INDIVIDUAL APPLICATION FORM

INDIVIDUAL & JOINT INVESTORS

Midlands
Smarter PIE Fund

We get it. Long forms can be a bit of a bore, but to become a Midlands customer, we need some information from you.
Much of it is information we're legally required to collect to comply with New Zealand's anti-money laundering and tax laws.
We've done our best to make the process as pain-free as possible. Please contact us if you have any questions on 0800 870 326.

You can fill this form out by hand or digitally by typing directly into the fields, except for the signature field, which must be signed by hand.

1. ACCOUNT INFORMATION

INVESTOR 1 (principal account holder)

Title: ☐ Mr ☐ Mrs ☐ Miss ☐ Other

First name(s):

Surname:

Preferred Name:

Occupation:

Date of birth: / /

Home address:

Postcode:

Postal address (if different from your home address):

Postcode:

Home phone:

Mobile phone:

Email:

Country of birth:

Citizenship:

INVESTOR 2 (if applicable)

Title: ☐ Mr ☐ Mrs ☐ Miss ☐ Other

First name(s):

Surname:

Preferred Name:

Occupation:

Date of birth: / /

Home address:

Postcode:

Postal address (if different from your home address):

Postcode:

Home phone:

Mobile phone:

Email:

Country of birth:

Citizenship:

2. TAX INFORMATION

NZ TAX RESIDENCY:
Are you a tax resident in New Zealand? ☐ Yes ☐ No

IRD Number:

Taxpayer's Prescribed Investor Rate (PIR):
☐ 0% ☐ 10.5% ☐ 17.5% ☐ 28%

NZ TAX RESIDENCY:
Are you a tax resident in New Zealand? ☐ Yes ☐ No

IRD Number:

Taxpayer's Prescribed Investor Rate (PIR):
☐ 0% ☐ 10.5% ☐ 17.5% ☐ 28%

Notes:
- The tax payer for joint investors is the investor with the highest Prescribed Investor Rate (PIR).
- To determine your Prescribed Investor Rate (PIR) visit our website, speak to your accountant or visit the IRD's website.

3. FOREIGN TAX RESIDENCY INFORMATION

INVESTOR 1 (Principal account holder)

Are you tax resident in any other country? (other than NZ)

Yes No

If you answered 'Yes' to the above question, please list all countries below and provide the Tax Identification Number (TIN):

Other Country of tax residence:	Tax Identification Number (TIN):

INVESTOR 2 (if applicable)

Are you tax resident in any other country? (other than NZ)

Yes No

If you answered 'Yes' to the above question, please list all countries below and provide the Tax Identification Number (TIN):

Other Country of tax residence:	Tax Identification Number (TIN):

Note: If you are a US citizen or US tax resident your TIN will typically be your Social Security Number.

If you are unable to provide a TIN for any country, please explain why:

4. INVESTMENT DETAILS

Please note this information is requested solely in relation to anti-money laundering obligations and is not used to assess the suitability of your investment, or to provide financial advice.

HOW MUCH IS YOUR INITIAL INVESTMENT? $

WHAT IS THE PRIMARY PURPOSE OF YOUR INVESTMENT?

Accumulation of Wealth
Income Stream
Retirement
Other (please specify)

PLEASE TELL US HOW YOU INTEND TO TRANSACT ON THIS ACCOUNT

I plan to make deposits / contributions:

Regularly
Now and then
Lump sum (one off)

I plan to make withdrawals:

Regularly
Now and then
Lump sum (one off)

IF MAKING REGULAR DEPOSITS / CONTRIBUTIONS, I/WE WISH TO MAKE REGULAR SAVINGS CONTRIBUTIONS OF:

$ **Per:** **Week** **Fortnight** **Month** **Year**

5. YOUR RETURNS

What would you like us to do with your returns?

QUARTERLY PAYMENTS (pay returns into my bank account each quarter)

REINVEST MY RETURNS (reinvest returns back into the fund each quarter)

6. NOMINATED BANK ACCOUNT

Please provide a nominated bank account in your name for payment of your returns and any withdrawals.
For your protection, we will only pay into an authorised bank account in the account holder's name or your solicitor's trust account.

Name of account:

Account Number:

Bank Branch Account Number Suffix

TO VERIFY YOUR BANK ACCOUNT, PLEASE PROVIDE A BANK STATEMENT

The bank statement must show the account name, account number, your address and bank logo. It must be less than 12 months old.
The address cannot be a PO Box address.

7. SOURCE OF FUNDS & WEALTH

In order to meet our anti-money laundering obligations, we need to ask you some questions about your source of funds and/or wealth. Please note this information is not used to assess the suitability of your investment or to provide financial advice. You may need to provide proof of funds/wealth; e.g. sale and purchase agreement, payslips, legal documentation etc. We will advise if you need to do so.

Please tell us the original source of the funds you are investing with us:

Inheritance / Windfall	Personal Income	Accumulated Savings
Property Sale	Asset / Business Sale	Superannuation
Other, please specify:		

Please provide further details about the source of funds. For example, sale of property at 55 Greys Road for $835,000 on 21/06/2023:

8. YOUR ACKNOWLEDGEMENTS AND AGREEMENTS

Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act)
You must not knowingly do anything to put Midlands Funds Management Limited (**"Midlands"** or **"us"**) in breach of the AML/CFT Act. You agree to provide all additional information and assistance requested by us and to comply with all reasonable requests from us to facilitate our compliance with the AML/CFT Act.

