



FIRST MORTGAGE TRUST

## FIRST NEWS



WINNER

NEW ZEALAND  
MORTGAGE  
AWARDS 2021  
NON-BANK  
OF THE YEAR

Annualised pretax returns for the Quarter ending 31 March 2021 were:

Past returns do not guarantee future performance.

\*PIE Fund effective return is calculated based on a taxpayer paying tax on non PIE income at 33%.

\*PIE Fund

4.30%  
PA4.00%  
PAGroup  
Investment  
Fund and  
PIE Fund

## FROM THE CEO

Hello and welcome to our first newsletter for 2021 – and what a start to the year we've had! Not only is it our 25th year of operation, but we've also been named as the Best Non-Bank in New Zealand. Before I give you more background on these achievements, I want to first focus on what matters most, and that's investor returns.

## INVESTOR RETURNS

I know that the announcement of our investor returns is always highly anticipated and so I am pleased to report that we have achieved a very competitive return for the first quarter of 2021.

For the March quarter, 1 January to 31 March 2021, our results are: **4.00%** for the Group Investment Fund & PIE Fund; or **4.30%** for PIE Fund investors (effective rate for 33% taxpayers).

This equates to an annual return for the past year of **4.41%** for the Group Investment Fund & PIE Fund; or **4.74%** for PIE Fund investors (effective rate for 33% taxpayers). This result remains more than 3% above the major banks' 6-month term deposit rates, a result that we are pleased and proud to provide for you.

In announcing these returns, I acknowledge the excellent work undertaken by our lending team to ensure the quality composition of our loan book. When assessing a application, our team stays true to our core principles, focusing exclusively on first-ranking mortgages on quality land and buildings with conservative Loan-to-Value Ratios, paying particular attention to those areas of New Zealand where the economy is performing well.

This is an approach that has held us in good stead for many years, and one that we have no intention of straying from as we move into our second 25 years of operation.

Reaching our silver anniversary is a major milestone for First Mortgage Trust, and one can only imagine what the founders would have thought, had they known we would have nearly 5000 investors and a fund of well over \$1 billion by 2021! And not only that, but we've just been announced as the winner of "NZ Non-Bank of the Year" for 2020/21 by NZ Adviser... a wonderful achievement for everyone involved with First Mortgage Trust!

It's been said that milestone years do give time to pause and reflect, and for me personally, this has come with a decision to step back as CEO after 15 years in this role.

As you will appreciate, this decision has not been made lightly, however I firmly believe that now is the right time to hand over the reins, primarily because we have a fantastic Board in place, plus we have a solid, high performing senior executive who are committed to the business, and we have a wider team who have a deep understanding of First Mortgage Trust's personalised customer service ethos.

From a transition perspective, the Board of First Mortgage Managers is taking the CEO replacement very seriously and it will be looking to announce the new appointment well before my departure.

Under normal circumstances, I would have enjoyed the opportunity to see many of you at our mid-year investor meetings, however I know that the Covid shadow will make this impossible. While it's disappointing to postpone investor meetings for the second year running, your health and wellbeing do come first and foremost.

That said, we know how much you enjoy the Q&A sessions at these meetings, so we intend setting up a forum whereby you can submit your questions via email or mail, with our responses to be collated into an online video presentation to be circulated to you. More information on this will follow in our next newsletter, so please watch out for this and start getting your questions ready!

In closing, I would like to thank you for your continued support of First Mortgage Trust. As we celebrate our 25th year, there is so much to be proud of, and so much to look forward to. It really is a special organisation, and one that is incredibly worthy of the award-winning recognition just attained.

Take Care &amp; Kind Regards

Tony Kinzett – CEO



# LOOKING BACK – a 25 Year Celebration!

It's always an exciting time to reach a milestone and to look back with pleasure and pride at what's been achieved.

For First Mortgage Trust, we are celebrating 25 years of operation, and what a 25 years it's been.



With our headquarters based in Tauranga from the outset, we have moved around the CBD on three separate occasions, once because of a fire in our building, and thereafter to support our client needs and our own organisational growth.

