

September 2019

MIDLANDS NEWSLETTER

Welcome to the third quarter of 2019 Midlands Newsletter.

You will see we have made some changes that we know you will like. As a first, we have combined the Midlands quarterly investment newsletter with the Midlands “Insights” for brokers. Your feedback is welcome and we hope you enjoy it as much as you have enjoyed our recent investment returns.

Inside this issue

- Welcome from the CEO – rate announcement.
- Midlands Announcements.
- Why do we ask for these things? – AML/CFT.
- Loans update.

*Annualised pre-tax September Quarterly Return. Paid quarterly.
Past performance is no guarantee of future performance.

5.20%*

*ANNUALISED PRE-TAX QUARTERLY RETURN

INVEST WITH MIDLANDS



MIDLANDS
MORTGAGE TRUST



MESSAGE FROM THE CEO

Tobias Taylor



It's been a quarter to remember, my first here at Midlands. While the Official Cash Rate (OCR) declined dramatically to 1.00% on 7 August, I am very pleased to announce that the distribution rate at Midlands will remain at 5.20%* for the September quarter. This is a fantastic result for our investors.

We can maintain our rate, whilst maintaining quality of our loans through a number of closely managed factors. Also, importantly, because of the tightening of banking lending criteria, we have a large demand for loans in our sector. With careful management in areas such as lending ratios and duration of loans, we ensure a regular maturity allowing for distributions. As we are required to hold cash reserves, lower interest rates challenge us as well.

It is becoming very clear that the longer-term outlook is for continued lower interest rates. Of most recent and relevant note is that on 5 August in the New Zealand Herald, the ANZ were stating:

"We now expect 25 basis point OCR cuts in November, February and May, taking the OCR to 0.25 per cent," ANZ chief economist Sharon Zollner wrote in research released this morning. "We would not rule out another cut as soon as September, but it is not our central view."*

With yield hard to find without taking higher levels of risk, well run mortgage funds such as Midlands have a key part in producing income for our clients. Our team will continue to focus daily on quality and yield, even when we are challenged by low interest rates ourselves.

Should you have family or friends looking for good returns, we would love to hear from them.

A handwritten signature in blue ink that reads "Tobias Taylor".

Tobias Taylor, CEO

*OCR announcement due 25 Sept 2019 - please note this newsletter was printed prior to this date



There are some changes coming up we would like to let you know about.

Firstly, Wendy Babe, our Loans Administration Supervisor and Analyst will be leaving us on maternity leave in November. A search is underway to find suitable cover. We would hope to announce our new team member next quarter.

While we are talking staff movement, we have decided to employ a dedicated Investment Manager to meet investment demands as Midlands grows. The Investment Manager will be responsible for assisting clients invest with Midlands. We too would like to announce that in the next newsletter.

As with a growing family, with a growing team, after 15 years we have outlived our wonderful art deco building in Hastings. Therefore, we will be on the move within the next 12 months. We look forward to keeping you up to date with developments.

Finally, we have two new cars on the road. Please wave out if you see one of the team out and about seeing clients or inspecting properties. We would love to stop and say hi.



Performance snapshot

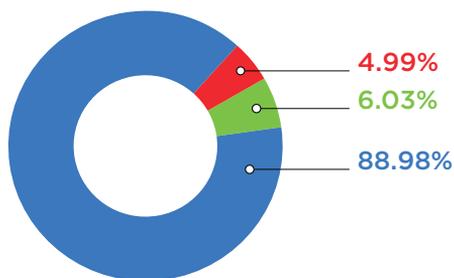
	1 Oct 2018	1 Jan 2019	1 Apr 2019	1 Jul 2019	1 Oct 2019
Quarterly distributions*	5.40%	5.20%	5.10%	5.20%	5.20%
Fund size	\$47.19m	\$48.85m	\$51.48m	\$51.13m	\$53.4m <i>at Sept 20th</i>
Unit price	92c	92c	92c	92c	92c

*Annualised pre-tax returns paid quarterly. Past performance is no guarantee of future performance.

Fund Asset Allocation

At 31 August 2019 the Fund's assets comprised:

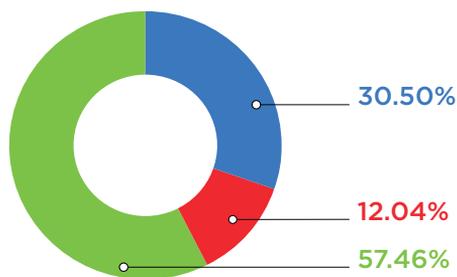
- Unlisted property
(loans secured by 1st mortgage)
- Cash and cash equivalents
- New Zealand Fixed Interest



Loans by Sector

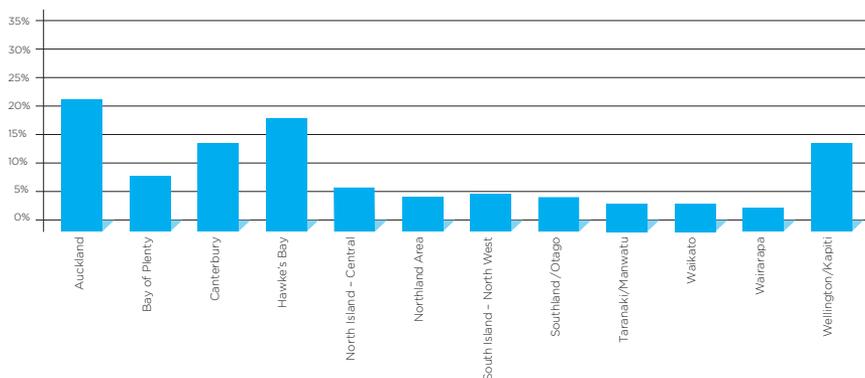
The loan assets are spread between commercial, rural and residential securities as follows:

- Commercial loans
- Rural loans
- Residential loans



Loans by Region as at 31 August 2019

These assets are located throughout New Zealand in the following areas:



Fund Managers Central Limited is the manager of the Midlands Mortgage Trust and issuer of interests in the Midlands Mortgage Trust. Further information concerning Midlands Mortgage Trust including our quarterly Fund updates, Product Disclosure Statement and the issuer, Fund Managers Central Limited, can be found at www.companies.govt.nz/disclosure - search for Midlands Mortgage Trust as a scheme and/or an offer. Fund Managers Central Limited is not a registered bank.