You represent and warrant that you are not aware and have no reason to suspect that:

- the money used to fund any investment by you is derived from or related to any criminal or other illegal activities, money laundering, terrorism financing or similar activities (**"Illegal Activities"**); or
- the proceeds of any investment will fund any Illegal Activities.

You understand and agree that until Midlands has completed its processes to the standard it, in its sole discretion, determines necessary, it is not bound to accept any investments or open any account for you and it can cancel any application and/or close any account at any time.

You agree that Midlands is not liable for any losses incurred as a result of any action we take or omit to take and which either delays your investment or results in an application being declined, when these actions or omissions are necessary for us to comply with our obligations under the AML/CFT Act.

Privacy Act 2020
This statement relates to personal information that you are providing to us by way of this application and any subsequent personal information which you may provide in the future. The personal information you have supplied may be used by us (and our related entities) for the purposes of enabling us to arrange and manage your investment and to contact you in relation to your investment.

You authorise us to disclose your personal information to any third parties as needed to perform services on your behalf; to regulatory bodies or law enforcement agencies as required by law and to meet our legal or regulatory obligations. Except where precluded by law we will provide you (on request) with the name and address of any entity to which information has been disclosed.

You have the right to access all personal information held about you by us. If any of the information is incorrect, you have the right to have it corrected. You acknowledge that you are authorised to provide this personal information. You agree that your name and address may be used by us to provide you with newsletters and other information about Midlands and other products and services offered by Midlands.

Your personal information may also be used by, and you consent to the use of your personal information by Midlands to keep you informed about other financial opportunities, products or services by post, by email, by text message or by any other electronic means.

Power of Attorney
If you are signing for the investor under a power of attorney ensure you have also attached:

- a copy of the power of attorney and a completed certificate of non-revocation; and
- identification of the attorney as described on the next page.

Electronic Provision of Information
You consent to receiving any communication from Midlands and anyone else involved with the Fund via any electronic means, including via Midlands' digital platform and by email to any email address you give Midlands from time to time. This includes "Confirmation Information" relating to your investment, which you acknowledge will be made available to you via Midlands' digital platform.

Authority
Unless we hold written authority from all parties authorising a specific person(s) to act on behalf of the investor, we require all parties to sign this application form and any subsequent withdrawal/variation requests.

9. YOUR DECLARATION

- **I/We have read and retained a copy of the current Product Disclosure Statement (PDS) for the Midlands Smarter PIE Fund and understand that additional information about the Fund is available on the Fund's Disclose register entry.**
- I/We agree to be bound by the terms and conditions of the PDS and the trust deed for the Midlands Smarter PIE Fund.
- I/We appoint Trustees Executors Limited as my/our agent for the purpose of making this investment and any subsequent investment.
- I/We understand that the value of my/our investment is liable to fluctuate and may rise and fall from time to time.
- I/We accept that it is solely my/our decision to make this investment and that I/we have chosen the appropriate investment for my/our risk tolerance and circumstances.
- I/We understand that Midlands has not assessed the suitability of this investment for my/our personal financial situation, financial needs or goals.
- I/we understand that neither Midlands, Trustees Executors Limited nor any other person guarantees the performance of the Midlands Smarter PIE Fund or the repayment of capital or any particular rate of return from the Midlands Smarter PIE Fund.
- I/We acknowledge that I/we will be unable to make any withdrawal from the Fund until Midlands has received my/our signed withdrawal form and any supporting documentation required.
- I/we instruct Midlands to transfer funds from the applications bank account to the Fund if my/our application is accepted, and to return funds to me/us if (and to the extent that) my/our application is declined.
- All the information I/we have provided in this application form is to the best of my/our knowledge and belief, correct and complete. In addition, I/we certify that the Investor(s) are as shown on this application form.
- I/We will advise Midlands of any changes to my/our personal details including my/our residential or email address, telephone number, legal status or capacity.
- I/We undertake to notify Midlands of any change in tax residency status or a change which causes the information Midlands holds about me to become incorrect or incomplete.
- I/We agree to the terms outlined above and elsewhere in this application form.

Signature: Signature:

Full Name: Full Name:

Date: / / Date: / /

10. SIGNING AUTHORITY

Please indicate below the number of Authorised Signatories you require to withdraw or make variations to your investment:

SINGLE AUTHORISATION
Tick if any one investor can provide instructions to withdraw or make variations to your investment

JOINT AUTHORISATION
Tick if you require BOTH investors to sign in order to make withdrawals or variations to your investment. If this option is selected Midlands will not action any requests without all required signatures.

11. HOW WOULD YOU LIKE TO BE IDENTIFIED?

To comply with anti-money laundering laws, we need to verify your identity and we may need to verify your physical address. There are 3 ways we can complete this.

OPTION 1: DIGITAL IDENTITY VERIFICATION (PREFERRED METHOD)*
I would like Midlands to electronically verify my identity. This method is completed on your mobile phone and takes less than 5 minutes. We will send you a text with a link to complete the verification. All you need is your passport or driver licence.

OPTION 2: ORIGINAL DOCUMENTS (PASSPORT OR DRIVER LICENCE AND BANK STATEMENT)
I will bring my original identification documents (not photocopies) into Midlands.

