



Annualised pre-tax return for the quarter ending 30 June 2022.

5.34 % p.a. Group Investment Fund and PIE Fund

Past returns are not a reliable indicator of future performance.

From the CEO

Hello and welcome to our winter newsletter for 2022.

I am pleased to advise investors that we are delivering an annualised return of 5.34% for the June quarter for the Group Investment Fund and the PIE Fund.

The increase in return is a result of the changing interest rate environment, where we have been able to increase our lending rates which is now filtering through to our investor return.

We know investment security is very important to our investors and as always we remain committed to our goal of optimising return as opposed to maximising return.

I'm sure you have seen headlines of falling property values, however it is important to note that the property market has many sectors including residential, commercial and industrial. Each of these sectors performs differently and within each sector there are different layers – i.e. price points and locations which perform differently.

As an active fund manager we are constantly analysing and reviewing the market to ensure we identify areas where we see risk and areas where we see opportunity. Well over a year ago we saw the early signs of supply chain disruption,

high supply of certain properties and price risk. Consequently we started adjusting our exposure to the development sector.

Our current exposure to the development sector is less than 20% of the Fund, previously it was closer to 25% so still comparatively low. We continue to see opportunities in this sector, but it is about supporting proven operators in strong locations.

We are continually reviewing the quality of our loans and I am pleased to advise that our loan arrears are 0.4% of the Fund, which would be the envy of any bank. This is due to our conservative lending metrics. I mentioned last quarter our portfolio loan to value ratio (LVR) is approximately 51%, our average LVR for new loans in the last three months has been less than 47%.

We remain very proud of our track record which has seen us never lose a cent of investor capital in our 26 years. These results would not be possible without the valued contribution made by our highly experienced team.

I particularly want to acknowledge the experienced people we have on the ground in key regions. It is the relationships that these people have built locally and regionally

that allows First Mortgage Trust the opportunity to cherry pick those opportunities that satisfy our lending criteria.

Alongside these people, we have a network of independent third-party property assessors who inspect every lending opportunity.

Before closing, I am pleased to advise investors that after a two-year hiatus, we will be reinstating our investor meetings in October this year. We know that investors enjoy the opportunity to hear from us directly, and to ask questions from the floor. Once we have our final schedule, we will communicate this to you via our website.

Once again, I thank you for your continued support of FMT and trust that our current return gives you further evidence that your investment is in steady hands.



Paul Bendall
CEO

Meet our Team

Sam Burgess | Head of Lending

Hello, and thank you for the opportunity to tell you a little bit about myself.

I joined the First Mortgage Trust team with 16 years of main bank experience, the majority of this time spent as a property finance specialist and leader. During my career I have worked in various geographical locations across the country, and I have established some great relationships with some fantastic New Zealanders.

Having a young family to nurture, the standing and longevity of FMT appealed to me. While I have only been with First Mortgage Trust for a few weeks now, I am immediately impressed by the amount of energy and purpose Paul and the team operate with, always with the investor at the core of their decision making.

It comes as no surprise to FMT and others in the non-bank market that we are seeing an increasing number

of advisers and clients seeking funding away from mainstream banks. Non-bank lenders are more common overseas, and we are seeing that growth replicated here, and it will continue to grow.

Today, FMT is New Zealand's largest first-mortgage non-bank lender and the company is well placed to help drive the growth of the non-bank lending market in NZ. I'm very much looking forward to being a part of the journey.

I am excited to be part of a successful Kiwi-owned business built on solid values with a great history and prosperous future, and I very much look forward to meeting investors over time and developing some more relationships with some fantastic New Zealanders.



Rajeshni Naidu | Receptionist / Investment Support

Rajeshni joined FMT in March 2022 and works in our Tauranga office.

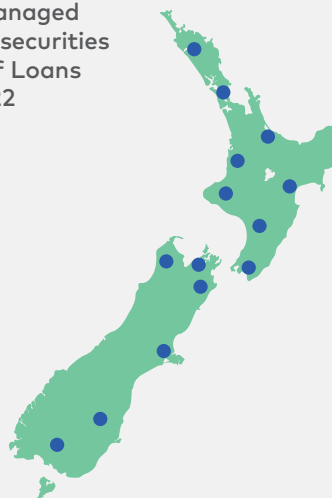
Prior to First Mortgage Trust, Rajeshni worked for over 11 years at Bunnings Warehouse in Auckland and then transferred to the Tauranga branch two years ago. Rajeshni has a diploma in legal executive studies and comes to us with a wide range of administration and support skills.

