

22 May 2020

## **Evergreen Retirement Trust – Wind Up Update**

We wrote to members on 20 November 2019 to provide an update on the wind-up of the Evergreen Retirement Trust (**Scheme**). That update focused on three underlying funds that the Scheme was invested in at the time, namely:

- Penrich Capital G10 Currency Income Fund (**Penrich Fund**) – this investment was held by the Income Plus fund
- GDI No 36 Perth CBD Office Trust (**Perth GDI Trust**) – this investment is held by the Income Plus fund
- Permal Select Opportunities II AQ Fund (**Permal Fund**) – this investment is held by both the Absolute Growth fund and the Income Plus fund.

This is a further update for you on recent developments.

### **Penrich Fund update**

In early October 2019, the Scheme custodian received the proceeds from the redemption of the Scheme's interest in the Penrich Fund. The amount received was substantially less than had been expected. We have been advised that this was due to the underlying fund manager (Penrich Capital UK Limited) being unable to realise value from the main investment, a holding in fixed-term notes issued by a Luxembourg-based entity, Matterhorn Securities S.A. The Scheme Trustee had queried the appropriateness of this investment with the underlying fund manager when it became aware of it in April 2019, but by that time the investment had already been made and was unable to be broken.

The need for the Scheme to redeem its interests in the Penrich Fund in order to progress its winding up triggered the start of the wind-up of the Penrich Fund, as the Scheme's holding represented a substantial portion of that Fund. This meant the options available for the Scheme in respect of the Penrich Fund were limited. The Scheme attempted to acquire the Matterhorn Securities S.A assets directly but could not. The Scheme also investigated reinvesting the redemption proceeds that had been received back into the Penrich Fund. However, as we could not determine the fair value of the remaining assets in the Penrich Fund, the Scheme Trustee did not consider this a prudent course of action. We have now been advised that Penrich Capital UK Limited is to be put into liquidation.

To preserve members' rights and benefits, the Trustee is taking two separate but related actions in respect of the Penrich Fund.

First, the Trustee is seeking directions from the High Court of New Zealand in relation to the recovery of losses caused to the Scheme and the related issue of Scheme funds expended on legal fees.

The Trustee considers that Members should be able to be fully informed and to make their views on this matter known to the Court. Accordingly, the Trustee is seeking that independent counsel be appointed by the Court to act for the Members. Members should expect to receive communications from such appointed counsel by the Court in due course.

Second, the Trustee has prepared and filed a claim against Penrich Fund personnel in the High Court of New Zealand, Christchurch Registry. This is in response to legal advice that the Trustee should take action to preserve the Scheme's position in respect of its claims.

The Trustee has notified the following regulators of the issues it has had with the Penrich Fund:

- New Zealand Serious Fraud Office (**SFO**);
- New Zealand Financial Markets Authority (**FMA**);
- United Kingdom Financial Conduct Authority (where Penrich Capital UK Limited is based)
- Cayman Islands Monetary Authority (where the Penrich Fund was domiciled)

Separately, on 2 April 2020 the SFO announced that it was commencing an investigation in relation to Penrich Capital limited (the New Zealand based entity).

### **Perth GDI Trust update**

The Scheme still holds an investment in the Perth GDI Trust. This fund holds a single investment: a large commercial property. The manager of the Perth GDI Trust has advised that they are optimistic the sale of the property can be completed in 2021, although there is currently no fixed date. We are exploring secondary market options for the Scheme to sell its investment to another investor and will evaluate any options to sell against the benefits and risks of continuing to hold the position. Previously, we had an interested buyer at an attractive price, but due to the uncertainty around redeeming the Penrich Fund at the time, the sale was not able to be completed. This was the only buyer we found in six months of searching in 2019. We will continue to look for buyers in 2020, however, Australian REITS (real estate investment trusts) are currently 30% down following the impact of Covid-19.

### **Permal Fund update**

Since the last update we have engaged with third party brokers to find out if we can realise the Scheme's investment in this fund. We have received expressions of interest and are evaluating the sale of the investment and the release of proceeds from the sale. However, with the current market disruption, the interested party has withdrawn their offer. The interested party is not currently quoting on the asset and we will provide a further update once this process has progressed.

### **Unit pricing and Scheme costs**

A unit price as at 31 March 2020 has been struck and updated member statements can be accessed via the portal. The Income Plus unit price reflects that the Scheme received only approximately 14% of the 31 March 2019 value of the investment in the Penrich Fund.

The Trustee is exploring options for reducing Scheme costs, including seeking an exemption from several ongoing reporting requirements, and is in communication with the FMA in relation to this.

### **Second interim distribution update**

Along with the Trustee, we are considering whether a second interim distribution can be paid in quarter 2 2020. Previously the need to hold hedges on the funds as required under the Trust Deed of the Scheme has meant that we have needed to keep a hedging retention reserve. Given the Scheme has now redeemed some of these positions we may not need the same level of hedging

reserves. However, the Trustee is mindful of costs unknown at this stage, including compliance and legal, which may affect payment of a second interim distribution. There will be further communication once a decision has been made.

At this time, we are unable to specify a date for the wind up of the Scheme and the final distribution of the remaining assets. Given the unknown impacts of the Covid-19 pandemic on underlying investments and the process required to redeem them and the proposed Court action outlined above, the final wind-up of the Scheme may still be some time away.

Regards  
The Evergreen Team

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