OPTION 3: CERTIFIED DOCUMENTS (PASSPORT OR DRIVER LICENCE AND BANK STATEMENT)
I will post or email 'certified copies' of my identity to Midlands. For guidance on how to certify documents, **visit our website**.

*For details on how Midlands collects and protects your biometric information as well as your rights to access and correct this information please see Midlands' privacy policy, which is available on our website.

12. HOW TO SUBMIT THIS APPLICATION FORM

This completed application form together with any relevant documents may be:

SCANNED & EMAILED TO US AT:
investments@midlands.net.nz

POSTED TO US AT:
Midlands Funds Management, 1/111 Karamu Road North, Hastings, Hawke's Bay 4122.

DROPPED OFF TO US AT:
Midlands Funds Management, 1/111 Karamu Road North, Hastings, Hawke's Bay 4122 during normal business hours.

Once we have processed your application we will email you a **Welcome Letter** which contains details of your new account and how to transfer funds into your account.

PRODUCT DISCLOSURE STATEMENT

Offer made by Midlands Funds Management Limited of interests in the Midlands Smarter PIE Fund.

DATED 1 JULY 2026
This document replaces the Product Disclosure Statement dated 1 April 2026.

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on **disclose-register.companiesoffice.govt.nz**. Midlands Funds Management Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advice provider to help you make an investment decision.

Midlands
Smarter PIE Fund

1. KEY INFORMATION SUMMARY

What is this?

This is a managed investment scheme. Your money will be pooled with other investors' money and invested in various investments. Midlands Funds Management Limited ("Manager") will invest your money and charge you a fee for its services. The returns you receive are dependent on the investment decisions of the Manager and the performance of the investments. The value of those investments may go up or down. The types of investments and the fees you will be charged are described in this document.

What will your money be invested in?

Name of fund	Midlands Smarter PIE Fund (the "Fund")	
Brief description of the Fund and its investment objective	The Fund holds loans secured by first mortgages over land and buildings in New Zealand and cash and cash equivalents held with registered banks. The investment objective is to provide investors with returns pre-tax (but after fees and expenses) which exceed the average 3 month term deposit rate advertised by all relevant New Zealand registered banks.	
Risk Indicator	← Potentially lower returns **1** 2 3 4 5 6 7 Lower risk → Potentially higher returns → Higher risk	
	See Section 4 (What are the risks of investing?) on page 6 of this document for an explanation of the risk indicator and for information about other risks that are not included in the risk indicator. To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz/tools/investor-kickstarter	
Fees for the Fund	Total Annual Fund Charges	There are Manager fees, Supervisor fees and other management and administration charges estimated to be 1.98% per annum of the Fund value including GST.
	Withdrawal Fees	No withdrawal fees are charged by the Fund.

Who manages the Fund?

Midlands Funds Management Limited is the manager of the Fund.

See Section 7 (Who is involved?) on page 9 of this document for more information about who is involved with the Fund.

What are the returns?

The Fund earns interest from loans made to borrowers and from bank deposits. Net interest earned by the Fund is distributed to investors either in cash or by the issue of additional units on a quarterly basis. See Section 2 (How does this investment work?) on page 3 for more information.

How can you get your money out?

Your investment is redeemable on written notice to the Manager. Withdrawals are normally paid 3 business days after a Withdrawal Notice is received. See Section 2 "Withdrawing your investments".

The Manager can suspend redemptions if financial, political or economic conditions (as more particularly described under the heading "Withdrawing your investments" on page 4) warrant this.

With the agreement of Trustees Executors Limited ("Supervisor"), the Manager can determine to give effect to redemptions either by instalments over a period approved by the Supervisor or in total at the expiry of a period approved by the Supervisor. See Section 2 "Withdrawing your investments" for further details.

Your investment in the Fund cannot be sold or transferred to anyone else.

How will your investment be taxed?

The Fund is a portfolio investment entity (PIE). The amount of tax you pay in respect of a PIE is based on your prescribed investor rate (PIR). To determine your PIR, go to www.ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate. See Section 6 of this PDS (What taxes will you pay?) on page 9 for more information.

Where can you find more key information?

The Manager is required to publish quarterly updates for the Fund. The updates show the returns, and the total fees actually charged to investors, during the previous year. The latest fund updates are available at www.disclose-register.companiesoffice.govt.nz and on the Manager's website www.investmidlands.co.nz. The Manager will also give you copies of those documents on request.

