



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

**5.59**  
% 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 latest investor newsletter.

It's hard to believe we are into the final quarter of the year and summer is just around the corner. It's been 'business as unusual' over the last two years due to Covid but we're pleased that some normality is returning. As a business we've continued to experience steady growth in both our investment funds and across our loan book. But first things first – investor returns.

I am very pleased to advise that we are delivering an annualised pre-tax return of 5.59% for the September quarter. Like every business we have experienced disruption through winter flu and covid related illness. I am incredibly proud of our team who pulled together to deliver this result.

We are also operating in a challenging economic environment. As an active manager we are constantly reviewing the market and how our loan portfolio is performing against this backdrop. I am pleased to say that all of our key metrics such as loan to value ratio (LVR), liquidity and loan arrears remain strong. Our loan arrears are still below our 5 year average. This is an impressive result given the market conditions and demonstrates our commitment to balancing risk and return.

### Consistent returns

You will no doubt be aware of the volatility in other asset classes over the last year. At FMT we are really pleased that we continued to maintain a steady performance and we have even managed to increase our rates each quarter this year. These rates show the resilience of the Fund, and our commitment to providing investors with peace of mind investing and consistent returns even during periods of uncertainty.

### Our quarterly investment returns (annualised and pre-tax)

Dec 21	Mar 22	Jun 22	Sep 22
5.19%	5.18%	5.34%	5.59%

Whilst there has been talk of increased bank lending appetite this hasn't changed our loan origination opportunities and we continue to see a strong pipeline of high quality loans.

The average LVR on our loan book has remained at 51% and our LVR for loans originated in the last 6 months remains at around 48%.

We are selective in where and who we lend to, and we have a rigorous process, including inspecting every property we lend on. It is this approach which has seen our loan portfolio continue to perform strongly.

Our team takes the time to understand every loan we approve, for us this means working alongside our borrowing clients to deliver a personalised, tailored solution which in turn delivers better outcomes for both our borrowers and our investors.

### New milestone reached

As I mentioned earlier, we are continuing to see growth in our funds: in July we reached a new milestone of \$1.5 billion of funds under management and we welcomed our 6,000th First Mortgage Trust investor. In challenging economic times this highlights how our investors value investments derived from first mortgage securities and the stability of the returns that First Mortgage Trust provides.

As we grow, I firmly believe it's important for us to stay true to our roots and to remain focused on what has made us successful for the last 26 years – our conservative investment strategy – which is doing what we can to protect and grow our clients' investments, and of course making sure we provide great customer service along the way.

### We value your feedback

To ensure we continue to provide a good customer experience it's important for us to get feedback from you. In the coming months, we will be emailing an invitation to take part in a customer feedback survey, and we would appreciate it if you could share your feedback. The management team and I review the survey findings thoroughly and use this to ensure we are providing the best customer service and also look at areas where you think we could do better.

I look forward to catching up with many of you in person at our upcoming Investor Meetings, and for those of you who are unable to attend we will be filming one of the events, as well as providing more information in our next newsletter.

In the meantime, thank you for your continued support.

Paul Bendall, CEO



## Meet our Team

### Introducing our new Head of Treasury – Gareth Brown

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

I recently joined the First Mortgage Trust (FMT) team as Head of Treasury. As Head of Treasury, I will be working with the team to ensure that as we grow we maintain best practice and are proactive in meeting regulatory requirements in a constantly changing environment, while ensuring we meet the needs of our investors and borrowers both now and in the future.

Prior to joining FMT I worked for over 20 years in the investment and banking industries, both overseas and in New Zealand, and more recently I ran my own financial consultancy business.

In 2010 my wife and I decided to move our young family to New Zealand from London. We love living in New Zealand with the lifestyle and opportunities it provides for us and we've never looked back.

Since joining FMT I have been working closely with the leadership team and the investment team. I am really impressed with the entire business's focus on our investors and the absolute commitment they share in terms of looking after your investment funds, delivering consistent returns and peace of mind investing.

I am excited to be part of a successful kiwi-owned business. I will be attending the upcoming Investor Meetings and I hope to meet some of you in person at these meetings.



## How are we doing? We'd love to hear from you



We will be sending an email to invite our clients to complete a survey to see how we are doing, what you love, and what we can do better.

If you would like to take part, and we don't already have your email address, please phone us on **0800 321 113**.

