



Our annualised pre-tax investment return for the December 2025 quarter is 5.71%. This reflects the wider market trends, with returns easing across the deposit and savings landscape. It also reflects our disciplined approach to lending.

This quarter was influenced by higher-than-usual liquidity, driven by strong inflows, fewer new lending opportunities that met our standards, and higher than forecast loan repayments. With thirty years of experience across multiple cycles, we know it's better to hold higher cash reserves than lend simply to stay fully invested. We only lend where the risk and return are genuinely in the best interests of our investors.

Even with this careful approach, we continue to deliver a strong premium over one-year term deposit rates, reinforcing our focus on protecting investor capital while providing steady returns.

Our focus on investor outcomes

We benchmark ourselves against one-year term deposits, and throughout the year we delivered a meaningful and consistent premium. For the December quarter, this premium was around 220 basis points, and for the full year it averaged about 230 basis points. This reflects the strength of our lending book and our conservative approach, which prioritises quality over volume and long-term resilience over short-term gains.

A look back at 2025

As we reflect on 2025, it has been a period of uncertainty both in New Zealand and overseas. Wars, tariffs and other macro events have influenced global sentiment and market behaviour. While some asset classes experienced volatility, we continued to provide relatively stable returns while maintaining a disciplined lending position. We remained selective, conservative and deliberate in our decisions, ensuring that every loan we take on supports the diversity and strength of the loan book. This approach is central to the trust our investors place in us and underpins our ability to deliver reliable results through changing conditions.

Connecting with investors nationwide

A highlight for the year was our 2025 investor meetings. Through 10 events across the country, we connected with more than 1,200 investors. These conversations reinforced what matters most to you: confidence in protecting and growing your nest egg, confidence in FMT, and confidence in our long-standing

Annualised pre-tax return for the quarter ending 31 December 2025

5.71
% p.a.

Group
Investment
Fund and
PIE Fund

Past returns are not a reliable indicator of future performance.

commitment to putting investors first. These meetings remain invaluable in shaping our focus and ensuring we stay aligned with your expectations.

Milestones that reflect your trust

This year also marked several milestones for FMT. Passing the \$2 billion funds under management milestone reflects not only growth but also the support from our investors and the strength of our long-term strategy. We also launched our investor portal, designed to make it easier to access information and manage your investment online.

People are at the heart of FMT

As we say, people really are at the heart of FMT. I am incredibly proud of the team for the diligence, care and discipline they bring to supporting both investors and borrowers. The whole team has worked hard this year, and they remain committed to an investor-first approach. We hear often that our personal service makes a difference, and we are committed to ensuring it remains a defining part of who we are.

Thirty years of confidence and consistency

2026 marks thirty years of FMT, a milestone that reflects both our longevity and the loyalty of our investors. Some have been with us since the beginning, and today we are proud to see multiple generations from the same families choosing to invest with us. Although the business has grown and markets have changed, the fundamentals that matter most to our investors have stayed the same: a conservative approach, disciplined management, and a genuine commitment to protecting their investment. These principles continue to guide us and remain at the heart of our strategy.

Looking ahead

As we look to the year ahead, interest rates have eased and confidence is gradually returning to the market. As a result, our lending pipeline is beginning to build. As always, we will continue to balance risk and return carefully, with the goal of delivering the best outcomes for you.

Thank you for your continued trust. We wish you and your families a safe and enjoyable holiday season.

Paul Bendall, CEO



Seasons Greetings
from our Chair,
Michael Smith



As we come to the end of another successful year, I've really enjoyed the chance to catch up with many of you, both long-standing investors and new investors, at our events throughout the year. These conversations are always a highlight for me. They're a genuine reminder of what makes FMT special.

Even as we continue to grow, we've stayed true to who we are. The personal, people-first approach FMT was founded on still guides every decision we make. It's encouraging to hear how much this consistency means to you, and we remain fully committed to offering the same trust and peace of mind as we look ahead.

Many of you have reflected on what a busy year it has been, which makes time with friends and family all the more valuable. I also want to thank you for your ongoing support and confidence. Despite challenging economic conditions, the Fund has delivered another strong year.