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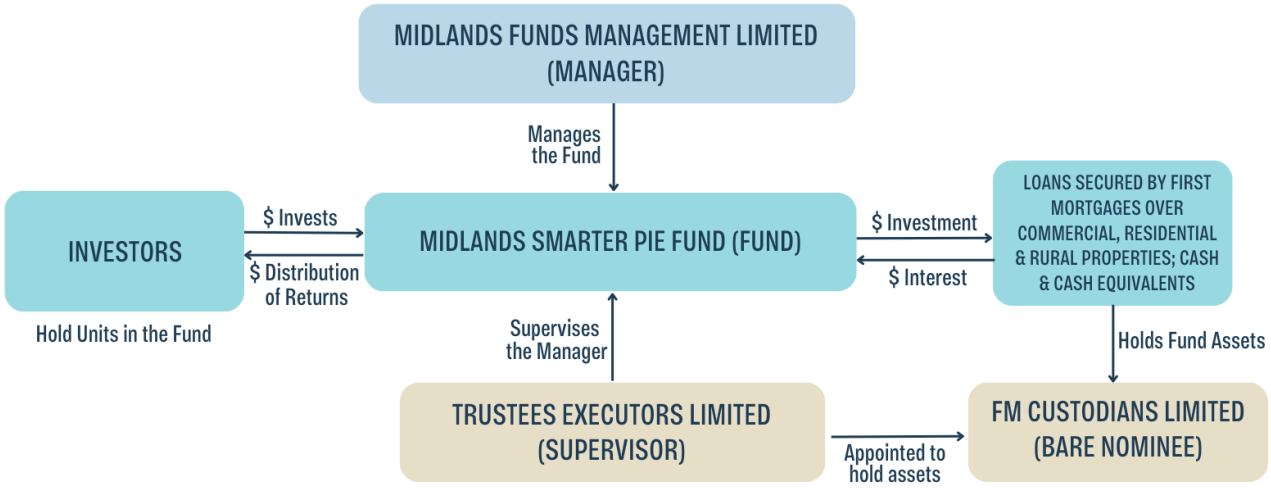
2. HOW DOES THIS INVESTMENT WORK?

Significant features of the Fund

The following diagram shows how the Fund works and the relationship between the parties involved:



Investors will acquire and hold units in the Fund. Units are issued at the unit value on the business day before the business day on which the application for units is received. The unit price is the Fund value divided by the number of units on issue (rounded down to four decimal places). The Fund value is, in summary, the aggregate of cash and cash equivalents and the market value of loan investments (including accrued interest, fees and other finance charges), less the aggregate of Fund liabilities. The Fund's unit price will typically increase gradually across a quarter to reflect income earned by the Fund before reducing at the end of each quarter when that income is distributed.

Because the Fund is a pooled investment vehicle, investors' risk is spread across cash and the whole loan portfolio. This gives investors a more diversified exposure to the mortgage lending market than investing directly in a single property loan. Accordingly, if there is a poor return or loss of loan principal on any one mortgage loan, the impact is spread across the whole portfolio and may be less likely to have a significant effect on the returns earned on investors' investments or the value of units in the Fund, when compared with an investment in a single loan.

Significant benefits of the Fund

- **Active management** – The Fund is actively managed by an experienced team.
- **Security** – Loans are secured by first mortgages with relatively conservative loan to valuation ratios[1].
- **Diversification** – Because the Fund is a pooled investment investors' risk is spread across cash and the whole loan portfolio which gives a more diversified exposure to the mortgage lending market than investing directly in a single mortgage loan.
- **Regular income** – Quarterly distributions of interest earned by the Fund (after fees and expenses, but before tax) with investors having the option of reinvesting the distributions in units in the Fund (except where an investor's entitlement is less than $25 in which case the Manager will either reinvest or make the distribution at its discretion).
- **Regular withdrawals** – As an alternative to quarterly income distributions, you can make regular weekly, fortnightly, monthly and quarterly withdrawals at an amount of your choosing (with any tax payable on a withdrawal paid at the time of the withdrawal by redeeming additional units from your investment).
- **Flexibility and no minimum withdrawal period** – The flexibility to withdraw some or all of your investment at any time (although we may suspend or defer withdrawals in some circumstances).
- **No upfront fees** – There are no entry fees.
- **No withdrawal fees** – There are no withdrawal fees.
- **PIE tax benefits** – The Fund is a PIE, meaning that it pays tax on behalf of each individual New Zealand resident investor, at the investor's chosen tax rate, capped at a maximum of 28%.

[1] The LVRs can be found in the "Lending Limits (Valuation)" section of the Fund's SIPO, available at https://investmidlands.co.nz/documents

Distributions

Income distributions on units (being the net income earned on the Fund's investments after the payment of fees and Expenses, but before PIE tax) are paid out to investors in cash or reinvested back into their investment quarterly. At the date of this document, distributions are normally made within 5 working days of 31 March, 30 June, 30 September and 31 December. The date distributions are made could be changed. Any change will be notified to investors by the Manager. Distributions of income are paid out in cash unless an investor has requested that their income entitlement is distributed to them by the issue of additional units, and the Manager has accepted that request. Such requests must be submitted to the Manager in writing not less than 30 days prior to the expiry of the relevant distribution period. If an investor's income entitlement is less than $25 then the Manager may allocate that income entitlement by the issue of additional units irrespective of whether the investor has elected to receive distributions in that manner.

The Manager has a discretion to make special distributions of income or capital at any time, provided it is satisfied that doing so would not have a material adverse effect on investors. Special distributions could be made in cash, by distributing Fund assets, or by issuing bonus units. The Manager expects special distributions to be rare, and special distributions should therefore not be anticipated and should not factor into a decision to invest in the Fund.

Legal structure

The Fund is a trust established under the Trustee Companies Act 1967 by a trust deed dated 1 October 2004 between the Supervisor and the Manager and is currently governed by an amended and restated trust deed dated 1 July 2026 ("Trust Deed").

No assets of the Fund are available to be applied to meet the liabilities of any other fund or scheme.

Making investments

Investments in the Fund's units can be made by completing the application form that accompanies this document and submitting that form to the Manager.

Initial investments in the Fund must be for a minimum amount of $5,000. Subsequent investments in the Fund, whether by standing monthly application or by a one-off lump sum application, must be made to the Manager for a minimum amount of $1,000. The Manager may, at its discretion, accept lesser amounts.

