Court make an order that receivers and managers be appointed over the Fund assets because of concern about the Mayfair Proposal and the attempts by Mr Mawhinney to have it implemented by Unitholders "voting on the papers" without a properly convened Unitholder meeting. Justice Robson was clearly concerned that Vasco not be removed as trustee of the Fund by the implementation of the Mayfair Proposal. Justice Robson deferred making an order today to appoint receivers over the Fund largely because Vasco gave an undertaking to the Court that if attempts were made to remove Vasco as trustee of the Fund by a valid resolution of Unitholders, Vasco would immediately approach the Court and Justice Robson indicated that he would have no hesitation in then appointing receivers over the Fund.

As yet Vasco as Fund Trustee has not received from Unitholders any requests to convene a meeting in respect of the Mayfair Proposal.

However, our current view following legal advice is that we do not consider the Mayfair Proposal documentation valid in accordance with the constitution of the Fund and consider the information provided by Mr. Mawhinney to solicit "votes" for such action to have been misleading.

So that investors have no misunderstanding, Vasco takes the view that any Unitholder resolution to remove Vasco as trustee can only be passed at a duly constituted Unitholder meeting convened and held in accordance with the Trust Deed (Constitution). At this stage we have not received the necessary Unitholder requests for a meeting. If that occurs, and the requested resolutions are clear and appropriate to be put to a vote of Unitholders, Vasco will convene the meeting as its required to do by giving Unitholders not less than 14 days notice and supported by a notice of meeting that includes Vasco's considered views and recommendations about the proposed resolutions.

Furthermore, given our overriding responsibility to act in the best interests of *all* investors, if we consider a validly passed resolution or direction of Unitholders will compromise the best interests of all investors, we reserve our right to immediately apply to the Court to seek judicial advice on whether the Unitholder resolution or direction should be complied with.

For the reasons cited earlier, we will not allow Mr. Mawhinney to take back control and responsibility over the assets of the IPO Wealth Group or the Fund without seeking further intervention by the Court.

Provisional liquidators report

Justice Robson agreed at today's hearing for the recent third report of the provisional liquidators dated 27 August to be given to Unitholders.

Accordingly, the email attaching this Investor Update includes details for Unitholders to access this report.

We encourage Unitholders to read this report which gives a comprehensive account of serious mismanagement and potential misconduct identified in IPO Wealth Group managed by Mr Mawhinney. We consider this report will provide sufficient reasons for the Court to support the wind-up of the IPO Wealth Group.

It is distressing to see the details of how much value has been dissipated from the IPO Wealth Group and the misrepresentations that were made to the Trustee.

The report does not make clear what will be the likely realisable value of the IPO Wealth Group. However, it does state categorically that in the current circumstances a full return of capital to the Fund is unlikely. We will continue to press the Provisional Liquidators for more information regarding the prospective sale of IPO Wealth Group assets in terms of value and timing.

Submissions

We will shortly include on our website our submissions to the Court for today's hearing.

The submissions of the provisional liquidator are also available on their website through the link provided in the email attaching this Investor Update.

We encourage Unitholders to read these submissions to gain further context into our actions and those of the Provisional Liquidators appointed by the Court.

Payments to Investors

This week we paid two amounts to investors.

FY20 taxable income distribution

Investors will have received a pro-rate distribution in respect of the remaining taxable income of the Fund for the financial year ending 30 June 2020 (**FY20**) following completion of the Fund's tax return by the independent tax accountants.

This distribution totaling \$419,863 represents the remainder of taxable income (namely interest on the loan to the Borrower) after fees and expense. We do not anticipate making any further income distributions at this stage.

Investors should have received a distribution statement and we will shortly be sending Unitholders a tax statement in respect of their income for FY20.

Compulsory redemption

As indicated in previous Investor Updates we have been looking to make a compulsory redemption to unitholders for some months. Having finalised the Fund's taxable income this week and received the Provisional Liquidators report we are now in a position to advise that we have also made a compulsory redemption of \$3 million to Unitholders which has been distributed pro-rata based on the number of Units you hold in the Fund.

We are conscious that a number of unitholders are in a difficult financial position, particularly with the additional consequences of COVID-19 and hence we were keen to make a payment to you as soon as we responsibly could based upon the information available.

Contrary to Mr. Mawhinney's claims in his email to Unitholders this afternoon that his actions led to these payments, the payment of taxable income is a normal annual event with trust funds and the compulsory redemption was planned and communicated to unitholders some months ago.

We will continue to monitor the capital position of the Fund to consider what further redemptions are possible. If the IPO Wealth Group is shortly put into liquidation, we would expect to make further compulsory redemptions to investors as moneys are received from the liquidators upon their sale of the assets of the IPO Wealth Group.

Further updates

We continue to receive a significant number of comments and queries from Unitholders. It has not been possible to respond to Unitholders as quickly as many may have wished in recent times as we have been focussed on the legal steps necessary to preserve as much value as possible for Unitholders.

It should also be stated that as we are a corporate trustee are not able to provide personal financial advice to investors.

To those Unitholders who have written to us expressing their support we thank them.

We will continue to provide Unitholders with regular updates as more information becomes available.

If you have any further questions, please speak with your financial adviser or contact us by email on info@vascofm.com.

Yours faithfully

Vasco Trustees Limited
as trustee for the IPO Wealth Fund