On behalf of the Board and myself, we look forward to seeing you in 2026.

Best regards,
Michael Smith, Chairman

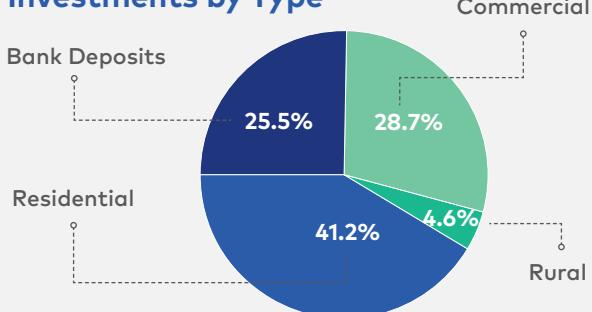
First Mortgage Trust Loan Book - key facts

Our loan book is diversified across property type and location. As an active fund manager we continually review the quality of our loans and ensure we adhere to our relatively conservative investment strategy.

This is demonstrated by our investment portfolio loan to value ratio (LVR) being approximately 52.7%.

The following information provides details of our loans by region and investments by type as at 1 December 2025, demonstrating our diversity.

Investments by Type



Loans by Region

Northland	0.4%
Auckland	55.2%
Bay of Plenty	3.9%
Waikato	3.9%
Taranaki	0.1%
Hawkes Bay	0.4%
Manawatu-Wanganui	0.3%
Wellington	21.6%
Nelson	0.2%
Canterbury	8.7%
Otago	5.1%
Southland	0.2%



Loan Summary

Number of loans
497

Loans secured over
1,155 properties

Average loan size
\$3.36m

Average LVR
52.7%

Loan origination
in last 12 months
\$1.250b

FMT Returns vs Bank Term Deposits



FMT Quarterly Returns
12-month Deposit Rate

This graph shows the historical annualised pre-tax (after fees & expenses) quarterly distribution rates for the FMT GIF vs the average 12-month bank term deposit rate since 2017.

Data as at December 2025. Term Deposit data from the Reserve Bank of New Zealand. Past performance is not a reliable indicator of future performance. Returns are subject to change and are not guaranteed.



When Will Interest Rates Start Climbing Again?

After taking the official cash rate down from a peak of 5.5% to now sit at 2.25% the chances are near 100% that this is as easy as monetary policy will get this cycle. Having been in the business of scrutinising and picking monetary policy changes for almost four decades, what happens now is attention turns to when interest rates start going back up again.

On that point the view I have to give is fairly much the same as I've been delivering for some time now. Underlying inflationary pressures in New Zealand are far higher than they should be after the extended period of policy crunch. The chances are firm that the Reserve Bank will begin moving their cash rate back up before the end of 2027.

How soon is impossible to pick this far out. But for interest rates other than the most short term and floating ones fluctuations in views on when tightening starts will have some big impacts – pushing these interest rates upward.

This process has already started. Consider for instance the cost to a bank in New Zealand of borrowing money at a fixed rate for three years in order to lend it out at a fixed rate for the same term. That rate peaked at 5.10% in October 2023 and spent 10 months easing to 3.7% before the Reserve Bank started cutting its 5.5% cash rate.

Now, it looks like this rate bottomed out at 2.6% in the middle of October and currently is near 3.05%. It has risen almost half a percent despite the cash rate falling 0.75% since early-October because it reflects market expectations for where monetary policy will head over the next three years.

Bank borrowing costs for fixed rate lending are already rising, bank term deposit rates will likely start creeping up for the mid to longer terms early next year, and there is a chance that before Christmas bank fixed mortgage rates for terms longer than one year will begin their cyclical climb.

Can we pick how rapidly interest rate returns to investors will rise? Again, near four decades of experience in this business gives me a clear answer of no. Every easing and

loosening cycle is unique and this time around we have to make guesses as to the impacts of US tariffs, AI, escalating construction costs, spending plans of different generations, and ever-changing sensitivity of householders to changes in interest rates.