## FMT investor turns 100

Matamata investor Patricia Polglase recently celebrated her 100th birthday. Her family surprised her and organised a limousine to take her to Hobbiton where family, friends and all her grandchildren were gathered to help her celebrate her birthday.

Pat said, "The birthday celebrations have been just lovely. I do feel very fortunate to have a happy life, a wonderful family, and good health."

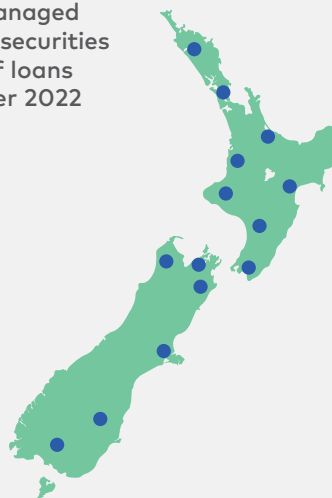
Congratulations Pat from the team at FMT!



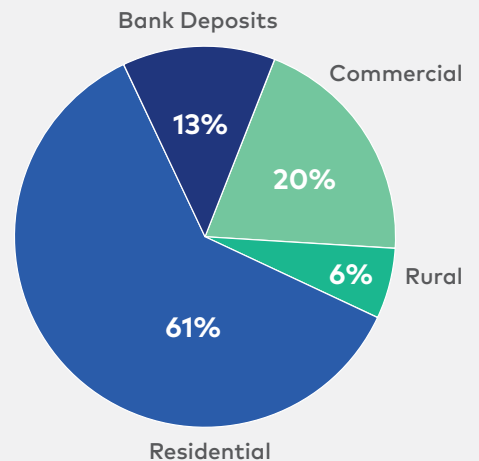
As the Manager of the Fund we have aimed to continue our relatively conservative position. The Fund has been managed to maintain a spread and mix of quality properties as securities for our loans. The map and graph providing details of loans by region and investments by type as at 2 September 2022 demonstrate the diversity of First Mortgage Trust.

## Loans by Region

Northland	0.5%	Wellington	9.4%
Auckland	60.1%	Nelson	0.2%
Bay of Plenty	6.9%	Tasman	0.0%
Waikato	5.3%	Marlborough	0.1%
Taranaki	0.1%	Canterbury	12.0%
Hawkes Bay	0.5%	Otago	4.3%
Manawatu-Wanganui	0.4%	Southland	0.2%



## Investments by Type



# First Mortgage Trust Youth Sponsorship Recipient 2022 Announced

We are very pleased to announce that Quinn Boyle is the recipient of the First Mortgage Trust Youth Sponsorship Award for 2022.

We were really impressed with Quinn, not only his swimming achievements, but also with his attitude and values. He's hardworking, determined and humble. He also strives to make a real contribution to his local community by using his swimming events to fund-raise for charities and organisations to make a difference to give back to others.

Some of Quinn's swimming achievements to date:

- ▶ Double crossing Lake Rotoiti (30km) – 8.26 hours swimming
- ▶ Lake Taupo Length (42.2km) – 13.46 hours swimming
- ▶ Westpac Chopper Swim Waiheke to Auckland (20km) – 5.30 hours swimming
- ▶ Cook Strait Attempt (21km) 6 hours swimming – pulled out 5km short due to hyperthermia
- ▶ Firth of Thames (24.2km) 5.56 hours swimming – first ever solo swimmer to attempt and achieve this swim officially

Well done Quinn. We're stoked to partner with you!

Quinn will also be presenting at our upcoming Investor Meetings.

Also a huge thank you to all those young talented kiwis that submitted applications. We wish you all the best for your future!

\*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.

"It is an absolute honour to receive the FMT Youth Sponsorship for 2022. The sponsorship will help to fund my swimming events and ambitions over the next 12 months. In December, I hope to complete the longest ever attempted, surf rescue solo swim event from Motiti Island to Pukehina surfclub which spans 20 km.

Then in January, I am off to the French Alps to represent NZ competing in the World Ice swimming championships. This is the first time a NZ team has been selected to compete in this event. Ice swimming has become huge internationally, due to its extreme challenge (the water temperature is under 5 degrees) and the benefits of ice immersion for health and wellbeing. It is also predicted to be a new Winter Olympic Sport. There are 75 countries and over 500 competitors involved in this event.

