first news

Issue 101
March 2025

first mortgage trust

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

7.04% p.a. Group Investment Fund and PIE Fund

Past returns are not a reliable indicator of future performance.

We are pleased to announce our annualised pre-tax return rate is 7.04% for the March 2025 quarter.

While this is a slight decline from the previous quarter, it represents a substantial premium compared to the average one-year term deposit rate demonstrated by the main banks, which was 4.32% as at the end of February 2025 and continues to trend downward.

We are pleased with the stability in our returns in what has been a rapidly declining interest rate environment. We have maintained our ability to generate strong lending opportunities, ensuring we balance risk and return. Additionally, we continue to maintain a diversified portfolio across key regions and asset classes, reinforcing the strength and resilience of our fund.

The lending market is becoming increasingly competitive, which is likely to put pressure on the interest rates we are able to charge. As always, we will remain steadfast in being selective with our lending opportunities, ensuring we always balance risk and return.

Our strategy continues to focus on preserving capital while delivering consistent, steady returns - a key factor behind our long-term performance and the continued confidence of our investors.

Fund Growth & Investor Confidence

The fund continues to grow strongly, and we are now approaching $2 billion in funds under management. This is a testament to the trust and confidence our investors place in us. We continue to welcome a steady stream of new investors, and to those reading this newsletter for the first time - welcome!

We are also seeing more investors introduce the next generation to our fund, helping their families build long-term wealth with us. Supporting multiple generations of investors is a privilege, and we value the trust that families place in us.

At the end of this quarter, we are distributing $32 million in returns, our highest-ever distribution. It's a significant milestone that reflects the growth of the fund and the strong returns we have generated.

Technology & Security Enhancements

As highlighted in previous newsletters and at our investor meetings last year, modernising our technology remains a key focus in 2025, with the launch of our new investor portal fast approaching.

We are upgrading our core funds management system with a new technology platform. Our previous system has served us well but is now due for an upgrade. This transition comes at the right time, as cybersecurity remains a top priority. Protecting investor data is paramount, and this upgrade will not only strengthen security but also enhance the overall user experience.

This is a significant step forward, and while our investment team adapts to the new system, there may be a short adjustment period. We appreciate your patience as we get up to speed.

A key benefit of the new system is the introduction of an online investor portal. The portal, designed as an additional self-service option, will enable you to manage your investments online while maintaining the trusted personal service you value. Whether you prefer to call, email, or use the portal, our team remains available to support you in the way that suits you best.

For more details on what these changes mean for you, please refer to the article on page 3. As we get closer to the go-live date, we will provide additional updates via email or post to ensure you are well-informed about any key changes.

Looking ahead

2025 has started well and we anticipate continued demand for high-quality lending opportunities. There is no doubt that the macro environment is currently volatile, and we will be keeping a close eye on developments and how they may impact the NZ economy and property market.

As you can see from our technology investment, we are looking ahead with confidence and continue to invest in the active management of FMT - whether through systems or by ensuring we have the best people.

We are well-positioned to capitalise on shifts in market conditions while continuing to uphold our conservative risk management principles.

We appreciate your trust in us and look forward to keeping you informed on our progress throughout the year.

Paul Bendall, CEO

Welcoming Our New Team Members

At First Mortgage Trust, looking after our investors is at the heart of what we do. We take pride in our personal, investor-focused approach, and as our business continues to grow, we've expanded our team to ensure we maintain the highest level of service and expertise.

With Sam Burgess stepping into his new role as Chief Investment Officer, we are pleased to welcome Phil Bennett as our new Head of Lending. Based in our newly opened Wellington office, Phil brings extensive experience from the banking sector and is a valuable addition to our leadership team.

"I'm excited to join FMT," says Phil. "With its strong investor focus, FMT is well-positioned for continued success. I look forward to working with the team to further strengthen FMT's reputation as a trusted investment partner and to meeting our borrowers and investors."

We're also delighted to welcome Mindy Kaur and Cheree Methven to our Investment Team. As our investor base grows, ensuring we have the right expertise in place is essential to maintaining our high standards of customer service and support. Mindy and Cheree bring valuable skills and experience that will help us continue delivering the trusted, investor-first approach FMT is known for.

Please join us in welcoming Phil, Mindy, and Cheree to the team!