Can we at least pick when interest rates will peak and at what levels? Again, no. No mainstream forecaster this cycle expected the cash rate to fall to 2.25%. But it seems reasonable to think that the next tightening will take the cash rate eventually back up to 5.5%. Maybe that will happen come 2028-29.

Where do I think the risks lie? Inflation bumping up to uncomfortable levels more quickly than people including the Reserve Bank expect. Consider that the economy has shrunk 1.1% in the year to June, job numbers in September were 0.6% down from a year earlier, but inflation has retreated only to the top of the target range at 3%.

Near twice the average net proportion of businesses say they plan to raise their selling prices once the economy is stronger. On average households think inflation will be over 5% in two year's time. Plus house prices have begun to rise again.

For investors in fixed interest assets the challenging times of low returns are coming to an end and there is a chance returns a year from now will be stronger than currently assumed by many.

Tony Alexander is an independent economist and produces a free weekly publication with a housing focus called "Tony's View", available for signup at www.tonyalexander.nz



Article by
Tony Alexander,
Independent
Economist



A Year of Connection, Confidence & Growth

This year, we've had the privilege of meeting more than 1,200 investors across New Zealand through our largest ever series of investor meetings. With many events selling out, this reinforces how important it is for us to connect with you face-to-face, share how the Fund is performing, and listen to what matters most to you.

For those who could not attend, we have captured the key themes, updates, and insights from this year's investor meetings below.

Meeting Highlights

- ▶ 10 investor meetings across New Zealand
- ▶ 1,200+ attendees
- ▶ New location of Hamilton added

A Strong Year for the Fund

Despite a mixed economic environment, the Fund continued to perform exceptionally well.

In July, we reached a major milestone, surpassing \$2 billion funds under management, and we now sit at approximately \$2.2 billion.

Our investor base grew from 6,600 to more than 7,500, driven by both existing investors increasing their holdings and new investors joining FMT. We also saw steady growth in our wholesale fund, which now sits above \$75 million.

Investors consistently tell us they value reliability and consistency. Through global uncertainty and market volatility, we have remained focused on protecting your capital and delivering stable, long-term returns.

Fund Growth

- ▶ \$2.2B funds under management
- ▶ 7,500+ investors
- ▶ \$75M+ wholesale fund
- ▶ \$130M distributed to our investors in 12 months

Delivering a Premium Over Term Deposits

We have a clear objective: to deliver pre-tax annualised returns at least 1 percent higher than the four main banks' one-year term deposit rates.

Over the past year, we exceeded this target, averaging a premium of around 230 basis points.

Even as interest rates ease and strong inflows temporarily lift liquidity, we expect to continue delivering a strong premium over term deposits. Based on our forecasts, we also believe we are approaching the bottom of the current return cycle.

Return Performance

- ▶ FMT returns over the last year have provided an average premium of about 230 basis points compared to 1 year term deposits.
- ▶ We have a reserve fund to mitigate against borrower defaults. The fund has grown to \$20M, and grows at approximately \$875,000 a quarter.

Loan Book Strength and Quality

Our loan book is essential to our performance and continues to reflect discipline, care, and quality.

Loan repayments have been higher than forecast, an indicator of borrower strength and prudent lending decisions. Although this temporarily lifts liquidity, it is a positive sign for loan book health and the resilience of our borrowers.

- ▶ \$1 billion in new loans in the past year
- ▶ Loan book now over \$1.65 billion
- ▶ Every loan backed by at least one first mortgage

Credit Quality

Credit quality is one of the most important measures of a loan book's strength. On almost every measure, our loan book performs at a very high standard.

- ✓ 0.95 percent non-performing loans
- ✓ In line with major NZ banks
- ✓ Only 2 mortgagee sales this year
- ✓ 100 percent recovery, reserve fund not required

Risk Management and Governance

Risk management remains central to who we are. This year we:

- ▶ Completed a self-assessment against the Australian private credit review, operating at or above the recommended best-practice standards.
- ▶ Appointed a Chief Risk Officer to our senior leadership team.
- ▶ Strengthened cyber security systems and monitoring with independent oversight.

Protecting your investment and your personal information is one of our highest priorities.