It was in 1996 that Bay Mortgage Trust (as we were known then) was first established. The trust fund was based on a successful model being run in Otago at the time, whereby local solicitor firms moved their solicitor nominee company clients into a new consolidated umbrella trust model. The three solicitor firms party to the establishment of Bay Mortgage Trust were Cooney Lees & Morgan, Sharp Tudhope and Holland Beckett – three firms with whom we maintain excellent relationships through to this day.

At the outset, the Trust had \$30 million under management, and investors were very pleased to receive 9.25% pa as the first rate of return for their investments! This return attracted the attention of others including two law firms from the Waikato – Edmonds Marshall and Edmonds Judd, and so when they elected to join the Trust in 1999, a name change was made to First Mortgage Trust to reflect our diversification outside of the Bay of Plenty.

At this point, the fund doubled in size to \$60 million and the Board diversified to include representatives from the Waikato based solicitor firms. Staff numbers were at nine, and enquiries from other solicitor firms from further afield were starting to come in.

Momentum continued to build, and by the year 2000, funds had grown to \$85 million, with the Board appointing its first independent director. Investor growth and confidence continued throughout the early 2000s, with the fund at \$280m when Tony Kinzett joined as CEO in 2006.

Soon after Tony's appointment, the First Mortgage PIE Fund was launched to offer investors the tax benefits of the PIE regime, and it was at this time that we moved into our current premises at 15 First Avenue in Tauranga.

No one could have foreseen what was to happen next, but soon after Tony's arrival, the Global Financial Crisis hit and it was felt acutely across New Zealand. At this time, the fund was at \$348 million and staff numbers had grown to 13 before they were reduced to nine in response to the impact of the crisis.

Despite the unprecedented turmoil of the time, First Mortgage Trust stood tall. Every quarterly interest payment was met, and there was not one investor who lost their capital investment with us.

After such a tumultuous and challenging time, it was reassuring to see national and global confidence start to improve and for First Mortgage Trust to start spreading its wings again. In 2013, an Auckland office was opened and this was followed by an office in Christchurch and more recently, an office in Wellington.

The next key milestone for First Mortgage Trust occurred in 2019 with the change of ownership of the Manager occurring in February of that year. Importantly, the Management company remained New Zealand owned, with the Board including past directors for continuity, and new directors whose skills and experience complemented those already in place.

Which brings us to 2020, when Covid-19 triggered a global response unlike anything seen in our lifetime. With Covid knocking on our door, First Mortgage Trust responded with urgency and we quickly adapted to successfully working-from-home during Level 4. Once again, we were fortunate and grateful to have the unwavering support of our investors, and despite the enormity of what was happening around us, our fund continued to go from strength to strength. So much so, that in October 2020 we announced that our fund had exceeded \$1 billion with nearly 5,000 investors represented.

As we turned the page into 2021, we thought that the big news of the year would be our 25th birthday celebrations. But as you can see on the front cover of this newsletter, we've got even more good news to celebrate, with the recent announcement that we have been judged in the New Zealand Mortgage Awards as the Best Non-Bank in New Zealand. What a thrill, and one that we are delighted to share with you!



**Jim Strachan**  
GM 1996-1997



**Neil Pettersen**  
GM 1997-2006



**Tony Kinzett**  
CEO 2006-current



# FIRST MORTGAGE TRUST

1996-2021 – Interesting & Fun Facts:

- ★ Employee **Jane Swainson** was employed as an administrator in 1996, so just like us, she's celebrating 25 years with First Mortgage Trust this year.
- ★ Our first GM was **Jim Strachan** (18 months), followed by **Neil Pettersen** who served for nine years. **Tony Kinzett** was appointed CEO in 2006 and this year marks his 15th year in the role.
- ★ Our **inaugural board** was Des Cooney (Cooney, Lees & Morgan), Bruce d'Young (Sharp Tudhope), Allen Hunter (Holland Beckett) and David Parker (Anderson Lloyd, Dunedin). David will be familiar to many as a current Member of Parliament (now serving as the Attorney-General, Minister for the Environment and Minister for Trade and Export Growth).
- ★ We have had **four Chairs** – Des Cooney, Dick Barry, Peter Washer and Michael Smith.
- ★ Funds are now nearing **\$1.1 billion** with nearly 5,000 investors.
- ★ Our current oldest investor is **105** and our youngest is just on **four months!**
- ★ In total we have **five centenarian investors** – two who are 100, one who's 101, one who's 102, plus our 105 year-old record holder!
- ★ We have **four offices** – Tauranga, Auckland, Christchurch and Wellington.
- ★ Every day at Head Office in Tauranga, we attempt the **cryptic crossword** in the NZ Herald. We're yet to crack it, but we've come close and we're determined to get it closed out.



