STATEMENT OF INVESTMENT POLICY AND OBJECTIVES (SIPO)

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

DATED 1 JULY 2026

This Statement of Investment Policy and Objectives document sets out the investment governance and management framework, philosophy, strategies and objectives of the Midlands Smarter PIE Fund.

Midlands
Smarter PIE Fund

MIDLANDS FUNDS MANAGEMENT LIMITED

Statement of Investment Policy and Objectives ("SIPO") for the Midlands Smarter PIE Fund (the "Fund")

EFFECTIVE DATE: 1 JULY 2026

The most current version of the SIPO is available on the Disclose register at www.disclose-register.companiesoffice.govt.nz, and on the Manager's website at www.investmidlands.co.nz.

DESCRIPTION OF THE FUND

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

Roles and Responsibilities

The Manager is, among other things, responsible for managing the Fund's investments and must ensure that the Fund has a statement of investment policy and objectives that provides adequately for the following matters:

- the nature or type of investments that may be made, and any limits on those;
- any limits on the proportion of each type of asset invested in; and
- the methodology used for developing and amending the investment strategy and for measuring performance against the investment objectives of the Fund.

The Supervisor is, among other things, responsible for holding the Fund's assets and for supervising the performance by the Manager of its functions and obligations.

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 with registered banks. The Manager generally has the discretion as to which authorised investments are acquired, held or disposed of in and for the Fund.

INVESTMENT OBJECTIVES

Investment objective

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.

Investment policy

The policy of the Manager in relation to mortgage lending is to establish and maintain a range of mortgage investments with a mix of mortgage types, interest rates, maturity dates and physical locations of the mortgaged properties.

Cash and cash equivalents may be held with any registered bank (as defined under the Banking (Prudential Supervision) Act 1989). The policy of the Manager in relation to investing in cash and cash equivalents is to have a minimum of 5% of the Fund Value (as defined in the Trust Deed) held in cash and cash equivalents, as determined in accordance with GAAP (target range is 5% - 25%), for the purpose of managing liquidity and pending investment in loans, and to have a variety of short term deposits up to 90 days to provide a balance between greater liquidity and higher interest returns.

INVESTMENT PHILOSOPHY

The Manager's investment style and philosophy should be regarded as active. The Manager's investment strategy is to balance the competing objectives of optimising returns versus operating within acceptable risk and liquidity parameters (as outlined elsewhere in this SIPO). The Manager's belief when executing the strategy is that a conservative approach is preferred.

INVESTMENT STRATEGY

Authorised investments

There are restrictions on the types of investments the Fund can make, as set out in its Trust Deed, and includes cash and cash equivalents and loans secured by a first-ranking mortgage.

Under the Trust Deed, the Fund must always be invested in "authorised investments" (as defined). In particular, for so long as the Fund is a PIE, and until such time as the Manager and Supervisor agree otherwise, the Fund shall only be invested in investments permitted for a PIE under section HM 11 of the Income Tax Act 2007 (or such other investments as may otherwise be permitted from time to time for eligibility to be a PIE under the PIE Rules).

Notwithstanding the range of authorised investments described in the Trust Deed, the Manager shall only invest the Fund pursuant to the specific policy guidelines, benchmark asset allocations, and lending limits described further below.

Specific policy guidelines

The specific investment policy guidelines determined by the Manager in relation to the Fund are as follows:

- **Interest rates and payment** - Investments by the Fund will be in mortgages with a mix of floating and fixed interest rates at the Manager's discretion. Most borrowers pay interest on the first of each month. It is not the Manager's general practice to permit borrowers to capitalise the interest for the term of the loan, however, for certain projects and subject to specific lending criteria it may be allowed from time-to-time.
- **Lending Limits** - As set out below.
- **Cash and Cash Equivalents held for Operational Liquidity** - The Fund also holds cash and cash equivalents within the range of 5% – 25% of the Fund Value. The Manager shall maintain at least 5% of the Fund Value in cash and cash equivalents to meet redemption requests and for the payment of the Fund's running expenses. Greater amounts of cash and cash equivalents may be held at times when the Manager determines that the Fund requires greater liquidity. The Fund's cash and cash equivalents (term deposits of up to 90 days) holdings may only be invested with registered banks.
- **Participating loans** - The Manager may invite third parties to participate in lending opportunities identified by the Manager, on terms agreed with the Supervisor. This could include the Manager participating in loans in its personal capacity, subject to compliance with the Trust Deed, the Financial Markets Conduct Act 2013 ("FMCA"), and any other relevant requirements. All such loans must fall within the guidelines set out above, except that the maximum exposure limits will be assessed by reference to the Fund's portion of the loan, not the full loan value.

Limitation on borrowings

The Fund may borrow, if the Manager (with the permission of the Supervisor) believes it is appropriate. The aggregate of the principal moneys borrowed and outstanding in respect of the Fund or secured against the investments of the Fund may not exceed 25% of the Fund Value.

Benchmark Asset Allocation Ranges - Mortgage Types and Cash and Cash Equivalents

The Fund will be spread between first mortgages against residential, commercial and rural properties, and cash and cash equivalents, within the following proportions (as to value) of the Fund Value:

	Residential	Commercial	Rural	Cash and Cash Equivalents
Limits of the Fund Value	10% - 90%	0% - 50%	0% - 50%	5% - 25%

Lending Limits (Valuation)

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:

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
	Specialist use (fee simple land and buildings): up to 60% LVR	
Leasehold: up to 50% LVR	Leasehold: up to 50% LVR	
Vacant land (residential and services in place): up to 60% LVR	Vacant land: up to 60% LVR	Vacant land: up to 50% LVR
Vacant land (no services in place): up to 50% LVR		

In addition, at the time of lending the following maximum exposure limits must be met:

- No more than 5% of the Fund Value will be invested in any one mortgage or advanced to any one borrower or related group of borrowers.
- The total of the six largest exposures (including loans to a related group of borrowers) will not exceed 20% of the Fund Value.

