

PRODUCT DISCLOSURE STATEMENT

Offer of Interests in Norfolk (No.2) Trust dated 4 November 2016

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 www.business.govt.nz/disclose. Norfolk Mortgage Management Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can seek advice from a financial adviser to help you make an investment decision.

1. Key Information Summary

What is this?

This is a managed investment scheme. Your money will be pooled with other investors' money and invested primarily in first mortgages. Norfolk Mortgage 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 that will be charged are described in this document.

What will your money be invested in?

Name of Fund		Norfolk (No.2) Trust						
Brief description of the Fund and its investment objective		The Trust invests in first mortgages within defined lending ratios or mortgage funds which invest predominantly in first mortgages. The Trust may also invest in deposits with registered banks. These assets generally have a low to medium risk and return. The Trust has a low to medium level of volatility. The Investment Objective of the Trust is to provide investors with an income stream at a level higher than bank deposits and competitive with similar investment products.						
Risk * Indicator	← Potentially lower returns					Potentially higher returns →		
	1	2	3	4	5	6	7	
	← Lower risk					Higher risk →		
* It is proposed that the Fund acquire the mortgage portfolio of the Professional Mortgage Investment Trust (PMIT), a group investment fund also managed by the Manager. Accordingly, the Manager reasonably considers that the performance of PMIT over the last five years provides a more accurate indication of the potential future volatility of the Trust than any other indicator. Accordingly, the Manager has used the returns of PMIT over this period to complete the Risk Indicator.								
See Section 4 (What are the risks of investing?) on Page 9 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/calculators/investment-planner.								
Management Fee		Up to 3% per annum of the Net Asset Value of the Trust calculated at the end of each month. Currently, the Manager charges 2.5% per annum.						

Who Manages the Trust?

Norfolk Mortgage Management Limited is the Manager of the Trust.

See Section 7 (Who is involved?) on page 14 of this document for information about who is involved with the Trust.

What are the returns?

Returns from the Trust are in the nature of interest. Net interest of the Trust is distributed to investors in money on a monthly basis. See Section 2 (How does this investment work?) on page 5 for more information.

How can you get your money out?

Your investment is redeemable on written notice to the Manager. Generally, withdrawals will be actioned following expiry of 6 months of the Manager receiving the redemption request. See Section 2 "Withdrawing your investments".

The Manager may suspend redemptions if, amongst other things, financial, political or economic conditions or a large series of redemption requests (as more particularly described under the heading "Withdrawing your investments" on page 6) warrant this.

The Manager may also, in certain circumstances, allow redemptions in instalments over a period determined by the Manager. See Section 2 "How does this investment work?" on page 5 for further details.

Your investment in these units can be sold but there is no established market for trading these financial products. This means that you may not be able to find a buyer for your investment.

How will your investment be taxed?

The Trust 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/toii/pir/workout. See Section 6 of the PDS (What taxes will you pay?) on page 14 for more information.

Where can you find more key information?

The Manager is required to publish quarterly fund updates for the Trust. The updates show the returns, and total fees actually charged to investors, during the previous year. The latest fund updates are available at www.business.govt.nz/disclose. The Manager will also give you copies of these documents on request.

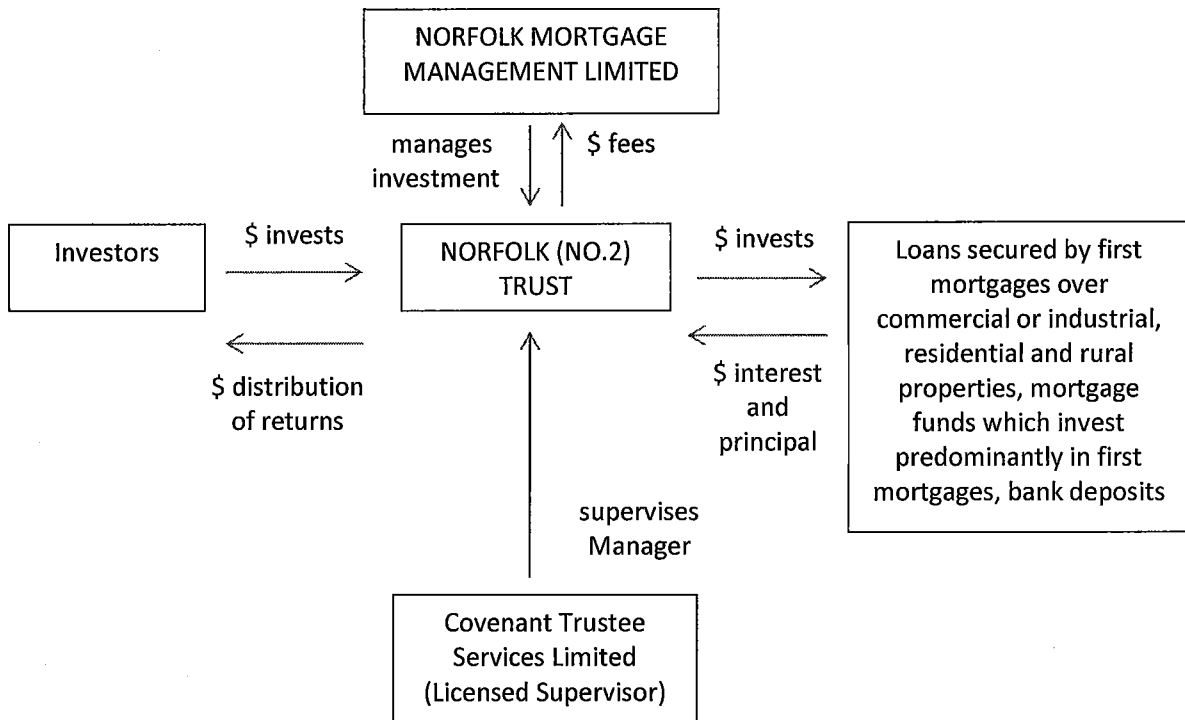
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2. How Does This Investment Work?