The Manager reserves the right to reject any application (in whole or in part) without giving reasons.

Withdrawing your investments

Your investment is redeemable at any time by completing a Withdrawal Notice (available from the Manager) and sending it to the Manager. You may also set up regular weekly, fortnightly, monthly and quarterly withdrawals at an amount of your choosing. Any tax payable on a withdrawal will be paid at the time of the withdrawal by redeeming additional units from your investment. Withdrawals are normally paid 3 business days after a Withdrawal Notice is received by the Manager.

A Withdrawal Notice:

- may not be given for fewer than 100 units (or the whole amount of an investor's investment, if fewer than 500 units); and
- may not be given if it would cause an investor to hold fewer than 500 units (except in cases of a full withdrawal).

If, by reason of financial, political or economic conditions applying in respect of any financial market, the nature of an investment or the occurrence of any other circumstance relating to the Fund, units specified in a Withdrawal Notice cannot be redeemed, then the Manager may suspend withdrawals.

If a Withdrawal Notice or a series of withdrawal notices is received in respect of the same holding of units within a period of 3 months and relate to more in total than 5% of the number of units on issue and the Manager and the Supervisor both agree that it is in the best interests of all investors to defer immediate redemption of the total units requested then the units may be redeemed by instalments over a period approved by the Supervisor or redeemed in total at the expiry of a period approved by the Supervisor.

Other than a transmission of units in the Fund to the executors or administrator of a deceased investor or a transfer by operation of law to any person having authority to administer the estate of a mentally disordered person and to any person becoming entitled to units in consequence of the death, bankruptcy or liquidation of any investor, units in the Fund are not transferable without the written consent of the Manager and then subject to such terms and conditions as the Manager may in its discretion impose.

No withdrawal fees are charged by the Fund.

3. DESCRIPTION OF YOUR INVESTMENT OPTION

Name of fund	Midlands Smarter PIE Fund (the "Fund")
Summary of Investment Objective and Investment Strategy	The investment objective is to provide investors with an income return pre-tax (but after fees and expenses) at a level which exceeds the average 3-month term deposit rate advertised by all relevant New Zealand registered banks. The investment strategy is to invest in loans made upon the security of first mortgages and a minimum of 5% of the Fund value held in cash and cash equivalents for the purposes of managing liquidity and pending investment in loans. The Manager has agreed the following target investment ranges with the Supervisor: 1. Cash and cash equivalents held at one or more registered banks – 5% to 25% of the Fund value; 2. Residential first mortgage lending – 10% to 90% of the Fund value; 3. Commercial first mortgage lending – 0% to 50% of the Fund value; and 4. Rural first mortgage lending – 0% to 50% of the Fund value. (see also investment policies below)
Risk Category	The Fund has a risk category 1. See Section 1 (Key Information Summary) on page 1 of this document for the Fund's risk indicator and Section 4 (What are the risks of investing?) on page 6 of this document for information to assist with understanding the risk indicator.
Minimum suggested timeframe for holding the investment	There is no minimum suggested period of investment in the Fund.
Investment Policies	The Fund invests in loans secured by first mortgages over land and buildings in New Zealand, within defined lending ratios. The Fund also invests in cash and cash equivalents (that is, term deposits of up to 90 days) with registered banks. The policy of the Manager in relation to mortgage lending is to establish and maintain a range of mortgage investments. The Manager aims to maintain a mortgage portfolio with a mix of mortgage types, interest rates, maturity dates and physical locations of the mortgaged properties. The target investment range (by secured property type) is set out above. The mortgage loan portfolio is geographically spread. Please refer to the latest fund update for more details of the geographical spread. The policy of the Manager in relation to investing in cash and cash equivalents with registered banks is to have a minimum of 5% of the Fund value held in cash and cash equivalents for the purpose of managing liquidity and pending investment in loans. The Fund has loan to value ("LVR") lending limits, based on the amount of the loan when compared with the value of the mortgage security property at the time of loan approval, as follows:
Changes to investment policy	The Fund's statement of investment policy and objectives ("SIPO") may only be amended by agreement between the Manager and the Supervisor. Any material changes to the SIPO will be notified to investors by the Manager and details will be available at https://investmidlands.co.nz/documents.

Residential Mortgages	Commercial Mortgages	Rural Mortgages
Fee simple and cross lease land and buildings: up to 75% LVR	Fee simple and cross lease land and buildings: up to 66.7% LVR	Fee simple and cross lease: up to 60% LVR
Leasehold: up to 50% LVR	Leasehold: up to 50% LVR	N/A
Vacant land (residential and services in place): up to 60% LVR Vacant land (no services in place): up to 50% LVR	Vacant land: up to 60% LVR	Vacant land: up to 50% LVR
N/A	Specialist use (fee simple land and buildings): up to 60% LVR	N/A

Further information about the assets in the Fund can be found in the fund updates at www.disclose-register.companiesoffice.govt.nz. Offer number OFR11409.

4. WHAT ARE THE RISKS OF INVESTING?

Understanding the risk indicator

Managed funds in New Zealand must have a standard risk indicator. The risk indicator is designed to help investors understand the uncertainties both for loss and growth that may affect their investment. You can compare funds using the risk indicator.

The following is an example risk indicator. See Section 1 (Key information summary) on page 1 of this document for the filled in risk indicator for the Fund.

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 (volatility). 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 www.sorted.org.nz/tools/investor-kickstarter.

