

# FUND UPDATE

Quarter ending 30 September 2019  
First made publicly available on 29 October 2019

Fund name  
**First Mortgage PIE Trust**

Registered scheme  
**First Mortgage PIE Trust**

## What is the purpose of this update?

This document tells you how the First Mortgage PIE Trust ("PIE Trust") has performed and what fees were charged. The document will help you to compare the fund with other funds. First Mortgage Managers Limited ("Manager") prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

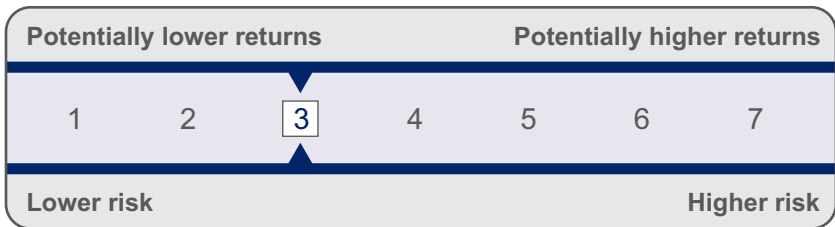
## Description of this fund

The PIE Trust invests in a pooled investment vehicle called the First Mortgage Trust Group Investment Fund ("FMT GIF") which invests in a portfolio of loans secured by registered first mortgages over land and buildings in New Zealand and bank deposits. The investment objective is to provide investors with an income return at a level better than bank deposits and competitive with comparable investment products.

Total value of the fund	\$295,265,966
The date the Fund started	1 January 2008

## What are the risks of investing?

### Risk indicator for the PIE Trust.



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the PIE Trust's assets goes up and down (volatility). A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at [www.sorted.org.nz/tools/investor-kickstarter](http://www.sorted.org.nz/tools/investor-kickstarter).

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance.

The risk indicator is based on the returns data for the 5 year period ending 30 September 2019. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.



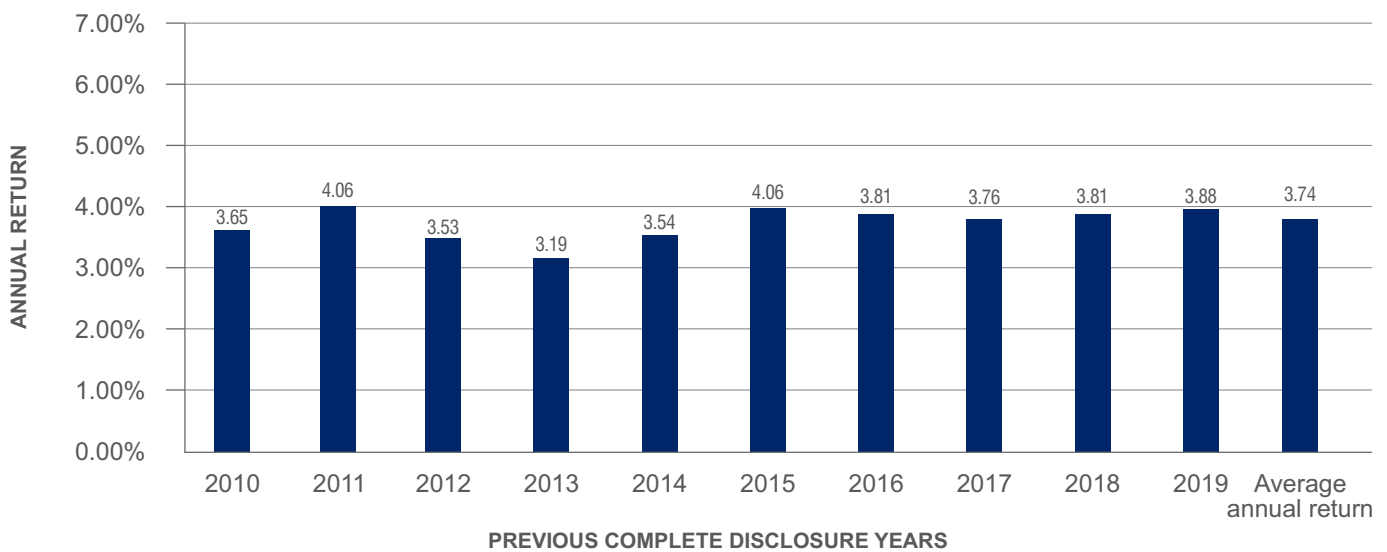
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## How has the fund performed?