Significant Features of the Trust

The following diagram shows how the Trust works and relationships between the parties involved.



Investors will acquire and hold units in the Trust. Units are issued at the unit price on the Business Day following the Business Day on which application money for units is received. The unit value is the net asset value of the Trust divided by the number of units on issue. The Trust value is the aggregate of cash and the market value of mortgage loans and other investments, less the aggregate of undistributed income, liabilities and costs of the Trust.

The unit price is published on the Manager's website (www.norfolktrust.co.nz).

The Trust is a pooled investment vehicle investing primarily in a mortgage portfolio. Investment in a mortgage portfolio provides a more diversified exposure to the property market than investing 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 mortgage portfolio. As such, the loss is less likely to have significant effect on the returns earned on investors' investments or the value of units in the Trust, when compared with an investment in a single loan.

As a PIE, the Trust pays tax on behalf of each individual New Zealand resident investor, at the investor's tax rate. Therefore, investors do not generally have to file tax returns. See section 6 (What taxes will you pay?) for further information.

Distributions

Net interim interest distributions on units (being net interest earned on the Trust's investment after the payment of tax, fees and expenses) are paid out to investors monthly in cash. The Manager determines distributions for the Trust on 31 March and 30 September each year.

Distributions of interest are in cash unless an investor has requested that their interest 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 and will be processed within 5 working days of receipt.

Legal Structure

The Trust is established by a Master Trust Deed between the Manager and the Supervisor dated 15 December 2006, as restated and amended by deeds dated 12 September 2008 and 27 October 2016, and an establishment deed dated 28 October 2016.

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

Joining the Scheme

Investments in the Trust's units can be made by completing the application form that accompanies this document and submitting that form to the Manager with the required payment. Initial investments in the Trust must be a minimum amount of \$5,000.00. Subsequent investments in the Trust may be for any amount.

Making Investments

Investors can increase their investment by making further contributions by completing an application form each time as set out above under "Joining the Scheme".

Withdrawing your investments

To withdraw from the Trust an investor must complete a Redemption Request (available from the Manager). Subject to the right to suspend or defer redemption, your Redemption Request will be actioned with effect from the Valuation Date which is 6 months after the date on which your Redemption Request is received. This timeframe can be shortened with the Manager's approval.

The Manager may fix the minimum number of units or value to be redeemed. Currently, the minimum value is \$5,000.00.

If, by reason of suspension of trading on any exchange, financial, political or economic conditions apply in respect of any financial market, the nature of any investment, or the occurrence or existence of any other circumstance or event relating to the Trust or generally, the Manager may suspend redemptions until such time as the Manager gives the affected unit holders notice to the effect that the suspension is cancelled. The Manager may determine that units may be progressively redeemed by instalments with effect from one or more Valuation Days in a period determined by the Manager or in total at the expiration of a period determined by the Manager at a price calculated on the Valuation Day on which units are redeemed.

If a Redemption Request or a series of Redemption Requests are received within a period of 3 months and relate to more than 20% of the number of units on issue, the Manager may suspend

redemptions on the condition that that Manager notifies the Supervisor of its intention to suspend redemptions and immediately calls a meeting of investors to consider the winding up of the Trust or such other action as investors deem appropriate.