Rajeshni grew up in beautiful Fiji before moving to Auckland.

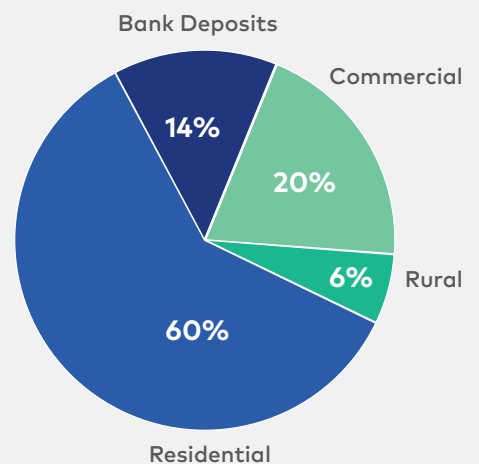
As the Manager of the Fund we have aimed to continue our relatively conservative position. The Fund has been managed to maintain a spread and mix of quality properties as securities for our loans. The map and graph providing details of Loans by Region and Investments by Type as at 3 June 2022 demonstrate the diversity of First Mortgage Trust.

Loans by Region

Northland	0.5%	Wellington	8.1%
Auckland	62.0%	Nelson	0.2%
Bay of Plenty	6.5%	Tasman	0.0%
Waikato	5.4%	Marlborough	0.1%
Taranaki	0.1%	Canterbury	11.9%
Hawkes Bay	0.4%	Otago	4.0%
Manawatu-Wanganui	0.6%	Southland	0.2%



Investments by Type



Coastguard – the charity saving lives at sea

While Coastguard is a household name throughout New Zealand, few people realise that the organisation – which provides New Zealand's primary maritime search and rescue service – is a charity, relying almost entirely on the skills and support nationally of over 2,000 highly trained volunteers to help more than 6,000 Kiwis get home safely each year after experiencing an emergency at sea.



Illustration of the new Coastguard rescue vessel.



From 1 Jan 2022 - 31 May 2022



To meet the demands of the increasing water activity and search & rescue needs in the Tauranga and the wider Bay of Plenty region, Tauranga Coastguard has commissioned the build of a new vessel. The build will commence in July 2022, with an expected completion date of September 2023. First Mortgage Trust, alongside other local businesses, are proud to contribute to this charity to help save lives.

appreciate and value the support of First Mortgage Trust in helping make the new vessel a reality."

Dane Robertson, Operations Manager Tauranga

"FMT is proud to be associated with Tauranga Coastguard. We look forward to continuing our sponsorship partnership as a large number of our clients, team and families spend time on the water and value the services Coastguard provides."

Darryn Screech, Investment Manager FMT

To learn more or if you wish to contribute to ensure this rescue vessel will take to the water for the 2023 summer, please contact the Tauranga Volunteer Coastguard unit on (07) 577 0777 or visit www.taurangacoastguard.co.nz

"The new rescue vessel will allow our sea volunteers to respond to search and rescue incidents up to 40 minutes faster. Not only will the new vessel be faster, more reliable and available as an on-scene command vessel from Whakatane to Whangamata, it will be more economical to run. The unit's 68 volunteers help bring over 550 people back safely to shore every year. We

Take a kid fishing

First Mortgage Trust is a sponsor of the upcoming "Take a Kid Fishing" event on Saturday 16 July in Tauranga.

This is a great family activity with fishing either on land or on the water. There are prizes for the best dressed on the day, along with spot prizes and lucky draws.

For more information or to enter visit tsfc.co.nz



*NB Where sponsorship funds or donations are made by the Manager, these do not come out of investor funds. Funds or donations are paid for by the Manager although in the name of First Mortgage Trust.

Family Trust Review

It goes without saying that both life and the law are subject to continual change. As a consequence, the way you choose to structure your assets needs to be under constant review in order to remain fit for purpose.

In this article we review some common motivations for establishing or continuing a family trust and assess the impact of law changes.

