

## INVESTOR UPDATE

# IPO Wealth Fund

23 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 3 September 2020.

### Outcomes of recent court hearing

#### *Wind up application of IPO Wealth Group*

Last Thursday, Justice Robson of the Supreme Court of Victoria (**Court**) ordered that IPO Wealth Holdings Pty Ltd (**Borrower**) and each of its wholly owned subsidiaries (collectively, the **IPO Wealth Group**) be wound-up.

The emphatic decision of Justice Robson to wind-up the IPO Wealth Group follows an extensive court supervised process initiated by us four months ago.

We have always maintained that given the lack of a credible alternative, this is the best outcome for Unitholders in extremely difficult circumstances.

#### *Recommendation of Contradictors*

As outlined in our previous Investor Update, Justice Robson appointed Mr Stewart Maiden QC and Ms Fiona Hodgson as “contradictors” to the winding-up applications.

The role of the contradictors was to review the material to date and make submissions to the Court as to why the IPO Wealth Group should not be wound-up in light of any alternative proposals, namely the proposal put forward by Mr James Mawhinney referenced in our last Investor Update (the “Mayfair Proposal”).

Following their review and Unitholder consultation process, the contradictor’s submissions concluded as follows:

“On balance, having regard to all apparent options, in light of all the information available and having the benefit of substantial consultation with a large body of the investor group, the contradictors consider that the objective interests of the investors as a group are best served by the liquidation of the defendant companies.”

During the course of the hearing, Mr Mawhinney made amendments to the Mayfair Proposal to address criticisms being raised by His Honour and the contradictors throughout the course of the proceeding.

However, in summary, Mr Maiden made the following key arguments against the merits of the Mayfair Proposal:

1. Of the Fund's \$2.3 million capital protection reserve \$1.25 million would be paid to Mawhinney related companies, namely \$500,000 to IPO Wealth Pty Ltd, and \$750,000 to be paid to the new Mawhinney related company, 'Newco'. Only \$1.05 million would remain in the capital protection reserve for distribution amongst the investors.
2. Neither Mr Mawhinney, nor any of his entities, were proposing to contribute any funds as part of the proposal. Rather, the Mayfair Proposal would cost the unitholders, as set out in paragraph 1 above.
3. Any asset realisations would be subject to a significant dilution in order to pay the Investment Manager's 10-15% commissions.
4. The Mayfair Proposal would not deliver the benefit of any liquidators' investigations or litigation to recover antecedent transactions or actions against Mr Mawhinney personally for breaches of duties.
5. It is impossible for the contradictors to place a value on the Accloud shares to be contributed via the Mayfair Proposal. The shares are not publicly traded, there is no evidence of any tangible business being carried on by Accloud, and the draft valuation provided by Mr Mawhinney was unreliable as to its method and factual basis.

Without drawing adverse inferences based on undecided matters, the contradictors also noted the adjunct challenges of "Mr Mawhinney and several of his companies [being] the subject of regulatory proceedings and investigations, which include the potential of criminal proceedings being brought against Mr Mawhinney."

In his preliminary reasons, Justice Robson offered thanks to the contradictors stating he was satisfied they "came to the right conclusion" after a "very, very thorough and complete examination of the [Mawhinney] proposal".

We thank all those Unitholders who participated in the process undertaken by the contradictors.

### **Next steps in the liquidation process**

The provisional liquidators previously appointed by the Court to the IPO Wealth Group have now been appointed as liquidators. Accordingly, their role is to now manage the recovery, sale and realisation of the assets of the IPO Wealth Group.

This process may include, to the extent possible, actions to recover assets transferred by Mr Mawhinney in breach of his duties as a director, such as the transfer of shares in Accloud as detailed in earlier Investor Updates.

Given that the Fund is the only secured creditor of the IPO Wealth Group, the net realisation of the sale of any assets will ultimately be applied towards the repayment of the Borrower's loan from the Fund.

The liquidators have not yet given us any indication in terms of likely recoverability or the ultimate realisable value of the assets, other than to say that the full return of capital to the Fund is unlikely.

Our current expectation is that the liquidation process may take 3 years or more. However, we will provide Unitholders with more information about the recovery and realisation process in future updates.

### **Termination notice in respect of Fund**

At last week's hearings, we also provided an undertaking to the Court to formally terminate the Fund under the terms of its Constitution.

Accordingly, under section 23(b) of the Fund's Constitution, we hereby notify all Unitholders of our decision to terminate the Fund three (3) months from the date of this notice, being 23 December 2020 (**Termination Date**).

This Termination Date is not a repayment date and is only a notification date giving effect to a formal process under the Constitution whereby the Trustee proceeds to wind up the Fund without specifying the date by which this wind-up will be accomplished. As mentioned above, we expect the liquidation of the IPO Wealth Group to take 3 years or more with the final dissolution of the Fund to conclude after this.

### **Tax statements**

Tax statements for last financial year have been sent out and the Fund's financial accounts for last financial year are expected to be sent out by the end of October 2020.

### **Future updates**

In future we intend sending Unitholders further updates on a calendar quarterly basis, unless there is something material to bring to your attention.

The next update will be in January 2021 for the quarter ending 31 December 2020.

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

Yours faithfully

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