Investors may transfer all or part of their units to another person free of charge, provided that the minimum value of \$5,000.00 is transferred. There is no established secondary market for the sale of units. The most likely purchaser of units will be the Manager. Investors will need to contact the Manager to see if it is interested in purchasing the units if they wish to sell.

3. Description of Your Investment Option

Name of Fund	Norfolk (No.2) Trust
<p>Summary of Investment Objective and Investment Strategy</p>	<p>The investment objective is to provide investors with an income stream at a level higher than bank deposits and competitive with similar investments products.</p> <p>The Manager invests predominantly in first mortgage investments to achieve this objective.</p> <p>The Manager may also invest in cash and deposits.</p> <p>The Manager may invest in a mixture of commercial or industrial, residential or rural mortgages.</p>
<p>Risk Category</p>	<p>The Trust has a risk category of "3". See section 1 "Key Information Summary" on page 2 of this document for the Trust risk indicator and section 4 "What are the risks in investing?" on page 10 of this document for information on understanding the risk indicator.</p>
<p>The Minimum Suggested Timeframe for holding the investment</p>	<p>5 years</p>
<p>Investment Policies</p>	<p>The Trust invests in first ranking mortgage loans. For all mortgages, at the time of approval, the loan must be within the following percentage of the value of the mortgaged property – 66.67% for commercial/industrial properties, 60% for rural properties and 75% for residential properties.</p> <p>Loan terms are generally for 1 year. By exception, terms can be 2 years. If a 2 year term is agreed to, there will be a formal review at the end of 12 months with the loan continuing only as long as the loan continues to meet standard lending criteria. The maximum amount of a single loan is to be no more than 10% of the Gross Asset Value of the Trust. No loans are to be made to related parties. Total loans to any one borrower are not to exceed 10% of the Gross Asset Value of the Trust.</p> <p>Mortgages may be spread between the residential, commercial, industrial and rural sectors, in no set proportions.</p>

	<p>Valuations must be addressed to the Manager and completed by a registered valuer approved by the Manager and dated no earlier than 6 months prior to the date of approval. Otherwise, a certificate from a valuer, where the valuation is more than 6 months prior to the date of the approval of the loan, will be required. Rating valuations, carried out by Quotable Value or such other entity approved by a local authority for rating purposes, may be relied upon if the loan is within 50% of the most recent rating valuation and the Manager is of the opinion the valuation represents no greater than fair market value of the property from the date of approval of the loan. Valuations for loans secured by contributory mortgages (being a mortgage of land that secures money owing to 2 or more persons or to a nominee on behalf of 2 or more persons) with Vulcan Contributory Mortgage Nominee Company Limited (previously known as Glaister Ennor Solicitors Nominee Company Limited), Vulcan Mortgage Limited Partnership or another contributory lender managed by or associated with Glaister Ennor are not required to be addressed to the Manager, provided they are addressed to Glaister Ennor (and can accordingly be enforced on behalf of the Trust if required).</p> <p>Generally, the Manager will restrict the Trust's cash holding to as little as possible in order to maximise returns. As such, the Manager's preference is to manage liquidity by placing restrictions on redemptions.</p> <p>Cash is invested in short term on-call deposits.</p>
Changes to Investment Policy	<p>The Trust's statement of investment policies and objectives ("SIPO") may only be amended after having given reasonable prior written notice to and in consultation with the Supervisor. Any changes to the SIPO will be notified to investors by the Manager and details available at www.business.govt.nz/disclose.</p>

Further information about the assets in the fund can be found in the fund updates at www.business.govt.nz/disclose.

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 2 of this document for a filled in risk indicator of the Trust.

Risk Indicator						
← Potentially lower returns					Potentially higher returns →	
1	2	3	4	5	6	7
← lower risk					higher risk →	

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 high risk generally means higher potential returns over time, but more ups and downs along the way.

To help clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz/calculations/investment-planner.

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are described under 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 returns for a 5 year period. While risk indicators are usually relatively stable, they do shift from time to time. You can see the most recent indicator in the latest fund update for this fund.

General Investment Risks

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

Borrower Default

A Borrower from the Trust 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 on the Trust. This means that the Trust may not have sufficient cash flow to pay returns.
- Enforcement of security held by the Trust, including a mortgagee sale of the property. The sale price achieved on mortgagee sale is often less than on an “open market sale”. On some occasions, it may be less than the loan amount. However, as the Trust will not lend more than 75% of property valuation for residential properties, 66.67% for commercial/industrial properties or 60% for rural properties, the property will need to sell for significantly below valuation before any loss occurs.