I am looking forward to swimming for NZ and promoting ice swimming for all New Zealanders.

A huge thank you to FMT for giving me this funding and helping me achieve my goals."

– Quinn Boyle



## Cyber security – Tips to stay safe online

We have highlighted safety and security online in previous newsletters. Cyber security is an important topic and it's one that we want to stay focused on to help protect you from fraudulent activity.

Some key things to remember are:

**Use passwords and passcodes:** Use strong and unique passwords and not passwords that can be easily guessed. Also turn on a second layer of protection – for example, have a text sent to your phone with a passcode that's required as a second form of ID to get into your online accounts.

**Be aware of links and attachments:** Be cautious with links or attachments in emails and text messages, or links on websites you don't know. To check a link, hover your mouse over it to see where the link will take you. On a smartphone or device, you can press and hold to see where the link will take you.

**Be careful with what you share on social media:** Be careful with how much you share on social media – such as Facebook. Fraudsters can use information

you share to impersonate you. Also be cautious about interacting with people you don't know and check your privacy settings regularly to make sure you aren't sharing more information than you're comfortable with.

**Only shop online at places you trust:** There's a lot of online shops, it's best to only shop at those companies you have heard of, another tip is to check that the site has a padlock on the browser.

 [fmt.co.nz](https://fmt.co.nz)

**Be suspicious:** Particularly of messages from people you don't know, or when your name is spelt wrong. Delete these immediately and do not engage with them. If you get a message and you're 'just not sure', then phone the organisation to double check that they sent something to you. Find their phone number separately from the communications (as this could have a false phone number seeded into the communications for you to call).

For further advice about cyber security, go to [www.netsafe.org.nz](https://www.netsafe.org.nz).

# Family Trusts – Removing Incapacitated Trustees

New Zealand's aging population is leading to an increase in the number of people who lose mental capacity during their lifetime. It is not uncommon for Trusts formed over twenty years ago to be faced with the issue of a trustee losing mental capacity.

Generally, Trust Deeds provide that the trustees must act unanimously. Unanimous decisions cannot be made when a trustee no longer has mental capacity, which can be particularly troublesome when trustees are trying to deal with Trust assets. No new decisions can be made by the Trustees, effectively leaving the Trust in limbo. Fortunately, the new and modern Trusts Act 2019 (Trusts Act) can assist.

Prior to the Trusts Act coming into force, a Court order was required to remove an incapacitated trustee. This is no longer the case. Trustees can now exercise the compulsory removal of a trustee due to the lack of mental capacity if such removal is permitted by the terms of the Trust Deed or failing that, under section 104 of the Trusts Act.

## Review the Trust Deed

The first step is always to review the Trust Deed. If the Trust Deed contains a provision concerning the compulsory removal of a trustee who has lost mental capacity, the trustees are not required to adopt the procedure set out in the Trusts Act. This could be the preferred outcome when trustees are seeking to deal with Trust assets as a matter of urgency; the procedure

in the Trusts Act includes giving the incapacitated trustee 20 working days' notice of the removal. The removal cannot be implemented until the 20 working day period has passed without the trustee of concern challenging the removal.

## If the Trust Deed is silent on the removal of incapacitated trustees, refer to the Trusts Act

Trustees may elect to adopt the process set out in the Trusts Act regardless of what the Trust Deed specifies or fails to specify in respect to removing an incapacitated trustee. Pursuant to section 104 of the Trusts Act, a person with the power to remove trustees must act to remove a trustee if a trustee loses the capacity to perform the functions of a trustee. As noted above, the Notice of Removal must be served on the trustee of concern.

## Power of removal and appointment of replacement trustee

Regardless of whether a trustee is being removed pursuant to the Trust Deed or the Trusts Act, the trustees must ascertain who has the power to remove the incapacitated Trustee. Again, the answer is often found in the Trust Deed and any subsequent deeds. If the person who holds the power of appointment and removal of trustees under the Trust Deed or any subsequent deeds has lost mental capacity or is deceased, then section 92 of the Trust Act helpfully records who will hold the power. The power frequently vests in the remaining trustees.

## Documentation

A medical certificate confirming that the trustee of concern no longer has the capacity to carry out the role of a trustee will form the basis of the documentation required to give effect to the removal. Once the incapacitated trustee has been removed, all Trust property will need to be transferred into the names of the new trustees. Holland Beckett Law can guide you through this new process and prepare all necessary documentation. Please do not hesitate to contact us if you have any queries.



