



Annualised pretax returns for the Quarter ending 30 June 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
5.09 % PA

4.74 % PA Group Investment Fund and PIE Fund

FROM TONY

Hello and welcome to our newsletter. It is hard to believe we are already over halfway through the year. It is, however, reassuring to see positive growth signs in the economy, and not as much market volatility compared to 2020.

Investor returns increase again

I am very pleased to report our results for the June quarter, 1 April to 30 June 2021, are: 4.74% pa Group Investment Fund and PIE Fund; 5.09% pa PIE Fund – effective rate for 33% taxpayers.

We have achieved an increase in our investor return for the second quarter of the year, at a time when bank investment rates are under continued downward pressure. We have been receiving good quality lending applications and we have been working to reduce our liquidity rate of the Fund to 10%. This liquidity rate has helped us achieve an increase in the quarterly investor return rate.

The performance of the Fund demonstrates the Fund's resilience, and the quality of our lending decisions.

You may ask: how have we been able to consistently increase our returns?

There are three key reasons.

- 1. We have a strong portfolio of quality loans secured as first mortgages over land and buildings.** Land based securities traditionally provide some of the most secure forms of investment security.
- 2. Our investment fund is a pooled investment, meaning your funds are invested with all our investors.**

This gives you more diversified exposure to the property market.

3. We spread the risk by diversification of first mortgage investments across accepted property types and locations.

Overall, this means that if there is a poor return from any one mortgage, the impact is spread across the whole loan portfolio and is less likely to have a significant effect on the overall income you earn from your investment.

We actively manage your investments for the best client outcomes

The focus on these three core fundamentals has underpinned First Mortgage Trust's success for the past 25 years and it will continue to steer us well into the future. Even with our Fund approaching \$1.15 billion and our loan book surpassing \$1 billion, we stick to what we know best and focus on quality above anything else. It's a proven and well-executed model for FMT. We currently have no loans identified where there would likely be a capital loss, and in our 25 year history we're proud to have never lost investor capital.

This achievement, as always, comes down to active and managed investment decisions that are aligned with our conservative stance. We are continually assessing the property market, identifying trends,

watching movements and demand, and assessing risk. Nothing is left to chance, our investments are monitored closely so we can react quickly to market changes. By investing through First Mortgage Trust, you have the comfort of knowing that borrowers from the Trust have mortgaged their land and property to the Trust to provide security for your investment.

For me personally, this newsletter marks my pending retirement after a 15-year career as the CEO, with my final day in the role being 3 September. At that time, our current General Manager Paul Bendall will take over from me, bringing with him a wealth of experience from both inside and outside the organisation. Paul will have the support of a full management team and a wider network of 52 team members working from our four locations across the country, and I am confident that he will have your support too.

It's been an honour and pleasure to serve you and to grow First Mortgage Trust and our wider network of advisers, borrowers and supporters. I have immensely enjoyed my time in the company. It really is a special organisation, and I look forward to catching up with many of you at future Investor Meetings, where instead of being on the stage presenting, I will be in the audience as a client.

Thank you for continuing to trust us. The team looks forward to talking to you soon,

A handwritten signature in black ink, appearing to read 'Tony Kinzett'.

Tony Kinzett
CEO



FAREWELL TO TONY KINZETT

Saying farewell to a long-serving CEO is never easy, particularly when you hold them in the highest regard both professionally and personally.

Tony Kinzett (or TK as he's known to many) began his tenure as CEO in 2006 which resulted in him leading us through both the Global Financial Crisis and the Covid-19 pandemic of 2020. It is testimony to Tony's acumen, leadership and focus that First Mortgage Trust not only prevailed through these events, but it grew in resilience and strength as well.

When Tony started with us in 2006, there were 11 staff; today there are 52. In 2006, we had \$282 million in funds under management; today we have over \$1.15 billion. The loan portfolio has grown equally, with over \$1 billion now out in loans and not once has First Mortgage Trust lost an investor's capital over that time.

Tony has always said that First Mortgage Trust is bigger than one person, and he's steadfastly set about building an exceptional team around him, so that the organisation could be in the best possible shape for succession and continuity on this retirement.



That work was recognised earlier this year when First Mortgage Trust was recognised as the Best Non-Bank in New Zealand by NZ Adviser – a fitting recognition from the financial industry for Tony's leadership, courage and vision.