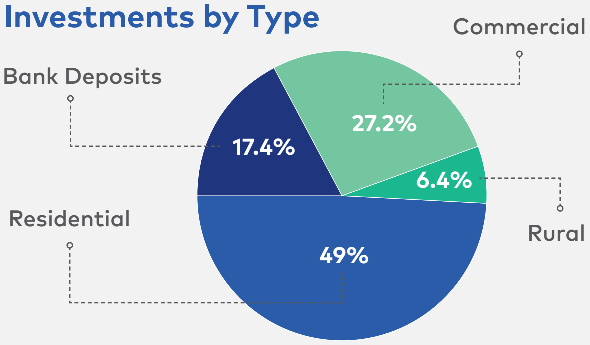
First Mortgage Trust Loan Book - key facts

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 47.5%.

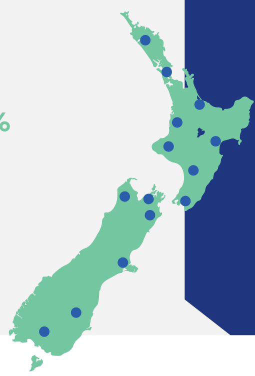
The following information provides details of our loans by region and investments by type as at 10 March 2025, demonstrating our diversity.

Investments by Type



Loans by Region

Northland 0.2%
Auckland 60.6%
Bay of Plenty 6.8%
Waikato 4.2%
Taranaki 0.2%
Hawkes Bay 0.4%
Manawatu-Wanganui 0.4%
Wellington 12%
Nelson 0.9%
Tasman 0.0%
Marlborough 0.1%
Canterbury 9.4%
Otago 4.7%
Southland 0.1%



Loan Summary

Number of loans
611

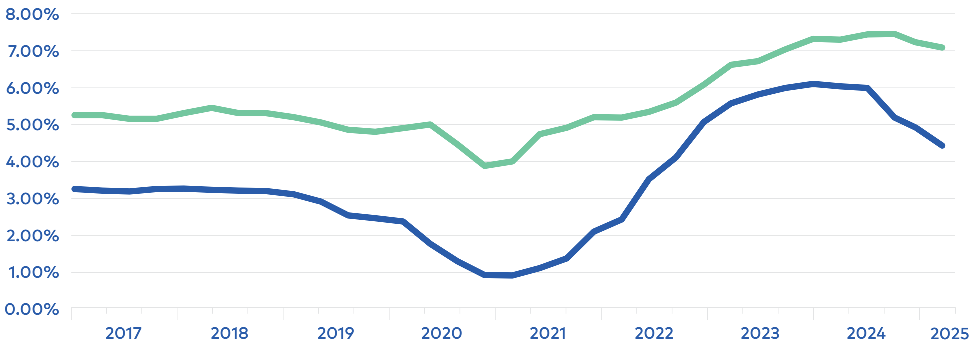
Loans secured over
1,450+ properties

Average loan size
$2.58m

Average LVR
47.5%

Loan origination in last 12 months
$1.06b

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 March 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.

Upcoming Technology Enhancements at FMT

At FMT, we are committed to providing a secure, reliable, and transparent investment experience. To continue meeting these standards, we are upgrading our operating platform to one with enhanced security, greater efficiency, and future-proofed technology.

While our current system has served us well, advancements in cybersecurity and digital tools make it essential to stay ahead.

Why we're making this change

Upgrading our platform is a necessary step to enhance security, improve accessibility, and deliver a seamless investment experience. This transition reinforces data protection, optimises processes, and ensures your investment remains both secure and easily accessible.

Introducing the New Investor Portal

A key benefit of this upgrade is the launch of our Investor Portal. We recognise that some investors have been asking for an online portal, while others prefer the current process. We want to reassure you that the choice is yours.

For those who choose to use the portal, the benefits include:

- 24/7 access to your investment details
- Paperless statements/documents for added convenience
- A secure and user-friendly experience
- The ability to update personal details, such as tax information