	Average over past 5 years	Past year
<b>Annual return</b> (after deductions for charges <i>and</i> tax)	3.83%	3.72%
<b>Annual return</b> (after deductions for charges but <i>before</i> tax)	5.35%	5.20%

There is no appropriate comparative market index and no suitable comparable peer group index for the PIE Trust against which to assess either movements in the market in relation to the returns from the assets in which the PIE Trust invests or the performance of the PIE Trust as a whole. For further information see the document entitled "No Market or Peer Group Indices" available on the offer register.

### Annual return graph



This shows the return after fund charges and tax for each year ending 31 March for each of the last 10 years ending 31 March. The last bar shows the average annual return for the last 10 years, up to 30 September 2019.

**Important:** This does not tell you how the fund will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

## What fees are investors charged?

Investors in the PIE Trust are charged fund charges. In the year to 31 March 2019 these were:

	% of net asset value
<b>(A) Total Fund charges = B + C</b> Which are made up of -	1.65%
<b>(B) Total management and administration charges = E + F</b> Including-	1.65%
<b>(E)</b> Manager's basic fee	1.52%
<b>(F)</b> Other management and administration charges	0.13%
<b>(C) Total performance-based fees</b>	Nil
<b>(D) Other Charges</b>	Nil

Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). The above fees are inclusive of GST and represent the actual fees charged for the year. This differs from the PDS which shows the estimated annual fees. See the PDS for more information about those fees.

## Example of how this applies to an investor.

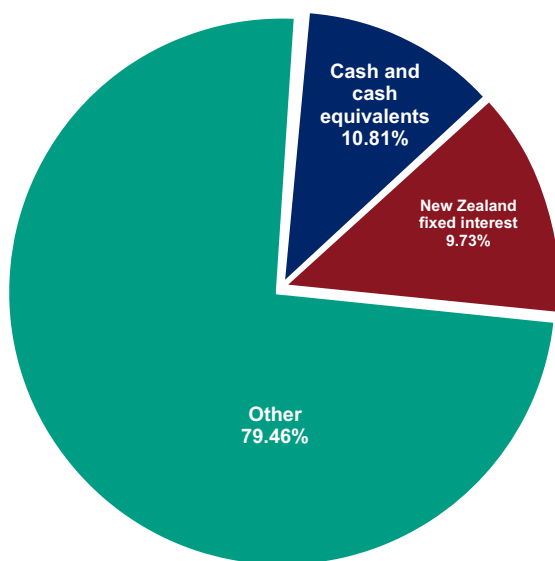
Small differences in fees and charges can have a big impact on your investment over the long term.

Jane had \$10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Jane received a return after fund charges were deducted of \$372 (that is 3.72% of her initial \$10,000). This gives Jane a total return after tax of \$372 for the year.

## What does the fund invest in?

### Actual investment mix as at 30 September 2019

The PIE Trust invests solely in FMT GIF and this shows the types of assets that the FMT GIF invests in.



### Target investment mix

Asset type	Target allocation
Cash and cash equivalents	7.5 - 20%
Other	80 - 92.5%

Cash and cash equivalents are deposits on call with New Zealand registered banks.

New Zealand fixed interest are term deposits with New Zealand registered banks.

Other assets are secured loans secured by registered first mortgages over land and buildings in New Zealand.

### Top 10 investments

Name	Percentage of fund net assets	Type	Country	Credit rating (if applicable)
1 ANZ Bank - Call 71	6.02%	Cash and cash equivalents	New Zealand	AA-
2 Loan secured over residential property in Auckland	1.49%	Other	New Zealand	
3 Loan secured over commercial property in Hawke's Bay	1.09%	Other	New Zealand	
4 Loan secured over commercial property in Auckland	1.06%	Other	New Zealand	
5 Loan secured over rural property in Auckland	1.00%	Other	New Zealand	
6 Loan secured over rural property in Bay of Plenty	0.94%	Other	New Zealand	
7 Loan secured over residential property in Canterbury	0.89%	Other	New Zealand	
8 Loan secured over commercial property in Canterbury	0.76%	Other	New Zealand	
9 Loan secured over residential property in Auckland	0.72%	Other	New Zealand	
10 Loan secured over commercial property in Manawatu-Wanganui	0.71%	Other	New Zealand	

The total value of the 10 individual assets as a percentage of the net asset value of the FMT GIF is 14.68%.