New Trusts Act requirements

A key recent change is the requirement that trustees disclose trust information to beneficiaries. At its most basic this means simply disclosing to a beneficiary the fact that they are a beneficiary of the trust and who the trustees are so that beneficiaries may enforce the trust. However, the beneficiary also has the right to request further information. The new Act allows trustees to determine whether or not to provide the information based on a number of factors such as the age and circumstance of a beneficiary or family dynamics, to name just a few. Depending on you and your circumstances, this new requirement may weigh against keeping your trust.

Creditor Protection

If you run a business, particularly where you may be made personally liable as a company director or have signed personal guarantees, it has always been a good idea to put your major assets out of the reach of creditors. This remains a valid reason unless your circumstances have now changed.



Relationship Property Protection

These days the efficacy of the trust structure as a relationship property protection measure has been significantly whittled down. However, in the context of second marriages/blended families, it may well worth continuing a long-established family trust as they do continue to provide a measure of asset protection, such as by preventing assets from transferring to just one side of the relationship through survivorship. This area is complicated and we recommend you get in touch with your lawyer to discuss your individual circumstances and expectations.

Inheritance Protection

Family trusts may still be a useful mechanism for protecting trust assets from your children's spouse/partner in a relationship breakup. They may also help to protect your children's inheritance in a scenario where your child has creditors, is bankrupt, has addiction issues or there exists some other reason why it may not be appropriate to provide them with their inheritance immediately.

Trusts also allow for greater testamentary freedom. Family Protection Act claims may still be made against a trust, however, so it is worth appointing an independent trustee despite the costs involved, and ensure you have a clear memorandum of wishes to guide trustee discretion once you are gone.

Other Considerations

Tax considerations are always a factor, especially in light of the greater disclosure requirements now imposed on trusts by the IRD. There is also talk of instituting a trusts register meaning that they may no longer be useful for hiding your wealth. Trusts are still a great way to provide for a child with special needs, or for setting aside funds for a specific purpose such as the education of your children or grandchildren.

As you can see, the decision to wind up your family trust is far from straightforward. In all cases it depends on your personal circumstances.


HOLLAND BECKETT
L A W

Article provided by Nicola Brazendale,
Holland Beckett Law



Market Update

As recently as February, media were highlighting the strong rises in average house prices from a year earlier, not realising that on a monthly basis prices broadly had been falling since the peak in November. Now the discussion focuses on the extent of price declines with reporters actively seeking out negative stories and those experiencing losses because of falling prices and construction problems.

We have seen this before because housing markets move in cycles and sometimes sharp shifts in market sentiment from positive to negative are one of the factors which accentuate the period of weakness. On the way up the opposite effect is in play and the monthly survey of real estate agents which I undertake with REINZ allows me to see the shift in action.

From shortly after I started the survey in April 2020 to late last year FOMO (fear of missing out) was very high. In October **70%** of agents said that buyers were gripped by a feeling of a visceral need to buy. Now only **4%** can see FOMO. Instead, **73%** now see FOOP – a fear of over-paying – compared with just **19%** in October.

FOOP has become so strong that people are actively seeking reasons not to buy property just as they sought reasons to make a purchase on the way up which they had not previously planned to do. There is no shortage of excuses for delaying a purchase including rising interest rates, the brain drain, the now widely reported falls in prices, and difficulties getting credit.

But history tells us those who hold out for the bottom of a price cycle often miss out. Skilled investors know this, and many sold their excess stock over a year ago when demand was exceedingly strong. Such skilled and experienced people are now waiting for the time to buy but are not planning to purchase only at the bottom.

That is not just because we cannot accurately pick price cycle highs and lows, but because before the low comes along is often the best time to find exactly the sort of property one is looking for. The same procedure should be followed by those looking to buy a property to live in themselves.

Don't try to pick the bottom but instead focus on the increasing number of properties being listed for sale and the rising willingness of vendors to cut their asking price to meet the market. We are not yet at the point in the cycle when vendors capitulate to the market view but will probably be there before the end of the year.

In readiness for that, if I were a buyer, I might not jump to make a purchase currently, but I would be actively perusing listings to identify the rising number of properties meeting my criteria and for which I would eventually submit offers.

One thing likely to be concerning some buyers is the growing number of liquidations in the property

development sector. These liquidations don't represent overall weakness in our economy consistent with a recession but instead are something I predicted well over a year ago.