**HOLLAND BECKETT**  
LAW

Article provided by Brittany Ivil,  
Holland Beckett Law



# Market Update

Recently there has been a lot of talk about recession in the New Zealand economy and it is easy to understand why many people think we might be in dire straits. The cost of living has risen by 7.3% in the past year, and we are having to spend more on our weekly groceries. We are also choosing to spend more on travelling overseas and pulling back from an unsustainable two and a half year spending binge on things like spas, home renovations, electric bikes, and so on.

These three factors are generating falling sales for many retailers. There is extra downward pressure from fixed mortgage rates rising 3% - 3.5% in a ten month period as compared with rises of less than 3% over a four and a half year period the last time the Reserve Bank ran an extended fight against inflation from 2004-08.

Additional weakness for our economy comes from businesses closing down or suffering crunched profitability because they cannot get staff or materials. There is a correction underway in the house construction sector as the end of panic buying of property has made presales difficult to get so projects are either not starting or stalling.

House prices have fallen on average near 11% and the feeling of reduced wealth felt by many people acts to further constrain willingness to spend.

But do things add up to recession soon? Probably not because our economy has some unique supporting factors this time around never before present during a recessionary period. First, the NZ dollar is undervalued near US61 cents, down from 68 cents a year ago, and has not been at painful high levels for a great number of years.

This is very important for our exporters which by definition means the regions – particularly because of the second unique factor. Our export prices are 19% higher than at the end of 2019. The world is facing a food crisis. We are a food producer and will benefit from high food prices just as Australia benefits from the European energy crisis causing soaring sales of LNG and coal.

The third positive factor for our economy is the return of foreign visitors. Even though recession in parts of the northern hemisphere will restrain flows down here, this coming year promises to be vastly superior to anything in the past three years.

The fourth factor is foreign students returning and their inflow will be particularly supportive of a recovery in the Auckland CBD.

The final special factor is the tight labour market. Because they have been unable to hire staff there is no pressure on businesses to engage in layoffs let alone the mass layoffs we always associate with recession. High job security felt by people will act as a buffer against falling spending and means something very important for the housing market.

Investors stood back from the market immediately after the March 23 2021 tax changes announced by the government. They remain out of the market to a great degree even though more are expressing interest in buying, principally because finance has become much harder to get.

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First home buyers however are stepping forward according to the most recent results from my monthly surveys of both mortgage advisers and residential real estate agents. These young buyers do face above average interest rates, still high prices, worries that prices will fall further after they buy, and less access to finance than before.

But more and more are abandoning plans to try and delay buying until they think the market has bottomed out. They are instead taking advantage of the doubling of property listings from a year ago and vendors finally accepting the old prices of late-2021 are gone and now meeting the market to get on with their lives.

The housing market is still weakening and will continue to do so for a few more months. But we have entered the endgame for this period of falling prices and sales and the conditions are falling into place for rising prices and sales through 2023 and 2024. However, the recovery when it comes is unlikely to be strong.

Through all next year net migration flows are likely to be negative. It will also take a long time for mortgage interest rates to decline much beyond the 0.2% - 0.4% falls which have happened since peaks were reached in the middle of June.

The government is likely to loosen fiscal policy in the May 2023 pre-election Budget and that will encourage the Reserve Bank to keep interest rates elevated through 2023. But because underlying inflationary pressures will be easing, we are likely to see some good falls in borrowing costs late in the year. For depositors the outlook is for potentially some small rises in rates from current levels – though not by much as household bank balances are actually over \$30bn higher now than they were at the end of 2019.

All up, recession is not likely and even if one appears the tight labour market and firmly supported export sector mean it will not feel like any recession of the past. The housing market continues to weaken but things are falling into place for improvement a few months from now. And for borrowers the worst rate levels have probably been passed, but rate declines for the coming 12 months are likely to be fairly minor.

Article by Tony Alexander,  
Independent Economist



## Travel Plan Assistance

As international travel resumes for New Zealanders, the importance of having a travel agent has been crystallised for many.