Investing in People, Technology and Experience

We continue to invest in our people and capability, growing our team by 30 percent over the past three years, particularly in Auckland, Christchurch, and Wellington, ensuring we have the right capability where opportunities are strongest.

We also launched our new Investor Portal, with almost half of eligible investors already using it. Work is underway to extend portal access to trusts and companies in the new year.

Heading Into 2026 With Confidence

We are beginning to see improvements in the economic environment and rising demand for non-bank lending, both here and overseas. With nearly 30 years of experience and a strong record, we are well positioned to continue delivering value to investors.

Our focus remains clear:

- ▶ Protect your capital
- ▶ Deliver reliable, steady returns
- ▶ Maintain strong lending discipline
- ▶ Grow market share from the banks
- ▶ Invest in people, technology, and service

We remain proud of our track record: We have never lost a cent of investor capital and have never missed a quarterly distribution since we opened our doors in 1996.

Watch the Investor Meeting Recording

If you would like to watch the presentation, visit fmt.co.nz/investor-meetings

We were also joined at the meetings by leading New Zealand economist Tony Alexander, who presented the economic outlook in his uniquely engaging and insightful style. It was a pleasure having him join us.

Data and stats here are as at November 2025 as per what was presented at the meetings.

FMT Youth Sponsorship Programme 2026 Applications Open 1 February

At FMT, we're proud to invest in our communities through our Youth Sponsorship Programme, supporting talented young New Zealanders to excel nationally and internationally. Over the years, this programme has made a meaningful difference for many outstanding recipients, and we are excited to open applications again for 2026.

Our Youth Sponsorship is open to young people aged 16-25 who are excelling in sport, music, or the arts.

Sponsorship Grant details

We award two grants in each age group (16-19 and 20-25):

- ▶ \$8,000 for the top candidate
- ▶ \$2,000 for the runner-up

Applications open 1 February 2026 and close 31 March 2026 via fmt.co.nz. If you know a young person who would benefit from this sponsorship, please share the opportunity with them.



Recipient Update: Olive Pearce 2025 Winner (20-25 year category)

We continue to be impressed by the dedication and achievements of our previous recipients. Recently, Olive Pearce, one of our 2025 recipients, competed at the International Surf Rescue Challenge (ISRC).

Here is her update from the event:

"Last week, I competed at the International Surf Rescue Challenge at Mount Maunganui, alongside the world's top surf lifesavers from 11 nations across swim, board, ski, and beach events. I was proud to serve as co-captain of the New Zealand Open Pathway Team.

The three-day event delivered tough conditions, with massive surf on day one forcing the test to be cut short, before calmer days allowed us to perform at our best. Despite being a pathway team, we proved highly competitive against national teams and achieved strong results.

The ISRC was unforgettable- my first time representing New Zealand, and on my home beach where I began surf lifesaving 10 years ago. A huge thank you to FMT; your support helped make this opportunity possible, and I'm incredibly grateful."

We're incredibly proud of Olive and all our FMT Youth Sponsorship recipients.



A note from Sam

As some of you know, I moved from leading our lending team into the role of Chief Investment Officer in 2024. This shift has given me a deeper appreciation of what matters most to our investors, not only in returns but also in communication, transparency and trust. It has also made me appreciate how dedicated our team is in supporting you with genuine care.

Listening and Responding

Meeting many of you through calls, events and investor meetings has been a highlight. Your conversations genuinely guide our decisions. After the first statement run on the new platform, we received valuable feedback. We listened and the team made improvements to the statements with your feedback in mind.

Personal Service, Your Way

We remain committed to personal customer service, even as we adopt new technology. We're always looking for the right balance, embracing the convenience of modern technology while staying accessible, responsive, and grounded in the care we're known for. You are always welcome to engage with us in the way that suits you best. If the portal is not for you, that is absolutely fine, and our team will continue to look after you as we always have.

Strengthening Accuracy and Trust

Ensuring the information you rely on is accurate and consistent remains a core priority.

Earlier this year, after publishing the FMT GIF Financial Statements for the year ended 31 March 2025, an eagle-eyed investor identified a Balance Sheet discrepancy.