Many inexperienced, under-capitalised, and over-optimistic people have entered the development sector in recent years and their deficiencies are being exposed by the turning of the buyer cycle, plus the intensifying shortages and cost rises of labour and materials.

A weeding out process is underway in the development sector, and it would be surprising if we did not eventually see some good buying opportunities appear for partially completed dwellings.

One factor buyers are fixating on currently is rising interest rates. Central banks around the world are rapidly raising interest rates having over-cooked their economies and inflationary pressures but not recognising economic upturns over a year ago and raising rates from early-2021. They are in a catch-up phase.

Will our central bank need to take the cash rate from the current **2%** to the near **4%** peak they have pencilled in for mid-2023? Probably not. There is a crunch in consumer spending already underway and the chances are the rate will peak at **3.5%** implying maybe just **1%** more on the likes of the one-year fixed mortgage rate and perhaps **0.5%** or so for other fixed mortgage rates.

What about deposit rates? These will rise too. But the banking sector is awash with the **\$55bn** of "printed" money injected by the Reserve Bank in their efforts to fight the economic impact of the pandemic. Banks do not need to raise rates aggressively to acquire and retain deposit funds.

The ten-year average rate for 12-month term deposits is about **3.2%**. The chances are not high that rates will go much above that level in the near future or if they do will stay there for very long. In fact, given the worsening outlook for world growth it would not be surprising if NZ interest rates start falling before the end of 2024.

Article by Tony Alexander,
Independent Economist



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The joy of a home on wheels

If you love exploring New Zealand by motor home, then you might want to consider broadening your horizons and taking a self-drive holiday overseas.

One of the most popular destinations for motor home enthusiasts is the USA where a motor home is more commonly known as a Recreational Vehicle or RV. Americans love their RVs, as evidenced by the 13,000 privately owned RV parks and 1,600 state parks available to choose from.

The attraction for Kiwis travelling to the US for a motor home vacation is the variety of RVs available, and the miles of roads ready and waiting to be enjoyed.

What's more, when you RV in the USA, you can start almost anywhere, and depending on your timeframe, you might choose to explore one state or embark on a multi-state holiday. The world truly is your oyster!

Our job at YOU Travel is to provide all the advice and information needed to get you to the USA and thereafter to the most convenient destination in readiness for your road trip. With the world starting to open up, there's never been a better time to start putting some RV plans together so that you can place more pins on the map!

With thanks to Catherine Membery and Kay Rogers from YOU Travel Bethlehem – www.youtravelbethlehem.co.nz



"To my mind, the greatest reward and luxury of travel is to be able to experience everyday things as if for the first time, to be in the position in which almost nothing is so familiar it is taken for granted."

Bill Bryson



Winter Gardening Advice



There's plenty to do in the winter garden! – pruning, mulching, and spraying, so take advantage of those fine days when you get them!

Rose Care: July is the main month for pruning roses. With bush and standard roses, reduce the amount of main 'leaders' or branches. Remove all inward growing branches and prune to an outward facing bud. With climbing roses tie down main leaders as horizontal as possible. It is the growth from these leaders that will produce flowers. When planting newly purchased roses prepare the site thoroughly with fresh compost, the new roses will be in the same position for a long time so give them the best start.

Fruit Trees: Complete pruning of all deciduous fruit trees and follow up with a spray of a copper compound to help prevent reinfection of fungal diseases in spring. Mandarins, navel oranges, lemons and limes can now be harvested. It's time to plant out new fruit trees. Always try and select a warm, sheltered, sunny position. Fruit trees only flower once a year and in a windy position, flowers can be blown off the tree. The end result is the fruit will not set, which means no crops! Again, add in plenty of compost when planting, and stake young trees if required.

Houseplant Care: Pay close attention to your houseplants observing how they are growing in the colder winter months, remembering that many of our houseplants come from very warm, tropical countries. Move them closer to windows for more light and warmth if needed, but not in the direct path of heat-pumps or drafts. Water only as required, rather than on a regular, scheduled basis.

With thanks to Daltons – www.daltons.co.nz

We will no longer send Tax Certificates

Due to the monthly reporting requirements for Inland Revenue we will no longer be sending end of year tax certificates (RWT).

Instead, details of interest you've earned and tax deducted will be available on your myIR account. If you don't have a myIR account you can register for one by visiting ird.govt.nz or phoning 0800 227 774.