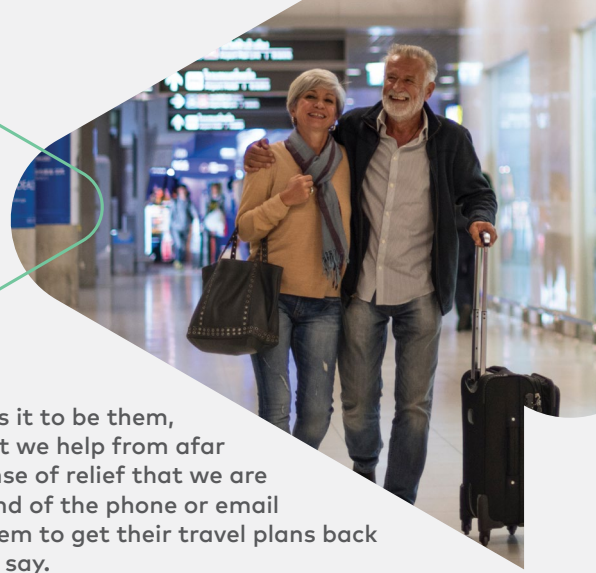
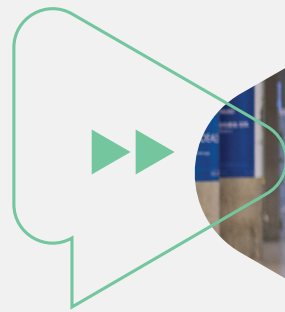
There are a number of reasons for this resurgence of interest, not least the impact that Covid continues to have on people's travel plans.

Complicating factors facing travellers at present are the airlines changing or cancelling flights due to staff shortages, which is compounded by large airports struggling to scale up again, after two years of running with skeleton crews.

This has resulted in airlines having to change flights at short notice. Travellers may find themselves needing additional accommodation before flights depart or requiring new connecting flights booked so they can arrive at their final destination.

When things change suddenly, it's a comfort to know that you have a travel agent who can communicate on your behalf with airlines, cruise ship operators and accommodation providers.

YOU Travel's Catherine Membery & Kay Rogers estimate that 50% of their clients are needing this type of assistance prior to departure or once their travel is underway. This can be for a variety of reasons such as changes from supplier or their own change in circumstances.



"No one expects it to be them, but every client we help from afar has a huge sense of relief that we are on the other end of the phone or email and helping them to get their travel plans back on track," they say.

That's not to say that all international travel is going to be problematic, because that's not the case. But travel agents anticipate their role to be critically important for the foreseeable future, as the world settles into a new normal.

If you are planning on travelling soon, the team at YOU Travel encourage you to speak to your local travel agent rather than booking online.

"Yes, it might cost a bit more than booking direct online, but the small additional cost will soon fade away when you're faced with a hiccup in your plans," said Catherine.

With thanks to Catherine Membery and Kay Rogers from YOU Travel Bethlehem – [www.youtravelbethlehem.co.nz](http://www.youtravelbethlehem.co.nz)



## Spring Gardening Advice



Days are getting warmer and longer, the garden is calling!

**Vegetable garden:** October is the traditional month for planting summer vegetables, especially towards the end of the month when soils are warmer. There are so many vegetables that can be successfully cultivated in the home garden including beans, beetroot, carrots, celery, corn, courgettes, cucumbers, leeks, lettuces, melons, onions, radish, pumpkin, tomato and zucchini. Don't forget to rotate areas in your garden. By not planting the same plants in the same place each season will help prevent the build-up of pests and diseases in the soil and keep your soil healthy. Be liberal with the use of compost when preparing existing and new vegetable gardens. Stagger plantings to ensure continuous harvesting.

**Flowering annuals:** Spring is the perfect season for replanting flower beds and containers with summer flowering annuals. These include alyssum, asters, cornflowers, Californian poppy, cosmos, Livingstone daisy, lobelia, marigolds, nemesia, petunia, portulacas, phlox, salvias, sweet peas, and zinnias. Prepare areas thoroughly prior to planting by adding fresh compost and use fresh container mix for tubs and containers.

**Roses:** In early October, start applying fertiliser and repeat every 5-6 weeks through till mid-December. We recommend using Daltons Premium Rose and Flower Fertiliser. Make sure to regularly dead-head (removing finished flowers) to encourage more blooms. Tie up climbing roses as their rate of growth in October can be phenomenal.

With thanks to Daltons – [www.daltons.co.nz](http://www.daltons.co.nz)

## Retired? Do you want to use your investment to provide a regular income?

The cost of living in retirement has increased by 9.10%, according to the latest Massey New Zealand Financial Education and Research study.

