

Fund holders outraged at loans to MFS

Lisa Allen

Premium Income Fund unit holders expressed outrage yesterday following revelations \$147.5 million was channelled to the MFS parent company two months before trading in the Gold Coast company ceased on the Australian Stock Exchange.

Wellington Investment Management, the wholly owned subsidiary of Wellington Capital and responsible entity for the \$755 million PIF, launched legal action in the Queensland Supreme Court against Octaviar (once known as MFS) earlier this week to claw back the funds which it claims were lent without unit holders' knowledge.

The Gold Coast-based Octaviar had earlier lent \$147.5 million in a package of seven loans to disparate groups in Germany, New Zealand, NSW and the Gold Coast. PIF was forced to acquire the loans.

"Already we are hearing from our unit holders concerned to ensure that we can and we will be doing everything possible on their behalf to recover their hard-earned money," Wellington Capital director Jenny Hutson said yesterday. "They are shocked that 20 per cent of the money they invested has zero value and they are behind us in ensuring that we take all relevant legal steps to seek to recover all of the \$147.5 million that is rightfully theirs from Octaviar.

"Investors feel their trust has been betrayed and that they should

be compensated fully by MFS. Industry commentators have suggested, and our inquiries now support, that PIF was used as the private bank of MFS," she said.

MFS lent money to disparate groups. A NZ funds manager, Investment Enterprises, was lent \$10.1 million, according to the court documents. In Germany more than \$10 million was lent to buy high-yielding retail assets, and closer to home an entity called the MFS Sagacious Opportunity Trust was lent \$5.1 million. The trust, according to the MFS 2007 annual report, is an "unlisted trust (which) offers a fixed-term investment strategy expiring in February 2011".

Young Village Estates, a diversified portfolio of aged-care assets, was lent \$24.3 million. A company called SPV was lent \$2.77 million to buy a construction site in Baulkham Hills in suburban Sydney.

Contacted yesterday to explain why the loans were made to these entities, MFS co-founder Michael King referred *The Australian Financial Review* to former MFS chief executive Craig White. But Mr White, the former deputy chief executive who became CEO in January when Mr King quit, said he could not comment because of confidentiality reasons.

MFS has been suspended from sharemarket trade since January 21. Wellington Capital acquired rights to manage the PIF and four other former MFS managed funds in early May.

SADDLED WITH DEBT, OCTAVIAR FOUNDER OFFERS POLO ESTATE

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Michael King finally confirmed yesterday what many in Queensland's polo and real estate circles had long expected.

Mr King, co-founder of the debt-ridden Octaviar financial group, once known as MFS, is selling his polo estate, Elysian Fields, on the Gold Coast hinterland.

Mr King told *The Australian Financial Review* yesterday that he was "continuing his disposition [sic] program of assets to his best ability to meet various creditors' debts".

In the meantime, Mr King is renting out the 283 hectare property, which includes a lavish clubhouse, polo fields, stables, huge dams and residences, as part of efforts to pay debts by holding polo tournaments.

Mr King is also agisting some of the land on the estate just off the Beaudesert-Nerang Road.

It is understood Mr King has contracted several agents, both locally and internationally, to help with the sale program.

Sources said he would ideally like to sell Elysian Fields and the adjoining Wadham Park equine resort in one line, which would equate to about 100 stables.

A Canungra-based real agent said Mr King was seeking \$25 million to \$30 million for Elysian Fields. "In



Michael King is said to be seeking up to \$30 million for the estate. Photo: GLENN HUNT

that sort of price range you are looking few and far between. It will be difficult to sell, but anything will sell at the right price," the agent said, speaking on condition of anonymity.

"It has the most spectacular polo fields in south-east Queensland. They are impressive."

It has been estimated that Mr King

paid out about \$20 million to develop the polo estate, which once accommodated an Elton John concert costing \$300 a head.

Mr King stepped down as a director and chief executive of MFS in January after the company's share price plunged 70 per cent in one day's trading.