Tony, we wish you well in your retirement and we thank you for your service. First Mortgage Trust is all the better for your tenure.

MICHAEL SMITH, Board Chair, First Mortgage Managers Ltd

A NOTE FROM OUR INCOMING CEO, PAUL BENDALL



Hello, and thank you for the opportunity to tell you a bit more about myself before I take up the role of CEO in September.

In terms of my work life, I have had a long and extensive career in the property, banking and finance industries. Over that time, I have built up many valuable relationships across the country, and I've refined my skills and expertise as a property specialist.

Some of you may recall from our Spring 2020 newsletter that I first started as General Manager at First Mortgage Trust in August 2020. Since that time, I have been working closely with Tony, the senior management team and the wider First Mortgage community including advisers and our Board. I have been impressed with the entire team's focus on our investors, and the absolute commitment they share in terms of looking after your funds and delivering 'better than bank' returns for you.

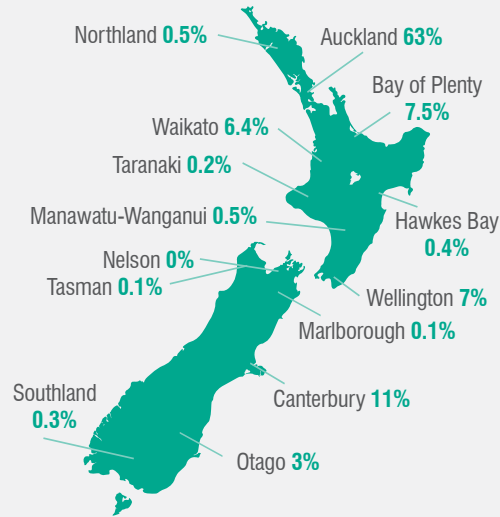
With Covid still impacting our activities, I haven't been able to meet as many investors as I would have liked due to the postponement of our much anticipated Investor Meetings. As soon as Covid is better managed and it's safe to reschedule those meetings, then we will do this. I am very much looking forward to meeting and interacting with you all then, and to answering your questions first-hand.

Meantime, in terms of the CEO transition, Tony and I are committed to 'business as usual' and knowledge sharing over the forthcoming months. Tony has been an inspirational leader and I know that the team is grateful for his stewardship and wishing him well for his retirement.

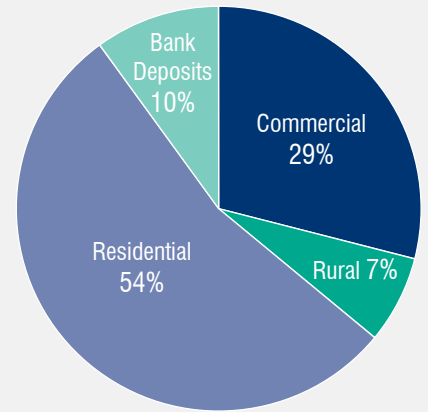
Loans by Region

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 11 June 2021 demonstrate the diversity of First Mortgage Trust.



Investments by Type



CYBER SECURITY – BE ON GUARD

We have spoken about 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.

Key things to remember are:

- **Use strong and unique passwords** and not passwords that can be easily guessed.
- **Don't participate in social media posts where you are asked questions** that could then be used to unlock your bank or online details.
- **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.
- **Always download apps from an official app store.**

- **Turn on automatic software updates** to ensure that you have the latest security measures in place at all times.
- **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).

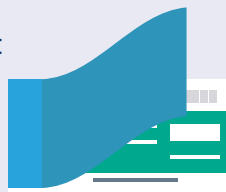
For further advice about cyber security, go to www.netsafe.org.nz.



CHEQUE PAYMENTS

We are no longer able to accept payments by cheques.

If you previously paid by cheque, you will need to use other options. If you already use online banking, we recommend you add First Mortgage Trust as a payee. First Mortgage Trust is a registered payee and can be found when you add the name in the field. You will also need to have your investor number handy to include that in the details.



NO LONGER SENDING TAX CERTIFICATES

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

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

IS IT TIME TO REVIEW YOUR WILL?

If you have a Will then you're already one step ahead. But is your Will up to date? When was the last time you reviewed the terms of your Will?

As your circumstances change, it is important to ensure the terms of your Will reflect your current wishes. It's a good idea to review your Will after important events in your life such as a change in relationship status, changes in your financial situation, the purchase or sale of property, or births/deaths of family members.