For retirees and people on a fixed income, such as those receiving NZ Superannuation, inflation can be a huge concern because income may not be increasing at a rate that keeps up with increases in expenses.

**At First Mortgage Trust you can set up your investment so it can provide you with a monthly amount paid straight into your bank account; without compromising the investment return rate you're receiving and with no additional fees.**

We have developed an online calculator that lets you explore the service more fully. You enter the amount you would like to invest, how much you would like to drawdown monthly, your tax rate, the estimated return rate and inflation rate and the calculator will provide you a table showing you how many years it could take to utilise your investment.

It's an easy and interactive way to consider a range of 'what if' scenarios based on your personal savings and lifestyle requirements.

To learn more about the 'Managing my cash in retirement' facility, talk to our team or visit our website.

**You've worked hard for your money, now it's time for your money to work hard for you.**



### Christmas Hours

The offices of First Mortgage Trust will close on Thursday 22 December 2022 and will reopen on Monday 9 January 2023 at 9.00am.



## Recipe: Golden pork & sage meatballs with colourful spring vegetables & pear

### INGREDIENTS (SERVE 2)

- ▶ 175g lean minced (ground) pork
- ▶ 1/3 cup fresh multigrain breadcrumbs
- ▶ 1 small egg white
- ▶ 1 teaspoon finely grated lemon rind
- ▶ 1/2 teaspoon allspice
- ▶ 1 small brown onion, grated coarsely
- ▶ 1 tablespoon chopped fresh sage leaves
- ▶ 2 tablespoon chopped fresh parsley leaves
- ▶ 2 teaspoon rice bran oil
- ▶ 1 small leek, halved, sliced thinly
- ▶ 1 medium pear, sliced thinly
- ▶ 85g broccolini, trimmed
- ▶ 2 cups finely shredded red cabbage
- ▶ 1/2 teaspoon caraway seeds
- ▶ 1 tablespoon small sage leaves
- ▶ 1 tablespoon sultanas

### METHOD

1. Combine pork, breadcrumbs, egg white, rind, allspice, onion, chopped sage and parsley in a medium bowl; mix well. Form mixture into six balls. Place on a tray; cover, refrigerate for 30 minutes to firm.
2. Heat half the oil in a large non-stick frying pan over low heat; cook meatballs, turning, for 8 minutes or until browned and cooked through. Transfer to a clean tray; cover with foil to keep warm.
3. Heat remaining oil in a large saucepan over medium-high heat; cook leek, stirring, for 3 minutes. Add pear and broccolini; cook, turning occasionally, for 3 minutes. Add cabbage, caraway, sage leaves and sultanas; cook, stirring, for 3 minutes or until just tender.
4. Serve vegetables with meatballs.

Source: [www.womensweeklyfood.com.au](http://www.womensweeklyfood.com.au)

## Investor Meetings 2022

We are very pleased to be able to host our Investor Meetings this year.

Hear from our Chair, Michael Smith and CEO, Paul Bendall.

The meetings will provide an update on the business, our returns and market insights. It also provides the opportunity to ask questions and catch up with our team over morning tea.

We have two special guest speakers: Dane Robertson from Coastguard will provide an insight into what the Coastguard does in the community, along with Quinn Boyle, an impressive young man, who is the recipient of the First Mortgage Trust Youth Sponsorship Award 2022.

### Upcoming events

- ▶ Tauranga – Wednesday 9 November
- ▶ Katikati – Thursday 10 November

**Places are limited, so please register early to reserve your seat.**

To register for an Investor Meeting, visit our website at [fmt.co.nz/events](https://fmt.co.nz/events) – click on the Investor Meeting you would like to attend and complete the registration process to book your seat.

Should you need any help registering, please contact us on 0800 321 113.



## 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 – Hamilton
- ▶ 1 individual – Ngatea
- ▶ 1 individual – Raglan
- ▶ 1 trust – Auckland
- ▶ 1 company – Taupo
- ▶ 1 individual – Mount Maunganui

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 December Quarter: Friday 16 December 2022.**

We will need to receive completed and signed Notices of Withdrawal on or before Thursday 15 December 2022.

**Next Processing Date for Withdrawals: Thursday 12 January 2023.**

We will need to receive completed and signed Notices of Withdrawal on or before Wednesday 11 January 2023.