WHY DO WE ASK FOR THIS?

The Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act is becoming more and more prevalent in everyday life.

Financial institutions, like ours, have had to comply with the AML/CFT Act since 2013. Now other businesses also need to comply, including real estate agents and many lawyers and accountants.

As a result, when we open a new account for investors, we are required to ask for documents that essentially prove who you are. The requirements for entities such as companies and trusts may vary, but for a person investing in their own name(s), these documents are:

- Proof of identification. A current passport, drivers' licence or other approved photo ID. This needs to be certified by an appropriate person.
- Proof of address. A recent utility bill, your rates or a bank statement with your address on it. This needs to be certified by an appropriate person.
- Proof of bank account. An original bank statement or deposit slip.

As these matters can be difficult our team is trained to help you through these steps. If you are ever in doubt, please do not hesitate to ask us.

Remember, this legislation is in place to protect everyone from financial crime. AML/CFT is now part of our everyday business.



Mark Hardman,
Senior Loans Manager

We continue to invite the best loan proposals from around New Zealand. This is contributing to improved quality and diversity of the loan book in our key strategic areas of residential, commercial and rural securities, and we are seeing excellent growth across all sectors.

We are also seeing our repeat business increase and our feedback has been positive about the service and our emphasis on 'people'. We aim to meet all our loans clients wherever they are in New Zealand and at the same time inspect their property.

This meeting is pivotal in our decision to lend - there is nothing like talking through with our client their reasons for purchase, their plans and their aspirations. It helps us to really understand them and their priorities and in return they get to understand us and our expectations of them.

Building strong people relationships is at the core of our strategy. There is a huge gap in the market for a relationship-led financial services proposition - a gap the banks left years ago and one that we are seeking to excel at.

Midlands Mortgage Trust has positioned itself to maximise these opportunities in the current stage of the cycle and continuing to do this should ultimately maximise Midlands return to its investors.

Client reference

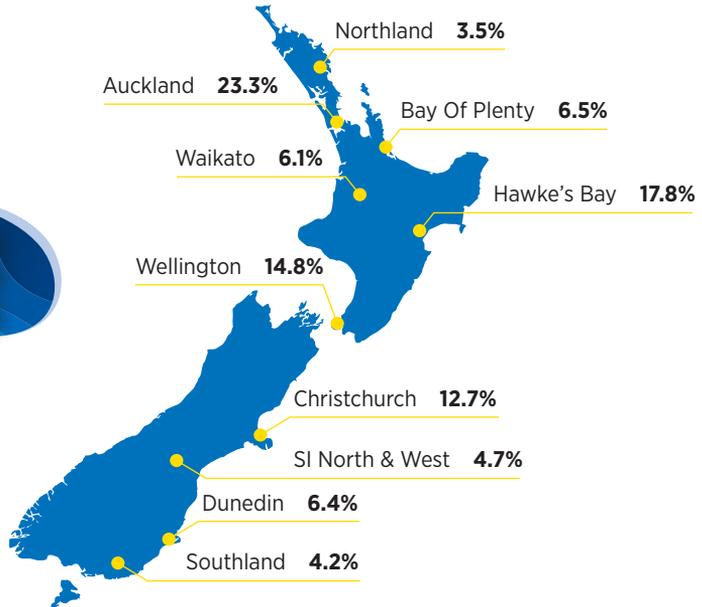
"Midlands Mortgage Trust has played an integral part in helping my wife and I to build a large property portfolio.

Being self-employed, and with the tightening of mortgage lending, obtaining finance can be quite difficult through the mainstream lenders and this is where Midlands can help with getting those tricky deals across the line.

Quick, easy and efficient I would highly recommend these guys to anyone serious about growing their property portfolio, property investing or property trading."

Tiri & Barb Rangihuna

LOANS BY REGION



RESIDENTIAL FROM **7.50%**
 COMMERCIAL FROM **8.00%**
 RURAL FROM **7.75%**

Investor return	5.20%*
Number of investors	541
Average investment	\$98k
Fund size	\$53.4m
Largest loan	\$1.5m
Number of loans	115
Average loan size	\$416k
Cash and term deposits	\$6.5m

Further information concerning Midlands Mortgage Trust including our Product Disclosure Statement and the issuer, Fund Managers Central Limited, can be found at www.companies.govt.nz/disclose – search for Midlands Mortgage Trust as a scheme and/or an offer. The issuer is not a registered bank.

*Annualised pre-tax returns paid quarterly. Past performance is no guarantee of future performance. **Withdrawals are required to be paid out within 90 days of receipt of notification of requirements.

As at 20th Sept.

Meet the team



Tobias Taylor



Doug Bailey



Mark Hardman



Tony Brooker



Wendy Babe



Colleen Green



Chandar Dudding



MIDLANDS

MORTGAGE TRUST

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