We invited Jane Swainson as our longest-serving employee to reflect on her past 25 years at First Mortgage Trust.

“ I'm thrilled to be given this opportunity to reflect – albeit it's hard to believe where those 25 years have gone.

Right from the outset, everyone at First Mortgage Trust has been focused on our core values of providing a quality product, delivering competitive investor returns and being a trusted business. That focus has been combined with personalised, friendly service, and some light-hearted banter added in for good measure!

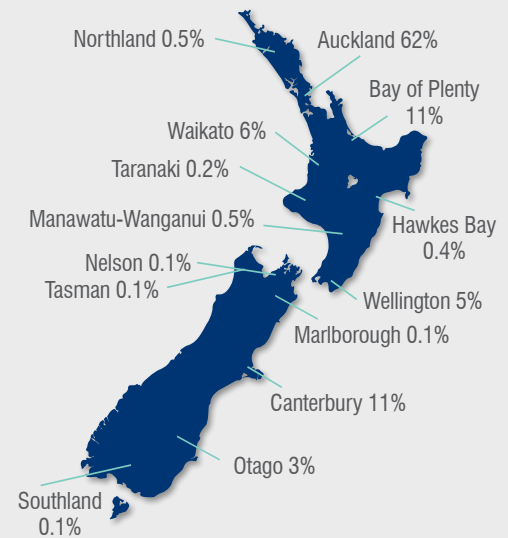
We've obviously delivered in terms of what investors are looking for, with word of mouth referral now the biggest driver for new investor enquiry. What's most important I believe, is that even as we've grown, we've never lost our connection with our investors. Those relationships are the key to our success, and long may they continue!

All in all, it's been a wonderful quarter century and I know that the original founders and my early colleagues would be absolutely delighted with the First Mortgage Trust of today.

JANE SWAINSON

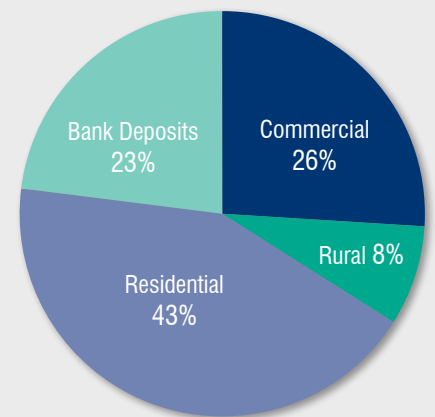


## LOANS BY REGION



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 property as securities for our loans. The map and graph providing detail of Loans by Region and Investments by Type as at 5 March 2021 demonstrate the diversity of First Mortgage Trust.

## INVESTMENTS BY TYPE





# BREAKING NEWS

FOR INVESTORS

Great news! We have simplified our process around subsequent deposits. You will no longer need to complete a subsequent deposit form when adding to your investment. We will send you confirmation of your additional deposit, including a link to our most recent Product Disclosure Statement.

(‘Source of funds’ information may still be required – please check with our Investment Team if you are unsure).

## NEW STAFF BRING NEW SKILLS

In more recent issues of this newsletter, we have profiled those new staff who have been employed at First Mortgage Trust. We do this for two reasons... Firstly, so you can get to know them, and secondly, so you can read more about their background and see first-hand the skills and experience that they bring to our team.



As profiled on page 2 of this newsletter, history shows that First Mortgage Trust is never standing still.

In 25 years, we have grown from an initial fund base of \$30m to now be at nearly \$1.1 billion, and the growth continues as more investors seek the ‘better than bank’ returns we’ve become known for.

Our lending portfolio has also expanded with new quality opportunities continuing to present themselves. Most recently, we have observed increased enquiries for loans for construction, infrastructure and residential housing development (particularly in key growth areas of New Zealand).