Suitable valuations are required for all loans, as outlined below:

Property Type	LVR	Valuation Type
Residential	Up to 65% LVR	Desktop Valuation
	Up to 70% LVR	Purchase Price
	Up to 75% LVR	Registered Valuer's Report
Commercial	Up to 60% LVR	Desktop Valuation (land only)
	Up to 66.7% LVR	Registered Valuer's Report
Rural	Up to 60% LVR	Registered Valuer's Report
	Up to 50% LVR (Vacant Land)	Registered Valuer's Report

Where a desktop valuation is presented as a range (e.g. low, medium, high), the midpoint value is used. The mortgage security property must also be located within a 'main centre' of New Zealand and a property inspection must be completed.

Where the security property has been purchased as part of the loan proceeds or was purchased through an arm's length sale no more than 3 months prior to the date of loan approval, the purchase price can be used to assess the value of the property up to the permitted LVR above.

Where a registered valuation is required, it must be no older than 3 months prior to the date of loan approval. As referred to above, all lending limits are determined and are solely applicable as at the initial loan approval date and at the date of any renewal of a loan. The value of any individual loan or the proportionate value of a loan in relation to the Fund Value may change subsequent to initial approval or renewal and, as a result, the above limits may sometimes be exceeded after those dates. This will not constitute a breach of this SIPO.

Appropriate benchmark index

The Fund is a "relevant fund" which meets the conditions set out in part 7 of schedule 4 of the Financial Markets Conduct Regulations 2014. This means the Manager is exempt from providing market index comparisons to returns for the Fund on the basis that an appropriate market index is not available and there is no peer group index or other suitable relevant index or benchmark for mortgage funds in New Zealand. Overseas indexes are not considered appropriate given the differences between New Zealand and overseas mortgage lending markets.

OTHER INVESTMENT POLICIES

Rebalancing policy

The assets of the Fund should be invested in line with its benchmark asset allocation. New lending determinations take these allocations into account. However, the allocation to each asset class will vary, due primarily to market movements, within the ranges set.

Given the relatively illiquid nature of mortgage loans, cash flow (either to or from the Fund) is the primary mechanism for ensuring that the asset allocation is maintained broadly in line with the benchmark asset allocation weightings for

each asset class.

The exposure to the various asset classes is monitored monthly by the Manager's senior leadership team. If, at the end of a month, the allocation to a particular class has moved outside the ranges set out for that class, steps will be taken to bring back the asset allocation within the permitted ranges. This will typically occur through new lending in other asset classes, meaning there can be some lag in completing the rebalancing. A practical approach is taken to any rebalancing, with one of the objectives being to minimise transaction costs.

Hedging policy

The Manager does not hedge the Fund's interest rate exposures.

Conflict of interest policy

The Manager will only enter into transactions with related parties with the consent of the Supervisor and if the Manager certifies that any such transaction is on arm's length terms.

Liquidity and cash flow management policy

The Manager will maintain at least 5% of the Fund Value in cash and cash equivalents to meet redemption requests and for the payment of the Fund's running expenses.

METHODOLOGY FOR MONITORING, AMENDING AND DEVELOPING INVESTMENT STRATEGY

Monitoring of underlying securities

The Manager closely reviews the loans once they are made to ensure that borrowers pay interest and principal as scheduled. Credit control and recovery functions are undertaken if payments are not made.

The Manager makes appropriate general and specific provisions for loss on the mortgage portfolio and these provisions are discussed with and reviewed annually by the auditor of the Fund.

Investment performance monitoring

The Manager monitors the Fund's investment performance as a continuous process and at least monthly. The Manager monitors the Fund's absolute performance, as well as its quarterly performance against the stated investment objective.

The Manager provides monthly reports to the Supervisor. The monthly reports include confirmation that all investments have been properly applied in accordance with the authorised investments of the Fund, that all calculations of the entitlements of investors and the valuation of units have been carried out in accordance with the Trust Deed and that all proper accounting and internal control procedures have been maintained. In addition, it specifies the unit value, the aggregate number of units in the Fund on issue and such other information as the Supervisor may request.

The Manager also provides quarterly reports to the Supervisor on the performance of the Fund and adherence with the SIPO, including whether there have been any limit breaks. A limit break is a material breach of any limits set out in this SIPO in relation to the nature or type of investment that may be made or the proportion of each type of asset in which the fund is invested.

Investment strategy review and amendment

This SIPO is formally reviewed by the directors of the Manager annually and may also be reviewed at any other time if the Manager considers that a review is required as a result of the prevailing market conditions or for any other reason.

In the course of the review the Manager's senior leadership team will consider whether the Fund's benchmark asset allocations remain appropriate given the prevailing market conditions. Consideration will also be given as to whether the Fund's liquidity policy remains appropriate once again given prevailing market and economic conditions. The Manager's senior leadership team will make recommendations to the Manager's directors, who will then consider such recommendations and implement as necessary.

In accordance with the FMCA, the Manager may amend or replace this SIPO only with the consent of the Supervisor. If the Manager proposes to alter the SIPO in a manner which materially affects existing investors then the Manager must, prior to effecting any such alteration, give at least 30 days' written notice to investors.

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