Whilst the audited version, reviewed and approved by the Board and our auditors, was fully accurate, the issue occurred later during the final design and formatting stage.

Once identified, we corrected the error promptly and republished the updated statements. A full review confirmed all other financial information was accurate, and we have since strengthened our processes to prevent similar issues in future.

Looking Ahead

As Paul mentioned in his column, we head into 2026 with confidence. We're seeing positive signals in the lending market, and our team is well positioned to respond to opportunities with care and discipline.

As always, our focus remains the same: protecting and growing your capital, delivering consistency and earning your trust through transparency and great customer service.

Thank you for your continued confidence and feedback.

Sam Burgess
Chief Investment Officer

Welcoming Matahiapo: Save the Kiwi Partnership

Last year, as we celebrated the 100th edition of our investor newsletter, the Save the Kiwi team offered us the opportunity for one of our investors to name a kiwi chick. Through the newsletter, we asked investors to submit their best name ideas. We received some great suggestions, thoughtful, creative, and very kiwi.

The winning name was Matahiapo, submitted by our investor Shirley. Meaning "precious one," it felt like the perfect fit.

Born in November, Matahiapo has already made quite an entrance into the world. Despite a challenging start in the egg, the team at Save the Kiwi were immediately impressed by his strength and determination. He quickly proved himself to be a confident, curious chick, even venturing out exploring earlier than most kiwi his age. It is clear he is going to be a little go-getter from the beginning.

Our partnership with Save the Kiwi remains important to us as we continue to support their vital conservation work.



Fee Simple or Cross Lease titles? Key differences and the process for converting.

If you own land or are considering purchasing it, understanding the type of ownership is essential. Different types come with unique characteristics that can affect how you use and manage the property. In New Zealand, there are several different land estates, each with its own advantages and disadvantages. Two common forms are fee simple (also known as freehold) and cross lease.



Fee Simple (Freehold)

Fee simple land is generally the simplest form of property estate in New Zealand. Owning a fee simple title means you have complete ownership of the land. This gives you flexibility to build or make changes without needing consent from other owners, unlike cross lease arrangements. However, your property is still subject to council regulations and any registered interests on the title, such as easements or land covenants, which may affect what you can do. Fee simple titles are often viewed more favourably to prospective purchasers when selling your property because they offer full ownership, autonomy, and no lease expiry dates and thereby potentially increasing the market appeal and value of the property.

Cross Lease

Cross leases are a type of title which were favoured in the 1960s by developers as a means to complete a subdivision in a flexible, expedient and less costly manner when compared to fee simple subdivisions. Cross leases are made up of two components. Firstly, the parties to the cross lease all own an undivided share of the underlying land and secondly, a lease for part of the land/building. Each owner of the land may then erect a building on their allocated area/segment of the land. This building will then be leased back to them (often for a term of 999 years) and recorded on the record of title.

The lease sets out the rights and responsibilities of each party sharing an undivided share of the underlying land, including a right of exclusive use and enjoyment for each building and usually the yard associated with that building.

Restrictions of Cross Lease Titles

Generally the lease contains rights and restrictions on what you can and cannot do on your property. The more significant restriction being the requirement to obtain your cross lease owners' consent to any additions or alterations on the land and to any dwelling(s) on the property.

If consent of the other cross lease owner(s) is granted, you will also need to update the deposited plan / flats plan shown on the record of title in order to accurately reflect the dwellings located on the underlying land which can be costly. If consent is not obtained or the flats plan is not updated or obtained prior to carrying out such works on your property, this may result in a dispute between owners or a defective title. This can affect the future on-sale of the property as under the latest ADLS Agreement for Sale and Purchase of Real Estate, a prospective purchaser may request that a new flats plan is deposited or you obtain consent from your neighbours for any unauthorised structures prior to settlement.

Benefits of Fee Simple Titles

While there are some advantages to maintaining cross leases, including having an element of control over what your neighbour / cross lease owner can and cannot do on their property, it may be beneficial to convert your cross lease title to a fee simple title. Full ownership then gives you the freedom to build, renovate and make changes without requiring consent from other owners.