With the country’s economic and social wellbeing both reliant on new infrastructure and housing development, we are motivated to be a lender of choice in these sectors, provided of course that the baseline fundamentals meet our lending criteria.

To ensure that we have the right sized team and the right skills to assess these market opportunities, it’s important that we continually revisit our own internal requirements, and bring on the talent we need to complement those of the team already working for us.

This is a responsibility that our senior leadership team takes seriously, and something that we are committed to doing with rigour and discipline.

We certainly don’t want to grow for growth’s sake, but neither do we want to be caught short when it comes to having the right people at the table.

What’s pleasing for First Mortgage Trust and all our investors, is the calibre of people who are wanting to

work for the Trust and to apply their talents to looking after your interests.

With every job vacancy we advertise, we receive a high level of quality candidates and often, it’s very difficult to select the final successful candidate.

Over and above this, we receive a number of enquiries from some of New Zealand’s best and brightest, primarily because they want to work at First Mortgage Trust and help us to grow our business.

Some of you have asked whether the expanded team and the associated costs impact on your return?

The simple answer is no, there is no direct impact.

The way the relationship works between the fund and the Manager, is that a fixed 1.5% of the total fund is paid to the Manager regardless of staff size or any other overhead cost.

Once this is received, the Manager covers all the operating expenses required to run the business, including such items as employee costs, marketing, office rental and the like.

The Manager also covers all sponsorship activities (some of which we profile in this newsletter) and again, there is no impact on the return you receive.

One thing we do, however, is to put the sponsorship in the name of First Mortgage Trust (rather than First Mortgage Managers), as we feel that this gives us all the opportunity to feel good about the difference that we are making in the lives of others.

## GUEST EDITORIAL – TONY ALEXANDER (Independent Economist)

New Zealand has weathered the global pandemic better than any other country according to a recent report from the Lowy Institute in Australia, and this may help explain why our economy has performed so well.



The unemployment rate peaked at 5.3% last year from 4% ahead of Covid-19, and now sits at 4.7%. The economy shrank 11% during the June quarter, but then bounced ahead 14% in the September quarter to be slightly bigger than it was before Covid-19 struck. We have also seen a quick 3.5% fall in house prices over April – May quickly reverse to leave prices nationwide on average 19% ahead of a year earlier in January.

Why has our economy done so well, beyond the support one would expect through fewer lockdowns and hospitalisations than we have seen overseas? One reason is that we entered the Covid-19 shock with record low interest rates courtesy of cuts during 2019. Rates were cut further a year ago, and our central bank has made strident efforts to convince people that low interest rates will continue for many years.

Low mortgage rates have helped motivate home buyers and orders placed with builders in particular. But low term deposit rates probably account for the surge in investor demand evident from about August. People expecting continued term deposit rates near the current 0.8% can see their wealth declining after tax and inflation by over 1% a year. Hence the feeling of urgency regarding shifting money into other assets such as housing, commercial property, shares, and maybe even cryptocurrencies.

Our economy has also benefitted from good demand for our primary products from China which takes 30% of what we ship offshore, and where growth rebounded quickly last year.

We have also seen good support for our economy from the tight labour market ahead of Covid-19 which made employers think twice before laying people off, and to keep waiting to see if things would be as bad as feared one year ago. They turned out not to be, so a huge wave of redundancies (outside certain sectors) never occurred.

Can the strong growth story continue? Yes. Our export commodity prices are high and rising further, with analysts overseas writing about a “super-cycle” in

commodity prices. There is a boost to come from tourism when the borders eventually reopen, along with migrant workers making it into the country, and many Kiwis offshore making the shift back home.

Low borrowing costs are likely to persist through 2022, though rises in fixed mortgage rates are likely in the very near future as bank funding costs have increased quite a bit since October.

There is extra spending to be done on infrastructure, some commercial construction, and continuing growth expected in residential construction all around the country. Part of that lift in house building will involve development of new subdivisions over the next five years, and continued replacement of 1-2 houses in Auckland with 7-12 townhouses.

Are there risks? Definitely with regard to new strains of Covid-19 and the projected slow rollout of vaccinations in New Zealand which will see average Kiwis waiting for vaccination to start when the process will be all but complete in some countries such as the United Kingdom.