This is not only to ensure your wishes are up to date, but because some life events can revoke or invalidate provisions in your Will, and this can have unintended and unfortunate consequences.

Marriage

If you have recently married, your Will may no longer be valid.

If you were to die without a valid Will, your estate would be distributed according to the rules of 'intestacy' set out in the Administration Act. This may not be in the way you intended.

The exception to this is if your Will was made while you were planning on getting married, and your Will states it was made "in contemplation" of your marriage to your partner.

Your Will isn't likely to be a top priority right after your Wedding, so speak to your lawyer before your big day and make sure your Will is up to date.



Separation or Divorce

Unlike marriage, separation does not revoke a Will. If your ex-partner was named in a Will you made prior to your separation, that ex-partner may still benefit under your Will.

If you obtain a separation order or an order dissolving a marriage or civil union from the Family Court some provisions in your will become void. The Will must be read as if your ex-partner died before you. Any gift to your ex-partner or appointment of your ex-partner will be void.

So, if your circumstances have changed recently, or you haven't looked at your Will in a while, it may be time to chat to your lawyer about reviewing your Will.

Article by REBECCA WHALLEY, Holland Beckett Law



FIRST MORTGAGE MANAGERS APPOINTS FIRST FEMALE DIRECTOR

We are pleased to announce the appointment of Kylie Boyd to our Board of Directors.

"Kylie is our first female director, and we are delighted to welcome her to our Board. Kylie brings outstanding governance and commercial experience and will complement our board well," says Tony Kinzett, CEO.

Michael Smith, Chair of First Mortgage Managers adds, *"We are really pleased to have Kylie join our Board of Directors. Kylie has over 16 years' commercial law experience and over 10 years' governance experience, and has very strong commercial, analytical and risk management skills."*

Kylie is based in Tauranga and is a former Partner of Sharp Tudhope Lawyers. Kylie has worked with a range of commercial enterprises, both large and small, spanning various industries, including manufacturing, exporting, horticulture, software development and financial services. Kylie is an experienced director and is currently a director for Craigs Investment Partners Superannuation Management Limited, Priority One, Custodial Services Limited, and Bluelab Corporation Limited.





THE SIGNS ARE LOOKING POSITIVE FOR NEW ZEALAND'S GROWTH

We all know that in many ways the New Zealand economy is very different from other economies. One difference many people are not aware of is the ratio of exports to the size of our economy. This ratio currently is around 27%. This ratio has not changed since the 1970s, while other small OECD countries the ratio has often doubled during the same period.

Does this mean that our export sectors are failing?

No. One of the key global developments from the late-1970s was a shift away from manufactured goods being made predominantly from components sourced in the same country towards such components sourced from many different countries – often located in Asia.

Manufacturing a product these days often involves importing some pieces, then exporting them to another country where further processing might occur, then selling onward – sometimes for even more processing. Many goods produced overseas include hefty import components. But nearly all our major exports are produced entirely here in New Zealand.

Our exports of dairy products, meat, horticultural products, seafood, forest products etc. include almost no imported components. This means that when the demand for our exports rises the benefit feeds very strongly through into the hands of Kiwis, while offshore export growth tends to greatly benefit suppliers located in other countries.

Strong growth expected in the export sector and also for the regions

Looking at our export sector we can see that on average commodity prices are 18% higher than at the end of 2019 before the global pandemic started. We are seeing strong growth in our trading partners with more and more people eating out and wanting to eat what we produce – whilst also wanting our wood to supply booming house building in many countries.

New Zealand's regions look like enjoying a good growth period in the next three or so years, with an extra boost to come when foreign tourists one day start flowing back in again.

Other factors also play a part in economic growth

But it is not just a good export outlook which underpins the positive outlook most of us economists have for our economy in the medium-term. There are also many factors supporting consumer spending which typically makes up about 65% of our economy.

- **There is very high demand for labour** and the resulting good jobs growth and high jobs security – plus eventually

faster wages growth – will underpin the willingness of householders to spend.

- **There is also the wealth effect of average house prices rising by 26% in the past year**, plus people having about an extra \$7bn in their bank accounts at the moment beyond what would have been there without COVID-19.
- **Further stimulus to our economy looks set to come from high levels of house building** (the biggest boom compared with population size since the 1970s), infrastructure spending, and business capital expenditure.