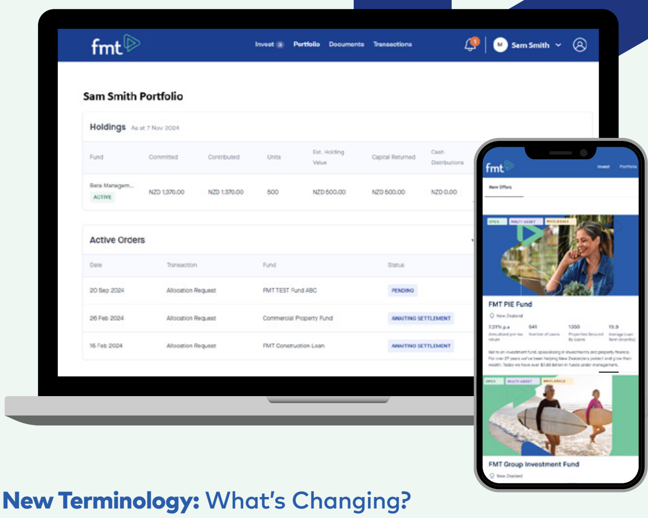
If you prefer the current process, you can continue as you do now. The portal is about giving you more options.

Investor Portal: What You Need to Know

Phased rollout: To ensure a smooth transition, we will be inviting investors in stages from June. If we have your email address, you will receive an invitation when it is your turn. If you prefer not to use the portal, no action is required.

Ensure we have your email address: If you would like access but do not currently receive emails from us, please contact us to update your details.

More details: We will provide further updates via email and/or post. Keep an eye out for more information.



New Terminology: What's Changing?

To improve clarity and align with best practices, we are updating a few key terms:

Investing Entity: This refers to the specific investment entity, i.e. the name your investment is held under. For example, if you have both a joint account and an individual account, these are separate investing entities, even though they are linked to your account.

If you invest through a wholesale fund, that too is considered an investing entity. Each entity operates independently within the portal, ensuring clear oversight and control over your investments.

Allocation: Previously referred to as a deposit, an allocation is when you are issued units in the fund you're investing into.

Redemption: Previously referred to as a withdrawal, a redemption is when you are withdrawing some or all of your units.

We will have user guides on our website and we will send more information out via email, and of course our team is available to help via phone or email.

Important Change to Quarterly Distribution Dates

As part of this transition, one key change will affect all investors, regardless of whether you use the portal. Currently, quarterly distributions are paid on the last day of the quarter. From June, they will be paid three business days later. We will share a timeline of distribution dates for the remainder of the year on our website and in future newsletters.

Why this change?

Under the current system, we have a lockout period at the end of each quarter, meaning investors cannot make deposits or withdrawals while distributions are being processed. By processing the distribution payments after the quarter has ended, you will have continuous access to your funds right up until the distribution is paid. This change does not provide any advantage to the Manager and is solely a necessary adjustment due to the technology enhancement.

What this means for you

Better access & flexibility: No more restrictions on transactions at quarter-end, giving you continuous access to your investment.

Same reliable payments: Distributions will continue on a fixed schedule, just a few days later, ensuring consistency and predictability.

A smoother experience: By eliminating unnecessary restrictions, we're making it easier and more efficient to manage your investment.

Enhanced security - a vital upgrade: Upgrading our technology is essential for a more secure, reliable, and future-ready investment platform. This critical step ensures we continue delivering top-tier service and security to our investors.

During this transition, processing may take longer as we adapt. We're working hard to ensure a smooth shift and appreciate your patience. For any questions, our team is here to help.

A LENDING STORY

Helping a Family Business Succeed

At First Mortgage Trust, we're proud to help Kiwi businesses bring their projects to life - and this story is a great example of what we do on the lending side.

Christine and Andrew have been developing a 15-lot subdivision in Matakana. Like many small developers, they started out working with the banks, but when COVID hit and bank lending tightened, they needed another solution.

"Our solicitor recommended FMT, saying they're a good New Zealand company - genuine people," says Christine.

That introduction began a relationship that has now spanned four years. Geoff Allen, one of our Business Development Managers, has worked closely with them to help fund the final seven homes in the project.

"It's great to support a family business and help them reach their goals," says Geoff. "Christine handles the finances, Andrew brings over 30 years of building experience, their son-in-law Jono is a Quantity Surveyor managing day-to-day operations, and their daughter Madeleine handles interior design - it's a real team effort."

Now with just two homes left to complete, Christine reflects on how FMT's flexible approach has helped:

"Even if I could go back to the banks now, I probably wouldn't. We present what we need, and FMT comes back to us quickly - having their support takes the worry out of financing."

For nearly 30 years, FMT has been helping Kiwis succeed in their property goals - delivering real results for both borrowers and investors while contributing to New Zealand's growth.

2025 FMT Youth Sponsorship Grant

Investing in the Future - Applications Now Open!