Property Sector and Economic Risks

The Trust makes loans in the residential, commercial and industrial, and rural sectors. Each of these sectors has its own particular risks. A general downturn in the economy or in one or more of these sectors may have an adverse effect on the financial performance of the Trust.

In the commercial and industrial sector, income from properties will be derived from rent paid by tenants. An economic down turn could mean that tenants in a secured property are unable to meet rent payments. This consequence would affect the borrower's cash flow and ability to make interest payments. As such, it could result in default.

Rural lending is more likely to be impacted by the general state of the New Zealand economy. Rural lending will also be impacted by rural commodity prices. When rural commodity prices fall, the income earned by a borrower in the rural sector will likely fall. This increases the chances of that borrower defaulting. The reverse is true when rural commodity prices increase.

Residential lending is also likely to be effected by the general state of the New Zealand economy. A weaker economy is more likely to lead to a borrower defaulting. Often, default may be caused by loss of employment or other opportunities to earn income in an economic downturn.

The falling property values may mean that the security margins of the Trust are lessened and the loan will exceed the value of the property.

Additionally, as the Trust invests in the property sector, natural occurrences affecting the value of property (such as earthquakes, floods, landslides and volcanic activity) may have an impact on the Trust's performance.

Changes in Interest Rates

The market demand for non bank loans is affected by general movements in interest rates and rates offered by other non-bank lenders in New Zealand. If interest rates decrease, returns for the Trust will likely decrease as well. Conversely if interest rates increase, returns for the Trust will also likely increase.

Development Lending Risk

The Trust may lend for property development purposes. Development loans are generally more risky than other loans as the amount lent is usually assessed against the value of the completed development. If the development fails, then there are unlikely to be valuable assets which can be realised in order to return money to investors. The Manager seeks to mitigate this risk by only lending against the value of the underlying land, and not the development. For a loan application of this nature, the Manager will exercise a high degree of caution. For a development loan, the Manager usually requires that the building works be very specifically defined and comprise an extension of an existing building. A loan for a whole new development would only be provided in very limited circumstances.

Other specific risks

Interest-only Risk

Payments made during the term of loans are, in most cases interest, only. Unlike some other loans (in particular, those made by trading banks), there is no component of principal in these payments.

As such, the loans made by the Trust would be considered more risky than those that require principal repayments during the term. This is due to the fact that the whole amount of the principal (as opposed to a declining amount) remains outstanding at the end of the loan. The Manager seeks to mitigate this risk by lending within the loan valuation restrictions set out under "Investment Policies" on page 8.

Personnel Risk

Selection of investments by the Trust is reliant upon the skill and experience of the Manager's directors and senior staff. In particular, the loss of key staff could affect the Manager's ability to choose the appropriate investments for the Trust. If poor investment choices are made, the Trust's financial performance may be adversely affected.

Liquidity

There is a risk that the Trust will not have sufficient liquid assets to meet withdrawal requests. The ability of the Trust to redeem units is dependent on the amount of cash and other liquid assets held by it. The Trust invests in loans secured by mortgages which, by their nature are illiquid. If there are requests to redeem units having aggregate redemption amount in excess of cash and other liquid assets, the Manager may need to suspend redemptions or action redemptions by instalment until cash reserves are increased.

The Manager mitigates the risk of suspension by requiring that the redemption request is actioned 6 months following receipt. However this timeframe can be shortened with the Manager's approval.

5. What Are The Fees?

You will be charged fees for investing in the Trust. Fees are deducted from your investment and will reduce your returns. The fees you pay will be charged in two ways –

- Regular charges (for example annual fund charges). Small differences in these fees can have a big impact on your investment over the long term.
- One off fees.

Total annual estimated fund charges

Management Fee	Total annual estimated fund charges (net asset value)
2.5%	2.5%

Management Fee

The management fee payable to the Manager is up to 2.5% per annum of the net asset value for Trust calculated at the end of each month. This fee is paid monthly in arrears. The management fee currently covers the expenses (including bank charges, the cost of audit, legal fees, accounting fees, printing and stationery) incurred by the Manager. However, should the Manager or Supervisor incur extraordinary or unexpected costs in meeting their respective roles, these costs may be charged to the Trust in addition to the management fee.

The Supervisor and the Manager agree the annual fee payable to the Supervisor for carrying out the Supervisor's functions. The supervisor's fee will not exceed 0.2% per annum of the net asset value of the Trust. No allowance has been made for the supervisor's fee in the calculation of the total annual estimated fund charges as it is paid outside of the Trust by the Manager.

Underlying Fund Fees

Where the Trust invests in another mortgage fund, managed by the Manager, that fund's applicable management fees and expenses will be rebated, so that there is no further charge payable by investors for the Trust making that investment.