You can also refer to your four quarterly income statements sent by First Mortgage Trust as these detail the tax earned and deducted.

FMT investor turns 100

Tauranga investor, Laurie Wakeford turned 100 on 6 June and celebrated with his three children and their families, who came from all over New Zealand, and as far as Australia to celebrate his milestone birthday with him.

Laurie was 16 when he moved from Ohura to Tauranga to start his motor mechanic apprenticeship. Laurie left New Zealand to go to war, and on his return he managed to complete his apprenticeship.

Laurie later was a partner and owner-operator for many years in a local business, Tauranga Chassis & Steering, before retiring in the Bay of Plenty.

Congratulations Laurie!



Calling for email addresses

As we progress with developing our online client portal we will be contacting clients in the coming months to provide further information. The best way for us to keep you updated is via email. If you have an email address and you haven't yet provided it to us, or if your email has changed, then contact us at team@fmt.co.nz, including your name and investment number and we'll do the rest.

If you would prefer to be paperless and receive all your correspondence by email, please let us know and we can update your records to reflect this.

Winter Warmer Recipe: Curried Kumara Soup

Curried kumara soup is a creamy and warming meal, serve with a dollop of yoghurt and crusty bread.

SERVE 4-6

INGREDIENTS

- ▶ 2 Tbsp olive oil
- ▶ 1 onion, chopped roughly
- ▶ 2 cloves garlic, crushed
- ▶ 1 Tbsp grated ginger
- ▶ 2 Tbsp mild curry powder
- ▶ 500g golden kumara, peeled and cut into chunks
- ▶ 1 litre chicken stock
- ▶ 250ml coconut milk
- ▶ ½ cup Greek yoghurt
- ▶ 1 Tbsp chopped chives

METHOD

1. In a large pot heat the oil, add the onion, garlic and ginger cooking for 3 or 4 minutes to soften slightly. Stir through the curry powder until fragrant.
2. Add the kumara and chicken stock. Bring to the boil and then simmer for 25 minutes or until the kumara is completely soft. Stir through the coconut milk in the last few minutes.
3. Blend until smooth. Serve with a dollop of yoghurt and fresh chives.

Source: viva.co.nz, Recipe by: Angela Casley, Photo by: Babiche Martens



Investor Meetings 2022 – visit our website to keep up to date

We will be holding our Investor Meetings later this year in October. For those of you who have not attended an investor meeting before, these meetings are where our CEO, Chair and key people provide our investors an update on the business, our returns, market insights and our future strategy. It also provides our investors the opportunity to ask questions and catch up with some of our team.

If you would like to register to receive information on investor meetings, please visit our website – fmt.co.nz/events and complete the form indicating which region you live in and we will be in contact with more information nearer the event.

If you don't have access to the website and would like more information about the events, please phone us on 0800 321 113 or email team@fmt.co.nz

To register your interest visit – fmt.co.nz/events



FMT Investor Prize Draw

Each quarter First Mortgage Trust investors have a chance at winning a \$250 voucher, choosing from petrol or supermarket gift cards.

This quarter's prize winners are located in:

- ▶ 1 individual Te Awamutu
- ▶ 1 individual Te Puke
- ▶ 1 trust Mount Maunganui
- ▶ 1 individual Mount Maunganui
- ▶ 2 individuals Tauranga

Congratulations to our winners!

The prize draw is held under supervision and winnings are paid for by the Manager of the Fund, meaning it has no effect on the return to investors.

Terms and conditions apply.

Making a Withdrawal

To make a withdrawal from your First Mortgage Trust investment you must complete a Notice of Withdrawal.

A Notice of Withdrawal form is available on our website for you to complete and return to us (it is also sent on the rear of our postal correspondence and as an attachment to our email correspondence).

Withdrawals are normally actioned twice a week (on Monday and Thursday). We generally action withdrawals within four business days of receiving your completed Notice of Withdrawal.

Last Date for Processing Withdrawals for September Quarter: Monday 26 September 2022.

We will need to receive completed and signed Notices of Withdrawal on or before Friday 23 September 2022.

Next Processing Date for Withdrawals: Monday 3rd October 2022.

We will need to receive completed and signed Notices of Withdrawal on or before Friday 30th September 2022.

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Talk to us ▶▶

0800 321 113 | team@fmt.co.nz

▶▶ fmt.co.nz