One issue however of this very positive growth outlook is that we are already short of labour and the shortages will continue to get worse as many Kiwis are likely to head to Australia to benefit from the boom over there, which involves far higher wages than are available in New Zealand.

This means the business sector will be challenged by an inability to produce as much as customers might demand. That will impede profit for many whilst also forcing some hard decisions to be made about the size of one's business.

Inflation and interest rates projected to rise

There will also be extra upward pressure on prices, and as inflation goes up we should expect the Reserve Bank to make good on its forecast of late-May. They have pencilled in 1.5% worth of interest rate increases starting from the middle of next year.

As rates rise the pace of growth in our economy will be contained. But for borrowers some challenges lie ahead and that is why having some of one's debt at a long-term fixed interest rate might not be a bad idea. For depositors, better times lie ahead. But given the high level of deposits householders have in their accounts, we might not see deposit rates rise as quickly as lending rates over the next three years.



TONY ALEXANDER, Independent Economist

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SHOUT OUT TO PAPAMOA SURF RESCUE BASE TRUST

In May this year, the new Papamoa Surf Rescue Base was opened after more than a decade of hard work by trustees, clubbies and the community at large. It was a momentous day for all concerned, reflecting over 10,000 voluntary hours and a strong commitment to a common cause.

First Mortgage Trust has done its part to help, with a cash donation made to assist the Club with the final fit-out.

Representing the Trust at the opening was CEO Tony Kinzett who was blown away by the quality of the new building.

“ I found the occasion very moving, particularly listening to the speakers who have worked tirelessly on this project. They know that they have built something that will serve the community well into the future, and you could see that the enormity of that legacy was not lost on them. ”

The new building is triple the size of the previous building's footprint and unlike the old building, it runs parallel to the coastline, optimising surf lifesaving services. There are two levels of operation, with dedicated spaces for surf lifesaving equipment, training and development, and first aid facilities.

First Mortgage Trust congratulates to all those who contributed to this wonderful outcome for the community. We are glad too, that we could do our small part to contribute.



FIRST MORTGAGE TRUST EXTENDS SPONSORSHIP FOR BAY OF PLENTY RUGBY

First Mortgage Trust is delighted to announce that we will continue to support the Bay of Plenty Steamers and Volcanix rugby teams, with our brand to appear on the back of the Steamers and Volcanix playing jerseys in the upcoming Bunnings National Provincial Competition for 2021.

Our relationship with Bay of Plenty Rugby is built on strong and enduring foundations, with sponsorship of the Union starting in 2017, when we first decided to support the premier teams.

Like many of our investors, we see rugby as a huge contributor to heartland New Zealand and we know that rugby clubs provide important opportunities for people of all ages to connect with one another, and engage.

Bay of Plenty Rugby Union CEO Mike Rogers said that the Union was hugely grateful for First Mortgage Trust's ongoing support.

He reflects that the Union has achieved a number of significant milestones over recent seasons, with our contribution definitely playing a part in those outcomes.

“ The Bay of Plenty is now the third largest provincial union of 26 in New Zealand, with over 12,000 registered players, 600 coaches and 150 referees. The Bay of Plenty Steamers won the National Championship in 2019, which meant they were promoted to the Premiership and last year they finished third in that competition. The Volcanix is also seen as a growing force in provincial women's rugby and we currently have seven players in the national Black Ferns squad preparing for next year's Women's Rugby World Cup. ”

With the competition due to get underway soon, be sure to watch out for the First Mortgage Trust brand on the Bay of Plenty playing jerseys, and most of all, sit back and enjoy all of the men's and women's rugby on offer during the 2021 season. With quality line-ups across the country, we should be in for a treat!



Tony Kinzett, CEO, FMT; Rodney Gibbs, Bay of Plenty Rugby Volcanix Head Coach; Paul Bendall, GM, FMT.

*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.



MEET OUR TEAM



Germaine Davidson – ADMINISTRATION SUPPORT / RECEPTIONIST

Germaine joined FMT in May 2021 and works in our Tauranga office.

Germaine is originally from South Africa and moved to New Zealand with her husband and six-year-old daughter two years ago. Prior to moving to New Zealand, Germaine worked for a flooring company for 10 years, starting off as a receptionist and then moving in the business to an office administration / marketing assistant role.

In her free time Germaine likes to read, walk and spend time with her family.