For 20 years, we have proudly supported young talent through the FMT Youth Sponsorship Grant, helping ambitious individuals achieve their dreams. This year, we are expanding the program, offering more funding and more opportunities for rising stars across various fields.

Bigger and Better Grants for 2025

After receiving a record-breaking 50+ applications in 2024, we are increasing our support to reach even more young people. Previously, one grant of $3,500 was awarded - but this year, we are offering:

- Two age categories: 16-19 and 20-25, ensuring fairer distribution
- Two major grants of $8,000 each
- Two runner-up grants of $2,000 each

This is one of our favourite sponsorship programs, and we are thrilled to expand it to help more young individuals on their journey to success.

Who can apply?

The FMT Youth Sponsorship Grant is open to young individuals aged 16-25 who are excelling at a national or international level in the following areas:

- Sport
- Academia
- Music
- The Arts
- Leadership

How to apply

To be considered, applicants must be aged 16-19 or 20-25 at the time of application.

The applicant will need to submit a cover letter, CV and if possible a short video introducing themselves, showcasing their ambitions and achievements, and explaining how they plan to use the grant.

What's expected from grant recipients?

Successful applicants will share their story and inspire others by:

- Creating a short video to feature at our Investor Meetings
- Providing two short articles (300 words each) and photos throughout the sponsorship period, to be shared on our website and in our investor newsletter

Know someone who would benefit from this grant?

Encourage them to apply today. For more details, visit our website or contact our team. We look forward to seeing the incredible talent and passion from this year's applicants.

Applications close 5:00pm, 31 May 2025

New interest rate uncertainty

Article by
Tony Alexander,
Independent
Economist

As had been widely expected, on February 19 when the Reserve Bank undertook its most recent monetary policy review the cash rate was cut 0.5%. It now sits at 3.75% and the Reserve Bank project that before the end of this year it will lie at either 3.0% or 3.25%.

That outlook sounds reasonable until one considers the large uncertainties injected into everyone's financial predictions around the world now because of the trade war initiated by US President Trump. Tariffs retard the efficient distribution of resources around countries so a certain outcome from the war is that the pace of growth in global productivity and average standard of living will be reduced.

But that is where near unanimity of views ends. What the implications are for inflation is impossible to reasonably calculate at this stage. There will definitely be higher inflation in the United States. Inflation will also be higher in countries which impose reciprocal tariffs on the United States such as Europe, Canada, and Mexico.

However, in countries like Australia and New Zealand that don't raise tariffs there might be downward pressure on inflation if extra goods are sent in our direction from countries choosing to export less to the United States. But we will face some upward pressure on the prices of goods we import from the United States.

At this stage my expectation is that New Zealand's inflation track will be minimally affected, and the Reserve Bank is unlikely to adjust its monetary policy outlook unless the world economic outlook deteriorates to a large degree. That is possible but we will have to wait and see.

This means investors can reasonably anticipate up to 0.75% being cut from bank short-term deposit rates by the end of this year with far smaller cuts for longer terms. In fact, cuts for term deposits of three years and more may be exceptionally small for the rest of the year.

This is for three reasons.

First, the financial markets had already factored in a fall in the official cash rate to near 3% by the end of this year before the February 19 policy review where the Reserve Bank brought forward their 3% timing by a year.

Second, there may be upward pressure on United States medium to long-term interest rates because of the US President's policies. These rates have a strong influence on medium to long-term rates in the rest of the world and if those rates rise then they will go up also in New Zealand.

Third, NZ business margins remain under solid pressure and a key monthly business survey tells us that when businesses get the chance, they are going to raise their prices again. Add in planned increases in council rates and electricity prices and very soon the markets will be giving thought to this simple relationship. A cyclical recovery in an economy brings a cyclical recovery in inflation. That in turn eventually (with very uncertain timing) brings a cyclical recovery in interest rates.

Overall, barring a world recession we are close to a bottoming out of bank deposit and lending interest rates in New Zealand. This might not please some younger borrowers hoping for a return to the very low rates seen from 2018 - 2022. But given the factors which drove those low rates - pandemic and worries about deflation - this situation of a return to "normal" seems far preferable.

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

Each newsletter, we'll address key questions from our investors, answered by the FMT leadership team.

Whether it's about investment returns, market conditions, or our lending approach, we're here to provide the insights that matter to you.

First up, Sam Burgess, Chief Investment Officer, answers a question raised by several investors he recently met at our Tauranga office.