Note that even the lowest category does not mean a risk-free investment, and there are other risks (described under the heading 'Other specific 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 based on the returns data for the 5 year period ending 30 June 2026. While risk indicators are usually relatively stable, they do shift from time to time. You can see the most recent risk indicator in the latest fund update for this Fund.

General investment risks

Some of the things that may cause the Fund's value to move up and down, which affect the risk indicator, are:

Credit risk

A borrower or several borrowers may default by not paying interest instalments when due or by failing to pay the loan balance at the end of the loan term.

Borrower default has the following potential consequences:

- Negative cash flow impact (meaning distributions to investors may be less or there may be no returns to distribute); and
- Need to enforce the security held, including a sale of the property at a mortgagee sale. The sale price achieved on a mortgagee sale is often less than on an "open market" sale and may be less than the loan amount. Additional costs are also likely to be incurred in a mortgagee sale process.

However, as the Fund lends only on first mortgage securities, it will rank first in returns from any mortgagee sale.

Property sector risks

The Fund secures loans against residential, commercial and rural properties. Each of those property sectors has its own risks. A downturn in one or more of these sectors may have an adverse effect on the financial performance of the Fund by increasing the risk of borrower default or reducing the value of security properties (and therefore increasing the risk of losses on a mortgagee sale).

Concentration risk

The mortgage loan portfolio is geographically spread throughout New Zealand. However, loan concentrations in certain regions can occur from time to time. Any significant downturn in those property markets (causing an erosion of loan security margins) could have an adverse effect on the Fund. In addition, due to the size of the Fund the mortgage loan portfolio could, at times, contain elevated levels of exposure to individual loans which could, if a default occurred, have an adverse effect on the Fund. Please refer to the latest fund update for more details of the composition of the Fund's portfolio.

Development lending risk

The Fund may, on occasion, lend for property development. Failure to complete a development can mean that the incomplete development fails to achieve the amount of loan funding on sale, increasing the risk of loss should a default occur. To mitigate this risk the Fund's lending criteria generally requires that construction costs are locked in

with a fixed price building contract, that the building contractor is reputable and satisfactory to the Manager, and that the borrower has sufficient experience and sources of funding to complete the development.

Land value risk

There are risks associated with lending on the security of a property with a high unimproved land value. The Fund may also, on occasion, lend on the security of entirely bare or undeveloped land. The unimproved land value component is exposed to risks associated with changes of zoning that could adversely affect value. In addition, in the case of natural disasters involving damage to land, there may be no adequate compensation or available insurance for the loss of the unimproved land value. This risk is mitigated by placing limits on the bare land lending conducted in the Fund.

Interest rate risk

The market demand for loans secured by first mortgages may be affected by general movements in interest rates throughout the finance industry in New Zealand, which can be influenced by economic conditions and inflation. If interest rates decrease, returns from the Fund may likewise decrease. Conversely, if interest rates increase, returns from the Fund may increase.

Other specific risks

Liquidity

There is a risk that the Fund will not have sufficient liquid assets to meet withdrawal requests.

The ability of the Fund to redeem units is dependent on the amount of cash and cash equivalents held by the Fund. The Fund invests in loans secured by mortgages which, by their nature, are illiquid. If there are requests to redeem units having an aggregate redemption amount in excess of available cash and cash equivalents (and the Manager is not able to sell part of the Fund's mortgage loan portfolio in a timely fashion), the Manager may need to suspend redemptions or require that redemptions are by instalments until cash reserves are increased.

The Manager has agreed with the Supervisor to maintain at least 5% of the Fund value in cash and cash equivalents (term deposits of up to 90 days). This provides a buffer to help mitigate liquidity risk but a suspension of withdrawals could still occur in some circumstances.

Higher levels of liquid assets result in lower returns from the Fund since interest rates on liquid assets are less than interest rates on mortgage loans.

Inflation risk

Inflation reduces the real value of all investments. However, investing long-term in a fund with a greater proportion of cash, cash equivalents, and other relatively conservative investments (such as the Fund) does expose investors to a greater risk that the value of their investments will not keep up with inflation.

Operational risk

The Manager may be impacted by operational or system failures. Such failures, whether by the Manager or third parties providing services on our behalf, could result in ineffective fund management, potentially impacting the Fund's performance or reputation, and is a particular risk for the Manager given its comparatively small size. This risk is mitigated through internal controls and governance oversight including internal and external compliance assurance processes, audit engagements, and our supervision framework.

Key Person Risk

Investments made by the Fund are reliant on the skill and experience of the Manager's employees. The departure of key personnel could adversely affect the Manager's business processes or investment assessments, potentially impacting the Fund's performance, and is a particular risk for the Manager given its comparatively small size. To mitigate this risk, we maintain key standard operating procedures, minimise reliance on individual employees, and (where practical) engage services of third parties in either a primary or backup support capacity.

Other than the risks referred to under the heading "General investment risks" (and which are reflected in the risk indicator) and the other specific risks referred to above the Manager is not aware of any specific factors that exist or are likely to arise that significantly increase the risk of returns to investors.

5. WHAT ARE THE FEES?

You will be charged fees for investing in the Fund. Fees are deducted from your investment and will reduce your returns. The fees you pay will be charged as regular charges (for example annual fund charges). Small differences in these fees can have a big impact on your investment over the long term.