Converting Cross Lease to Fee Simple

The first step is to discuss this with your neighbouring cross lease owners to see if they would be interested in converting to fee simple. If all parties are interested, then converting your cross lease involves the following:

- Engaging a surveyor who will assess the underlying land as to the services and access to the dwellings. This stage may also include an assessment on whether separate services for sewage, water or drainage are required.
- A Resource Consent would then need to be applied for from local council. Depending on the property and area, council may impose conditions and works needing to be undertaken prior to granting consent.
- Once consent is granted your surveyor will provide the plan to your solicitor. Your solicitor will then use it to draft the relevant documents to complete the cross lease conversion, including obtaining mortgagee consent (if applicable), drafting easements, covenants and preparing all ancillary documents necessary.
- Once both your surveyor and solicitor have worked together to prepare the relevant documents and obtained the necessary consents, the documents and plans are lodged with Land Information New Zealand for separate fee simple titles to be issued for you and your neighbour.

Holland Beckett has a large, experienced property law team who have assisted many clients in converting to fee simple titles. If you would like any assistance with converting your cross lease, please get in contact with one of their property solicitors.



HOLLAND BECKETT

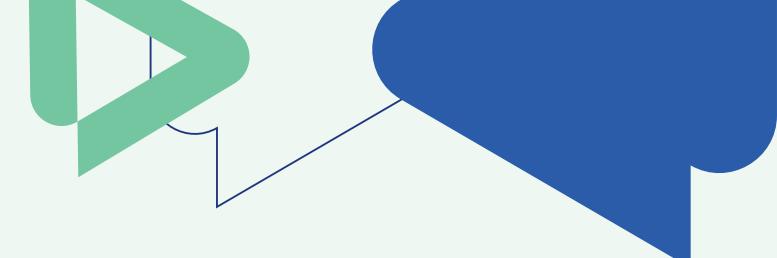
► Article provided by
Emily Merrill, Associate
Holland Beckett.

Our Tauranga Office Has Moved

In October, our Tauranga team moved into our new office in the Northern Quarter at 45 The Strand, Tauranga.

It has been a long time coming, and the team are really enjoying the fresh, modern space.

Our new space has been designed with growth and convenience in mind. It offers additional meeting rooms to better host investor appointments, while continuing to provide dedicated visitor parking, making every visit to our office seamless and stress-free.



We have already had the pleasure of hosting many investors who have stopped by to see the new space, and it has been great to connect with so many of you in person.

Here are some photos from the opening and of the new office. We look forward to welcoming more of you in the new year.

All office and staff-related costs are covered by the Manager and do not come out of investor returns, ensuring there is no impact on our investors.



Portal Onboarding Update and Upcoming Enhancements

We're pleased to share that our new investor portal is progressing exceptionally well.

To date, we have successfully onboarded almost 50% of our joint and individual investors, giving thousands of investors 24/7 access to their investment information.

As we continue this momentum, we're preparing to expand portal access in the new year to investors who have trusts, partnerships, and companies.

Enhanced Redemption Process

We're also improving our redemption process to make it faster and more secure.

Please contact us to make a redemption request and we will generate a form and send it out via Docusign, allowing you to review and sign electronically.

This not only streamlines the experience but also significantly improves security, helping protect investor information and reduce the risk of fraud.

If you prefer to download and complete the paper form, you're welcome to continue using that option. More updates will follow as we continue to improve our services.

Quarterly Distribution Dates

For your diary, quarterly distributions will be paid three business days after the end of each quarter. Where public holidays fall in this period, the payment date is adjusted to the next business day.

March 2026 distribution → Tuesday, 7 April 2026
(adjusted for Easter holidays)

June 2026 distribution → Friday, 3 July 2026

September 2026 distribution → Monday, 5 October 2026

Redemption Notice Requirement

To process your redemption (withdrawal), we must receive your completed 'Notice of Redemption' at least two business days before the processing day.

For example:

- To redeem on Monday, submit the form by the previous Wednesday.
- To redeem on Thursday, submit the form by the previous Monday.



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