The NZ dollar has also risen a long way from 58 cents a year ago and a move above 80 cents against the US dollar seems on the cards before the end of this year. There is also the return of the challenge for business of finding skilled and unskilled labour.

Labour shortages are likely to get a lot worse in coming years and while this will slow the pace of growth in the economy, it will also force businesses to boost capital spending on systems designed to raise productivity and reduce reliance on labour.

Overall, the balance of factors falls firmly on the side of good growth ahead. Plus, much as extra measures seem certain to reduce investor buying of residential property, the imbalance between house supply and demand means prices are still likely to edge up through this year and next, but at a reduced pace.

This article is written by independent economist Tony Alexander, for general information only. The material is obtained from various sources (including third parties) – as such, neither First Mortgage Trust nor Tony Alexander warrant the accuracy, reliability or completeness of the information provided, nor do they accept liability for any omissions, inaccuracies or losses incurred, either directly or indirectly, by any person arising from or in connection with the supply, use or misuse of the whole or any part of this article. To the extent that any information or recommendations constitute financial advice, this does not take into account any person’s particular financial situation or goals. We strongly recommend you seek independent legal/financial advice prior to acting in relation to any of the matters discussed above.

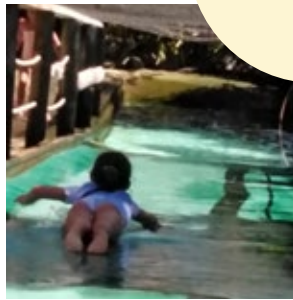
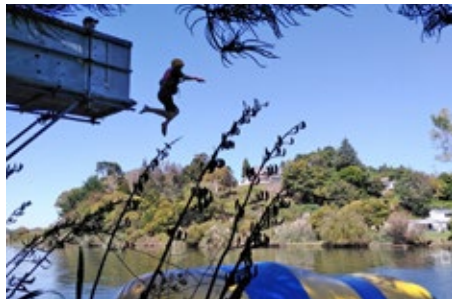


# CHILDREN'S OUTING – TE TUINGA WHANAU TRUST

100 children and a team of adult helpers had a wonderful fun-filled time at Waimarino Water & Adventure Park, Tauranga on Saturday 13 March. It was a sunny hot day and the children had lots of activities in and on the water to keep them busy – with the Blob, UFOs, the Rockwall, the Hydroslide, the Tarzan swing and Kayaking, to name but a few.

They worked up an appetite for a shared bbq lunch and if the smiling faces were anything to go by, they definitely enjoyed their outing. Healthy competition in some of the activities added heaps of laughs and there were some very tired individuals at the end of the day.

First Mortgage Trust provided the sponsorship and some of their team as adult helpers, which was organised by Te Tuinga Whanau Trust. It was a privilege for those from FMT to be involved on the day. Nga mihi to all those involved who made it a memorable day for the children (and the adults!).



\*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.



## FMT INVESTOR TURNS 100!

Our congratulations to **Mrs Pat Holmes** of Oakura who recently celebrated her 100th birthday.





## MEET OUR TEAM MEMBERS



### **Caroline Olagues** – Business Development Manager – Auckland

Caroline joined the Auckland team in November 2020.

Prior to First Mortgage Trust, Caroline worked for five years in Property Finance at a major bank, with business relationships with many of New Zealand's leading property investors and developers.

Caroline is half Danish and half American, growing up in the Bay of Islands before moving to Auckland to study a Bachelor of Finance and a Bachelor of Property at the University of Auckland.

In her spare time, Caroline likes to drink coffee, stay fit and active, and hang out with friends and family.



### **Mark Beams** – Business Development Manager – Wellington/Lower North Island

Mark Joined the FMT team in January 2021.

Mark has close to 25 years' experience in the finance industry having worked for two major banks as well as a recent stint with a non-bank lender. His recent roles include Branch, Business and Credit management with the last five years dedicated to Business Development roles focusing on Mortgage Advisers. On the back of this, Mark is well known by Mortgage Advisers and industry professionals across the Lower North Island.