Total Annual Fund Charge (TAFC)*	Estimated to be 1.98% per annum of the Fund value. This is calculated by aggregating the Manager's fees, the Supervisor's fees and estimated other management and administration charges.
The Total Annual Fund Charge is comprised of the following fees:	
Manager's basic fee	1.75% per annum of the Fund value.
Supervisor's fee	0.17% per annum of the Fund value up to $50 million, 0.12% per annum of the Fund value up to $100 million and thereafter 0.09% of the Fund value (but with a minimum fee of $57,500) is payable to the Supervisor, as a Supervisor's fee.
Other management and administration charges	Estimated to be 0.10% per annum, based on historic rates. The Manager and the Supervisor have agreed that the Manager is entitled to a fee of 50% of the default interest collected from borrowers in default. For the avoidance of doubt, if default interest is not collected from the borrower, no fee is paid to the Manager. The exact amount of this fee is unknown, so the Manager's best estimate has been used. Administration charges are also payable by the Fund. The exact amount of administration charges is unknown in advance.

*All fees are inclusive of GST, where applicable.

- The Manager's basic fee calculation is based on the average daily Fund value and paid monthly in arrears out of the Fund's assets. The Manager's basic fee is included in the TAFC and is the remuneration to which the Manager is entitled for the provision of management services to the Fund.
- The Supervisor's fee calculation is based on the average daily Fund value and paid monthly in arrears out of the Fund's assets. The Supervisor's fee is included in the TAFC and is the remuneration to which the Supervisor is entitled for the provision of trustee and supervisory services to the Fund.
- Default interest fees are charged monthly. They contribute to the Manager's costs of managing loans that are in arrears.
- Administration charges include audit, bank charges, cost of communication to investors, legal and professional fees, and IT expenses. These are charged to the Fund as they are incurred.
- There is no performance fee in relation to the Fund.
- No withdrawal fees are charged by the Fund.
- The Manager pays initial and ongoing trail commission to third parties calculated at 0.25% per annum on a portion of some investor funds. These commissions are typically paid on less than 5% of all investments in the Fund. These commissions are paid by the Manager out of its basic fee and are not deducted from investors' investments in the Fund.

Example of how fees apply to an investor

Tom invests $10,000 in the Fund. The starting value of his investment is $10,000. He is charged management and administration fees which work out to about $198 (1.98% of $10,000). These fees might be more or less if his account balance has increased or decreased over the year. Over the next year, Tom pays no other charges.

Estimated total fees for the first year

- Individual action fees: Nil
- Fund Charges: $198 (estimated)
- Other Charges: Nil

See the latest fund update for an example of the actual returns and fees investors were charged over the past year.

This example only applies to the Fund. If you are considering investing in other funds this example may not be representative of the actual fees you may be charged.

The fees can be changed

The Manager's fee and the Supervisor's fee may change by agreement between the Supervisor and the Manager. The Manager must publish a fund update for the Fund showing the fees actually charged during the most recent year. Fund updates, including past fund updates, are available at www.disclose-register.companiesoffice.govt.nz.

6. WHAT TAXES WILL YOU PAY?

The Fund is a portfolio investment entity. The amount of tax you pay is based on your prescribed investor rate (PIR). To determine your PIR, go to www.ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate. If you are unsure of your PIR, we recommend you seek professional advice or contact the Inland Revenue Department. It is your responsibility to tell the Manager your PIR when you invest or if your PIR changes. If you do not tell the Manager, a default rate may be applied. If the rate applied to your PIE income is lower than your correct PIR, you will be required to pay any tax shortfall as part of the income tax year-end process. If the rate applied to your PIE income is higher than your PIR, any tax over-withheld will be used to reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.

7. WHO IS INVOLVED?

About the Manager

The manager of the Fund is Midlands Funds Management Limited which has its contact address at **1/111 Karamu Road North, Hastings 4156** and whose contact numbers are:

- **Telephone:** 06 870 3260
- **Freephone:** 0800 870 326
- **Email:** investments@midlands.net.nz

The business of the Manager is to act as manager of the Fund and other managed investment schemes.

The Manager has built up an expertise in the lending market and has the experience to enable it to approve mortgage loan advances to be made available across a range of residential, commercial and rural properties and a wide range of business activities.

Who else is involved?

	Name	Role
Supervisor	Trustees Executors Limited	The function of the Supervisor of the Fund is to monitor the Manager's compliance with the law, regulations and its MIS licence obligations.
Custodian	Trustees Executors Limited	Holds the assets of the Fund separate to the Manager on behalf of investors and the Supervisor (safekeeping).
Custodial Nominee	FM Custodians Limited	The Supervisor has appointed FM Custodians Limited as the Supervisor's bare nominee to hold the Fund's assets on its behalf.
Registrar and Administration Manager	Adminis NZ Limited	The Manager has appointed Adminis to carry out some of the administration functions including registry services and unit pricing for the Fund.