Have a question for our leadership team? Send your questions to **promotions@fmt.co.nz**, and we may feature them in a future newsletter.

FMT YOUR QUESTIONS ANSWERED

Q: How long do you think FMT's investment rate will maintain its premium over bank term deposits?

A: That's a great question and one that many investors are asking, especially as bank term deposit rates continue to decline.

As at late March 2025, one year bank term deposit rates sit around 4.30%, while FMT's most recent pre-tax annualised investment rate was 7.04% - a premium of 274 basis points. We expect to maintain this gap of at least 200 basis points for the foreseeable future, although some reduction in our rates may occur to ensure our lending remains competitive. That said, several key factors support FMT's ability to continue offering higher returns than traditional bank deposits:

1. The nature of our lending
FMT specialises in short-term, mortgage-backed lending, with a current average loan term of 18 months. Because of this structure, we price our loans differently than banks, allowing us to charge slightly higher lending rates, which in turn supports stronger investor returns.

2. Serving a market where banks are less active
Unlike traditional banks, FMT does not provide home loans. Instead, we focus on property-secured lending for businesses and investors - sectors that are often underserved by mainstream banks. This allows us to maintain competitive lending rates, ultimately benefiting our investors.

3. Committed to optimising returns, not just maximising them
While some rate adjustments may occur over time, our focus remains on delivering stable, risk-adjusted returns rather than chasing the highest possible rates. Investors choose FMT for its wealth protection, peace-of-mind investing, consistency, and conservative risk approach - a commitment that remains at the core of everything we do.

Upcoming changes in the financial sector: Introduction of the Depositor Compensation Scheme

What is the Depositor Compensation Scheme?
On 1 July 2025, the Reserve Bank of New Zealand will launch the Depositor Compensation Scheme (DCS). The intention of this scheme is to strengthen confidence in the New Zealand financial system. The scheme will protect deposits of up to $100,000 per eligible depositor, per licensed institution, in the event of a financial institution's failure.

Who will be part of the scheme?
The scheme applies to:

- the registered banks
- licensed non-bank deposit takers (NBDTs) that accept deposits from retail investors.

While the DCS provides deposit protection, participation also comes with higher compliance costs, levies and regulations, which could reduce investor returns from participating institutions.

Does this affect FMT?
No, the DCS does not apply to FMT, as it only covers licensed deposit takers, not managed investment schemes like ours.

Why is FMT excluded?
As a managed investment scheme specialising in property lending, FMT operates under a different regulatory framework and is not classified as a 'licensed deposit taker'.

What does this mean for investors?
While this scheme does protect up to $100,000 to those covered by the scheme in the unlikely event of failure, those financial institutions covered by the DCS may face higher costs, which could lower investor returns. In contrast, FMT has consistently outperformed bank term deposit rates, and this gap may grow as covered institutions incur additional levy costs.

Our commitment to investors
We remain focused on delivering stable returns with a strong approach to risk management. Our long track record of zero capital losses is built on:

- Investor deposits being secured by a diversified portfolio of first mortgages.
- A growing reserve fund designed to help cover potential losses on individual loans, providing additional peace of mind for investors.
- Strong governance and independent oversight from Trustees Executors Limited, our independent supervisor.
- A steadfast focus on wealth preservation and peace-of-mind investing.

If you have any questions, please feel free to get in touch with our team.

Contracting Out Agreements – A valuable estate planning tool

Contracting Out Agreements (often referred to as prenuptial agreements) are often viewed quite negatively. They can be seen as having one foot out of the door in a relationship. However, Contracting Out Agreements can be powerful tools to help you and your partner cement your intentions for how your property is dealt with when you die thus preventing a future argument between families. A Contracting Out Agreement is not just for separating couples - it can assist to ensure your wishes are upheld upon death.

When you pass away with a Will, your partner has two options; they can choose to follow the terms of your Will pursuant to the Administration Act 1969 ("Administration Act") or they can make an election under the Property (Relationships) Act 1976 ("PRA") to have their share of relationship property determined.

Why does this matter?

This matters because modern relationships are complex. For a multitude of reasons you may not intend to leave your partner 50% of your property upon death. For many of our clients in second relationships, they want to provide for their partner, but they want the majority of their estate to go to their children from their first relationship.

The option for partners to elect whether or not to follow your Will can take control of your property out of your hands leaving what you may see as an unfairness to your children. This is why a Contracting Out Agreement can be such a powerful tool.