Mark originally hails from the West Coast of the South Island however now calls himself a Wellingtonian after living there for the past 20 years. Mark and his wife Pippa have three children and have a busy schedule given their kids compete at representative level in their respective sports. Outside of work, Mark likes to unwind by brewing his own craft beer and can often be found on the golf, touch or indoor cricket fields or tackling the Wellington hills on his mountain bike.

★ *Our congratulations to Mark who was named the winner of the NZ Mortgage Award 2021 for Best Non-Bank BDM.*

## AUTUMN GARDENING TIPS

Autumn is a good time to get into the garden. Your soil will still contain a fair bit of warmth from summer before the winter rain hits, so it's a great time to get planting.



### **1. Mulch for your garden**

Mulch is your garden's best friend. It helps the soil hold in moisture so you don't have to water it as often and it also keeps down weeds. Over time, mulch will break down into your soil and improve it by adding nutrients.

### **2. Plant bulbs**

Add a splash of colour to your garden. Autumn is the perfect time of year to plant bulbs as they'll have enough time to grow before they are ready to flourish in spring. Make sure that you choose a spot with plenty of sunlight.

### **3. Prune trees**

Pruning helps improve the health and appearance of your trees, removes dead or dying branches and it can even promote crop growth in fruit trees.

### **4. Fertilise your lawn**

Fertilising your lawn ensures it stays green and healthy throughout the year. Autumn is a great time to fertilise as it protects your lawn through the winter.

### **5. Make your own compost**

Compost is a natural fertiliser that is great for your garden. It can help you save money and it's good for the environment. Autumn is a great time to start making compost because many trees are dropping their leaves, which you'll need to use. Make sure you get the balance right between garden waste and kitchen scraps in the compost mix for the best results.



Source: [www.bunnings.co.nz](http://www.bunnings.co.nz)





## RASPBERRY AND CHOCOLATE HOT CROSS BUN PUDDING

### INGREDIENTS

- 5 Chocolate Hot Cross Buns, day-old, split (or traditional if you prefer)
- 40g butter, softened
- 1/4 cup (85g) raspberry jam
- 1 cup (125g) fresh or frozen raspberries
- 100g white chocolate, coarsely chopped
- 6 eggs, lightly whisked
- 1 cup (250ml) milk
- 1/2 cup (125ml) thickened cream
- 1/3 cup (75g) caster sugar

### METHOD

1. Preheat oven to 160C. Lightly grease an 8-cup (2L) ovenproof dish.
2. Spread the cut side of each bun evenly with butter, then spread with jam. Arrange in the prepared pan, alternating the bases, jam-side up with the tops, cross-side up. Sprinkle with raspberries and white chocolate.
3. Whisk the egg, milk, cream and sugar in a large bowl, then strain through a fine sieve into a jug. Pour the custard mixture evenly over the buns. Set aside for 15 mins to soak.
4. Place the dish in a large roasting pan. Pour enough boiling water into the pan to come halfway up the side of the dish. Bake for 35-40 minutes or until custard is just set. Set aside for 5 minutes to cool slightly before serving.

Source: [taste.com.au](https://www.taste.com.au)

## BONUS WINNERS MARCH 2021

1 individual Whatawhata  
1 individual Otorohanga  
2 individuals Katikati

1 individual Rotorua  
1 individual Whitianga

Congratulations to our bonus draw winners who chose between petrol and supermarket giftcards as their prize.

The bonus draw is six random selections made from our current investors, paid for by First Mortgage Managers Limited (not First Mortgage Trust), which means it has no effect on the return to investors.

HAPPY  
*Easter*



Please note that the offices of First Mortgage Trust will be closed for Easter from 5pm on **Thursday 1st April** and will reopen on **Tuesday 6th April** at 8.30am. Enjoy your Easter break.

## INVESTOR WITHDRAWALS

### June 2021

**Last Date for Processing Withdrawals for June Quarter:**  
Thursday 24th June 2021.

*We will need to receive completed and signed Notices of Withdrawal on or before Wednesday 23rd June 2021.*

**Next Processing Day for Withdrawals:**  
Thursday 1st July 2021.

*We will need to receive completed and signed Notices of Withdrawal on or before Wednesday 30th June 2021.*



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