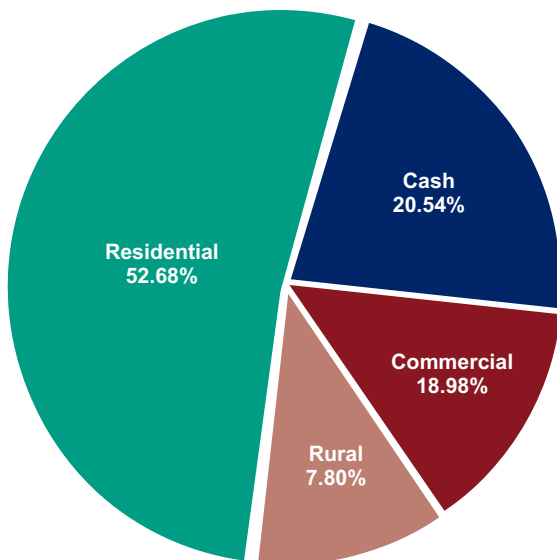
## Key personnel

Name	Current position	Time in current position	Previous position	Time in previous position
1 Tony Kinzett	Chief Executive Officer	13 years and 7 months	General Manager, Nationwide Finance	3 years and 6 months
2 Roger Ford	Financial Controller	7 years and 0 months	Finance Manager, Stoney Creek Limited	1 year and 0 months
3 Rachel Bush	Operations Manager	2 years and 4 months	Valuer, Telfer Young	11 months
4 Michael Smith	Director (Investment Committee)	5 years and 0 months		
5 Shane Marshall	Director (Investment Committee)	20 years and 9 months		

## Additional information\*

### Actual investment mix with secured property proportions as at 30 September 2019

This shows the types of assets that the fund invests in, where secured loan asset types (residential, commercial, and rural) are shown as a percentage of total assets



#### Asset types:

Residential - secured loans for which the principal secured property is residential property

Commercial - secured loans for which the principal secured property is commercial property

Rural - secured loans for which the principal secured property is rural property

Cash - cash and cash equivalents, and New Zealand fixed interest, with registered banks

\* The Manager has prepared this additional information in accordance with the Financial Markets Conduct (Managed Funds - Loan Disclosure Requirements) Exemption Notice 2019.

## Composition of secured loans as at 30 September 2019

This table shows the composition of the secured loans expressed as a percentage of total loans according to each geographical region, and within each geographical region, shows of the proportion of secured loans according to asset types.

List of regions	Percentage by geographic region	Proportion by asset type:		Proportion by asset type: Rural
		Residential	Commercial	
1 Northland	0.50%	58.80%	14.10%	27.10%
2 Auckland	59.92%	75.50%	17.20%	7.30%
3 Waikato	7.19%	58.80%	25.00%	16.20%
4 Bay of Plenty	11.49%	62.10%	14.20%	23.70%
5 Gisborne	0.00%	0.00%	0.00%	0.00%
6 Hawke's Bay	1.72%	3.90%	96.10%	0.00%
7 Taranaki	0.19%	100.00%	0.00%	0.00%
8 Manawatu-Wanganui	1.25%	20.30%	76.60%	3.10%
9 Wellington	6.05%	40.70%	57.30%	2.00%
10 Tasman	0.00%	0.00%	0.00%	0.00%
11 Nelson	0.10%	100.00%	0.00%	0.00%
12 Marlborough	0.21%	84.20%	15.80%	0.00%
13 West Coast	0.00%	0.00%	0.00%	0.00%
14 Canterbury	9.43%	51.50%	37.60%	10.90%
15 Otago	1.74%	60.70%	25.00%	14.30%
16 Southland	0.21%	100.00%	0.00%	0.00%

There were no impaired secured loans at the time this fund update was prepared, nor were there any secured loans impaired during the quarter.

Secured loans are allocated an asset type based on the zoning of the principal secured property (by value) that is set in the local council's district plan.

## Maximum loan to value ratios for each type of secured loan as at 30 September 2019

Loans secured (or principally secured) by mortgage over residential property	Loans secured (or principally secured) by mortgage over commercial property	Loans secured (or principally secured) by mortgage over rural property
Fee simple land and buildings: up to 75% LVR	Fee simple land and buildings: up to 66.7% LVR	Fee simple land and buildings: up to 60% LVR
Land with power, water, sewage and associated services ("Services") completed: up to 70% LVR		Land used for dairy farming (fee simple): up to 66.67% LVR
Leasehold land: up to 50% LVR	Leasehold land: up to 50% LVR	Leasehold land: up to 50% LVR
Vacant land which does not have Services: up to 50% LVR	Vacant land which does not have Services: up to 50% LVR	Vacant land: up to 50% LVR

**Note:** LVR means loan-to-value ratio. LVR shows the amount of a loan as a percentage of the value of the property that secures the loan. The lower the LVR, the lower the amount of the loan relative to the value of the secured property.

## Further information

You can also obtain this information, the PDS for the PIE Trust and some additional information from the offer register at <https://disclose-register.companiesoffice.govt.nz>



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## Notes