With a Contracting Out Agreement in place, even if your partner elects a determination for a division of your estate in line with the PRA, they are bound by the terms of the Contracting Out Agreement which determines which assets are in the pool for division and which are out.

What does a Contracting Out Agreement do?

Under the PRA there is a presumption that upon death or separation your partner is entitled to an equal share of the relationship property. This legislation will apply to you unless you elect to "opt out" by entering into a Contracting Out Agreement whereby you and your partner reach your own agreement on what property will be determined separate property and what will be relationship property.

Without a Contracting Out Agreement relationship property includes:

- The family home;
- The household chattels;
- Vehicles used for family purposes;
- That share of KiwiSaver or other superannuation policies accrued during the relationship;
- Your income; and
- Anything else acquired during the relationship or used for your shared life together.

A Contracting Out Agreement is capable in most circumstances of mirroring the terms of your Will. It has the capacity to be very specific. Not only can you dictate which property belongs to which partner and their estate, you can also make special provisions for your partner upon separation or death.

An example of this is in circumstances where you want the family home to pass to your children or some other third party upon death, you can still provide your partner with a qualified life interest in the home.

You may decide, for example, that you wish for your partner to continue living in the home for a specific period of time (or the rest of their life) but as soon as they move out, start a new relationship, or die, the home will pass to your beneficiaries in accordance with your Will. A Contracting Out Agreement is a flexible tool capable of reflecting your Will.

How do we make a Contracting Out Agreement?

A Contracting Out Agreement is a binding legal document. Like most legal documents, there are specific procedures that must be followed to make sure your document is enforceable.

For your Contracting Out Agreement to be valid and legally enforceable you will need to:

- Record the agreements reached in writing;
- Receive independent legal advice; and
- Have your signing witnessed by a lawyer.

You and your partner will need different lawyers. Once you have engaged a lawyer, you can share your intentions for how you want your relationship property to be divided and any specifications for what you want to happen upon death. Lawyers can assist you and your partner to make sure you are both adequately provided for.

If you have concerns about how your estate will be distributed when you die, we recommend that you discuss matters with your partner and get some advice.

Furthermore if you already have a Will or a Contracting Out Agreement, we recommend that you review the terms of these documents regularly to ensure they still reflect your intentions and your circumstances.

Talk to the Holland Beckett Family or Estates team for more information.

HOLLAND BECKETT

▶▶ Article provided by
Leesa Speed / Partner &
Michelle Bruce / Law Clerk
Holland Beckett.

WE'RE MOVING TO
45 The Strand, Tauranga CBD

FMT Head Office is Moving!

After more than 20 years at 15 First Avenue, First Mortgage Trust is moving to a new office.

In September, we will be relocating our head office to Northern Quarter in Tauranga. As FMT has grown, so has our team - leading us to outgrow our current space. Our existing office no longer meets our needs, and modern workplace standards require us to comply with updated health and safety regulations.

Our new office will offer more meeting rooms for investor appointments, while continuing to provide dedicated car parking for our visitors, ensuring a seamless and convenient experience when you meet with us in person.

While our address is changing, our commitment to Tauranga and the Bay of Plenty remains as strong as ever. We are proud to have our roots in this region, and our decision to keep our head office here reinforces the importance of the Bay of Plenty to FMT's future.

Alongside our Tauranga head office, we now have offices in Auckland, Christchurch, and Wellington, reflecting our continued growth and dedication to serving investors and borrowers nationwide.

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.

Easter Office Hours

Our offices will close from:
Friday, 18 April - Monday, 21 April.
We will reopen as usual on Tuesday, 22 April.

If you have any queries before the break, please feel free to get in touch with our team. Wishing you and your family a happy and relaxing Easter!

first mortgage trust

Talk to us ▶▶ 0800 321 113
invest@fmt.co.nz | fmt.co.nz

Painting for a Purpose: Helping Save the Kiwi

Our team recently came together to support Save the Kiwi, a charity we've proudly sponsored for nearly five years.

We painted 50 nesting boxes to help in the locating and monitoring of kiwi. This is a valuable tool for Save the Kiwi in their work to grow the kiwi population. It was a fun and rewarding experience, and everyone enjoyed contributing to such an important cause.

Save the Kiwi is doing incredible work to protect our national icon, and we're proud to play a part in their efforts. It was a fantastic team effort, and we look forward to continuing our support.