Jayne Hunt – HEAD OF MARKETING AND PR

Jayne joined the team in June 2021 and is based at our Tauranga office.

Jayne has over 15 years' experience in marketing and communications. Having recently spent nearly four years at one of NZ's largest investment advisory companies. Prior to that role, Jayne worked as Marketing Manager in the electrical wholesale industry and also in the building supplies industry.

Jayne, her husband Matt and two children moved to Tauranga from Auckland four years ago to be closer to family. Outside of work Jayne likes to spend her free time with her family.



Geoff Allen – BUSINESS DEVELOPMENT MANAGER

Geoff is based in the Auckland office and joined the team in June 2021.

Geoff has more than 20 years' experience in the property finance industry beginning as a residential and commercial mortgage adviser, then moving into lending roles specialising in residential and commercial development and bridging finance. Geoff has expertise in putting financial transactions together and his lending experience and skills will be a real asset to First Mortgage Trust.

Outside of work Geoff enjoys anything rugby, and you may find him running or mountain biking the numerous Auckland trails, or sailing on the Hauraki Gulf with his wife Sarah and their three children Olivia, Luke and Samuel.



Suzie Partridge – ADMINISTRATION SUPPORT / RECEPTIONIST

Suzie joined the team in May 2021 and is based in our Tauranga office.

Suzie previously has run her own businesses and brings with her a wide range of experience and excellent customer service skills.

Suzie moved from the UK seven years ago to Auckland, and two years ago moved to the sunny Bay of Plenty.



Lamb and Pumpkin Sausage Rolls

with Butterbean Hummus

INGREDIENTS

Sausage Rolls

- 1 Tbsp oil
- 1 small brown onion (peeled and finely sliced)
- 2 cups pumpkin (peeled, grated and squeezed dry)
- 500g lamb mince
- 2 tsp salt
- Cracked pepper
- 1 Tbsp rosemary (chopped)
- 3 large wraps
- 1/2 cup breadcrumbs
- 1 egg (lightly beaten)
- 1 Tbsp poppy seeds
- 1 Tbsp sunflower seeds

Butterbean Hummus

- 1 400g can butterbeans (drained)
- 1 Tbsp tahini
- 1 Tbsp oil
- Juice of 1/2 lemon
- 1/2 tsp salt
- 1 Tbsp water

METHOD

1. Preheat oven to 170 degrees.
2. Heat oil in a small frying pan, over medium heat. Add onions and sauté until caramelised.
3. In a large bowl, combine mince, pumpkin, salt, breadcrumbs and rosemary. Mix well and divide mixture into 3.
4. Lay out wraps and spread 1/3 of the mixture across the centre of each.
5. Fold sheets in half away from you, then roll in half again so there is a double layer at the base.
6. Use the egg to glue each roll. Brush egg on top too, and sprinkle with seeds.
7. Cook in oven for 30 minutes.
8. To make hummus, simply combine all ingredients and use a food processor to blitz until smooth.

Source: Eat Well For Less New Zealand

BONUS WINNERS JUNE 2021

1 individual Nelson
1 individual Matamata
1 individual Te Awamutu

1 individual Tauranga
1 individual Auckland
1 trust Katikati

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

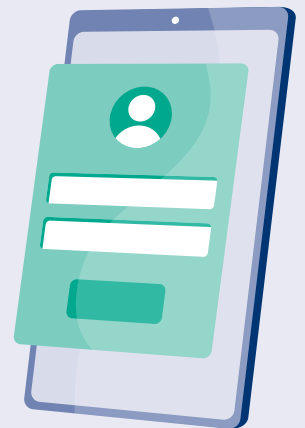
The bonus draw is six random selections made from our current investors, paid for by First Mortgage Managers Limited (not First Mortgage Trust), which means it has no effect on the return to investors.

NEW CLIENT PORTAL

Coming soon!

Over the next few months we will be launching an online client portal. Here you will be able to monitor your investment, view your account, download and print your statements.

We will be in contact with further details nearer the time.



INVESTOR WITHDRAWALS

SEPTEMBER 2021

Last day for processing withdrawals for September quarter:
Friday 24th September 2021

We will need to receive completed and signed Notices of Withdrawal on or before Thursday 23rd September 2021

Next processing day for withdrawals:
Friday 1st October 2021

We will need to receive completed and signed Notices of Withdrawal on or before Thursday 30th September 2021



FIRST MORTGAGE TRUST

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