Other charges

There are no other charges in respect of the Trust.

Individual Action Fees

There are no contribution, withdrawal, or establishment fees payable.

Example of How Fees Apply to the Investor

Investor A invests \$10,000.00 in the Trust. He is not charged an establishment fee. He is not charged a contribution fee. This brings the starting value of his investment to \$10,000.00. He is charged management fees for the first year which work out to \$250.00. These might be more or less if his account balance is increased or decreased over the year.

Over the next year, Investor A will not pay other charges.

Estimated Total Fees for the First Year

Individual action fees	\$0.00
Fund charges	\$250.00
Other Charges	\$0.00

See 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 Trust. If you are considering investing in other funds or investment options, this example may not be representative of the actual fees you will be charged.

The Fees can be changed

The Manager may increase its fee to up to 3% per annum of the net asset value of the Trust. It will provide investors with notice prior to making such an increase.

The Manager must publish a fund update for the Trust showing the fees actually charged during the most recent year. Fund updates, including past updates will be available at www.business.govt.nz/disclose.

6. What Taxes Will You Pay?

The Trust 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/toii/pir/workout. 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 advised PIR is lower than the correct PIR, you will need to complete a personal tax return and pay any tax shortfall, interest, and penalties. If the default rate or the advised PIR is higher than the correct PIR, you will not get a refund of any overpaid tax.

7. Who is Involved?

About the Manager

The Manager of the Trust is Norfolk Mortgage Management Limited which can be contacted at:

Norfolk House, 18 High Street, Auckland
 PO Box 63, Shortland Street, Auckland 1140
 Email: info@norfolktrust.co.nz
 Telephone: 09 356 8243

The business of the Manager is to act as Manager of the Trust, the Norfolk Mortgage Trust and any other mortgage funds established by the Manager.

The Manager focuses on lending opportunities which do not meet normal banking criteria. It exercises a flexible approach, while mitigating risk is far as possible. Its lending activities cover the residential, commercial, rural and mixed use property sectors.

Who else is Involved?

	NAME	ROLE
Supervisor	Covenant Trustee Services Limited	Includes the supervision of: <ul style="list-style-type: none"> • The Manager's performance of its functions and Issuer obligations; • The financial position of the Manager and the Trust.
Custodian	Covenant Trustee Services Limited (acting through its nominee Norfolk (No.2) Nominee Limited)	To hold all of the assets of the Trust.
Contributory Lenders	Vulcan Contributory Mortgage Nominee Company Limited / Vulcan Mortgage Limited Partnership	May co-lend with the Trust to various borrowers.

8. How to Complain

Complaints about the Trust can be made to:

The Manager: Norfolk Mortgage Management Limited
18 High Street
Auckland 1010
Telephone: 09 356 8243
Attention: Financial Controller

The Supervisor: Covenant Trustee Services Limited
Level 6
191 Queen Street
Auckland 1010

Telephone: 09 302 0638
Facsimile: 09 302 1037
Attention: General Manager, Corporate Trust

Financial Dispute Resolution

The Manager is a member of Financial Dispute Resolution Scheme (FDRS) an approved dispute resolution scheme. If you complain and your complaint is not resolved satisfactorily after contacting either the Manager or the Supervisor, then you can refer to FDRS at:

Level 9
109 Featherstone Street
PO Box 2272
Wellington 6140

Telephone : 0508 337 337
Email: enquires@fdrs.org.nz
FDRS will not charge a fee to any complainant to investigate or resolve a complaint.

Complaints may 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 Trust and the units is available on the offer register and the scheme register (for example, financial statements). You can also email info@norfolktrust.co.nz or visit the Manager's website www.norfolktrust.co.nz.

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

The internet's site address for the offer register and scheme register is www.business.govt.nz/disclose.

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

Norfolk Mortgage Management Limited

Norfolk House
18 High Street
Auckland

PO Box 63
Shortland Street
Auckland 1140

Telephone: 09 356 8243
Email: info@norfolktrust.co.nz

Copies of the above documents will be provided free of charge on request to the Manager. These documents are also available for public inspection at the offices of the Manager at Norfolk House, 18 High Street, Auckland 1010 and on the offer register.

10. How to Apply

To apply for units in the Trust you must complete the application form distributed with this document and send in a completed application form with other required identity documents and your payment to:

Norfolk Mortgage Management Limited
Norfolk House
18 High Street
Auckland Central

or

PO Box 63
Shortland Street
Auckland 1140

The Manager may, at its discretion, also accept emailed applications sent to
Email: info@norfolktrust.co.nz