8. HOW TO COMPLAIN

Complaints about the Fund can be made to:

The Manager: Midlands Funds Management Limited

Address: 1/111 Karamu Road North, Hastings 4156
Telephone: 06 870 3260
Freephone: 0800 870 326
Email: investments@midlands.net.nz
Website: www.investmidlands.co.nz/complaints/
Attention: Chief Executive Officer

The Supervisor: Trustees Executors Limited

Address: Level 11, 51 Shortland Street, PO Box 4197, Auckland 1140

Telephone: 09 308 7100

Email: complaints@trustees.co.nz

Website: www.trustees.co.nz/about-us/contact-us/

Attention: Client Manager

You may refer your complaint to Financial Services Complaints Ltd (FSCL) – A Financial Ombudsman Service. FSCL is our independent external ombudsman and dispute resolution service that has been approved by the Minister of Consumer Affairs under the Financial Service Providers (Registration and Dispute Resolution) Act 2008. FSCL's service is free of charge to you. You can contact FSCL at:

Address: Level 4, 101 Lambton Quay, PO Box 5967, Wellington 6145

Telephone: 04 472 FSCL (04 472 3725)

Freephone: 0800 347 257

Email: complaints@fscl.org.nz

Complaints can also be made to the Financial Markets Authority through its website www.fma.govt.nz

9. WHERE YOU CAN FIND MORE INFORMATION

Further information relating to the Fund and the units is available on the offer register and the scheme register (for example, financial statements).

A copy of information on the offer register or scheme register is available on request to the Registrar.

The internet site address for the offer register is www.disclose-register.companiesoffice.govt.nz.

You may request, at any time, copies of the Trust Deed, SIPO, the most recent financial statements, the most recent annual report for the Fund, and fund updates by contacting the Manager at:

Midlands Funds Management Limited

Address: 1/111 Karamu Road North, Hastings 4156

Telephone: 06 870 3260

Freephone: 0800 870 326

Email: investments@midlands.net.nz

Copies of the above documents will be provided free of charge. These documents are also available for public inspection at the offices of the Manager at 1/111 Karamu Road North, Hastings and on the offer register.

10. HOW TO APPLY

To apply for units in the Fund you must complete the application form distributed with this document and send the completed application form with other required documents to:

Midlands Funds Management Limited

1/111 Karamu Road North

Hastings 4156

Alternatively, you can leave the application form, identity documents and your payment with your broker or financial adviser, who will send them to the Manager.

The Manager also accepts certain applications via its investor portal at www.investmidlands.co.nz/invest-now and emailed applications sent to investments@midlands.net.nz.

We recommend that you seek advice from a financial adviser before making a decision to invest in the Fund. The Manager does not provide financial advice.

GLOSSARY

Key terms used in this document and terms that may be of interest to our investors.

Cash and cash equivalents – on-call cash deposits and short-term (90 days or less) term deposits placed with New Zealand registered banks.

Distribution – a quarterly cash payment made by the Fund to its investors. The payment is from the net interest income of the Fund from mortgage lending and bank deposits, less fees and other expenses, but does not have PIE tax deducted from it.

Financial adviser – a person entitled to provide advice on behalf of an organisation licensed by the FMA on some or all of: insurance, investing, mortgages and superannuation including KiwiSaver.

FMA – the Financial Markets Authority facilitate the development of fair, efficient and transparent financial markets and plays a critical role in regulating capital markets and certain financial services in New Zealand. The Manager operates under a licence issued by the FMA.

Fund – the Midlands Smarter PIE Fund, a managed fund holding a portfolio of mortgage lending assets and other investments for the benefit of investors, and managed by the Manager.

Manager – Midlands Funds Management Limited, the company whose responsibility it is to manage money invested in the Fund by Midlands' investors.

LVR – Loan to Value Ratio is an important financial ratio used to assess loans and is calculated by dividing the amount of the loan by the value of the mortgaged property. The higher the LVR, the greater the risk that the amount that could be raised by selling the property would not be enough to repay the loan.

Managed Investment Scheme (MIS) – in general terms, a managed investment scheme (MIS) pools money from a number of investors who rely on the investment expertise of the MIS manager. The definition in the Financial Markets Conduct Act 2013 (section 9) is broad and includes a wide range of collective investment schemes. These schemes can be structured in different ways and may invest in a wide range of investments. Providers of MIS are that are offered to retail investors required to be licensed by the FMA and are subject to licensing obligations.

Mortgage – security granted over land and/or buildings for a loan. Holding a mortgage can allow a lender to sell the property if the loan is not repaid, provided it follows set processes.

PDS – a Product Disclosure Statement is a document that must be given to retail investors before they invest in certain types of financial products. It includes information about the product's key features, fees, benefits, risks, those involved in offering the product, and the complaints handling procedure.

PIE – means a Portfolio Investment Entity within the meaning of the Income Tax Act. A PIE fund is a type of managed fund that enjoys preferential tax rules where the tax paid is normally lower for higher-income earners than would otherwise be the case.

Prescribed Investor Rate (PIR) – a prescribed investor rate (PIR) is the tax rate that a PIE uses to work out the tax on your investment income from that PIE. The PIR is based on your taxable income. You choose your PIR and must notify the Manager if it changes.

Risk – means the chance that an investor won't get the return they expected, or that they might lose some or all of the money invested. All investments have different levels of risk. This PDS gives an overview of the types of risk associated with investing in the Fund (refer to page 6).

SIPO – means a Statement of Investment Policy and Objectives and documents how a fund manager will invest the assets of a managed fund, and provides important information about policies related to investments.

Supervisor – means a financial markets supervisor licensed by the FMA. Trustees Executors Limited supervises the Manager's licensed activity.

INVEST SMARTER

0800 870 326

investments@midlands.net.nz

1/111 Karamu Road North,
Hastings 4122, Hawke's Bay

Midlands

investmidlands.co.nz