



**MIDLANDS**  
FUNDS MANAGEMENT

# MIDLANDS NEWSLETTER

DECEMBER 2023

return\*  
**6.65%**

Annualised pre-tax cash  
return for quarter ended  
31st December 2023

We are pleased to report  
another solid quarterly  
performance.

Our return to investors of 6.65%\*  
for the December quarter  
was an increase of 0.15%  
on the previous quarter.

Smarter  
investing  
starts  
here

Newsletter written on 12th  
December 2023. \*Annualised  
pre-tax December quarterly  
return. Paid quarterly. Past  
performance is not a reliable  
indicator of future  
performance.

**0800 870 326**

[www.midlandsfundsmanagement.co.nz](http://www.midlandsfundsmanagement.co.nz)

# CEO Report

## Rhys Trusler

Chief Executive Officer



Welcome to our final newsletter of 2023 and what a year it has been.

We appreciate your support throughout what has been a turbulent year in the property sector and to thank you **I'm pleased to announce another strong distribution return of 6.65% (after fees, before tax).**\*

### A Stronger, More Resilient Investment Fund

This year, Midlands has navigated multiple adverse weather events, a property market in steady decline, a cost of living crisis and the general uncertainty that surrounds an election year. I am extremely proud of how we have navigated this challenging and disruptive period. I take huge confidence in the fact that we have emerged a financially stronger, more efficient and more resilient fund. We continue to grow and improve our returns to our investors, while simultaneously increasing our provisioning in line with the conservative approach we take to funds management.

### Exciting Changes to the Midlands Team

This year, we said goodbye to 3 team members as they moved on to new opportunities. We took this opportunity to really look at the future needs of the business and, as a result, the business is structurally unrecognisable from what it was 12 months ago. One gap identified was marketing, so this quarter we have recruited Christie Campbell into the newly created position of Marketing Manager. Christie has kicked off a number of initiatives to help connect with our investor base and improve our customer experience so I'm excited to see how the future unfolds.

Overall, the improvements to our team have protected us well during the turmoil of 2023 and should amplify financial gains during periods of growth and stability.

### Giving Back

We also continue to grow our contribution to the community through volunteering efforts, sponsorships and the recent addition of a project designed to provide a 1st year finance student with some exposure to the finance industry, which we hope will help kick start his career in Finance. I'd like to think we can add new community projects as we grow.

Over  
**\$5m**  
in distributions  
to our  
investors

### What's in store for 2024?

From a strategy perspective, Midlands will be sticking to its tested, proven formula for 2024. That means limiting geographic concentration of lending, limiting exposure to higher risk and capitalised loans, being thorough in our assessment of lending opportunities and maintaining conservative Loan to Value ratios (currently an average of 48.5%). We believe this will put the fund in a strong position to deliver solid, sustainable returns to our investors over the next 12 months, while not exposing the fund to unnecessary risk.

From all of us here at Midlands, we thank you for your support and wish you all a safe and happy holiday period. Merry Christmas.

Rhys

\*Annualised pre-tax December 2023 quarter return. Paid quarterly. Past performance is not a reliable indicator of future performance.

# Key Facts

## OUR INVESTING PRINCIPLES

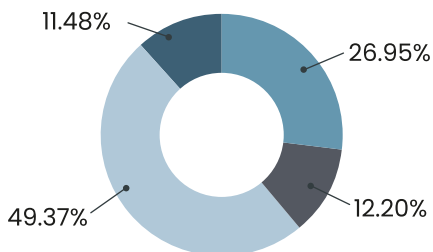
Midlands' conservative lending principles help protect our investors:

- **Secured** - Loans are always secured by 1st mortgages over NZ property.
- **Diversified** - Loan portfolio is diversified across property types and location.
- **Conservative** - We maintain conservative LVR limits.
- **Experts** - Our specialist team of experts has over 200 years of experience.

## LOANS BY SECTOR

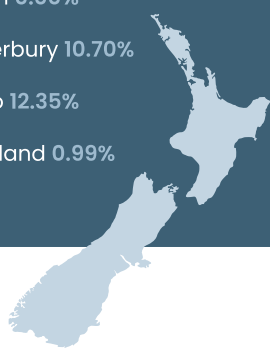
The loan assets are spread between commercial, rural, residential and cash as follows:

- Commercial 26.95%
- Rural 12.20%
- Residential 49.37%
- Cash and cash equivalents 11.48%



## LOANS BY REGION

- Northland 1.99%
- Auckland 25.22%
- Bay of Plenty 8.25%
- Waikato 14.58%
- Gisborne 0.60%
- Hawkes Bay 10.32%
- Taranaki 1.54%
- Manawatu - Whanganui 1.33%
- Wellington 12.11%
- Nelson 0.00%
- Canterbury 10.70%
- Otago 12.35%
- Southland 0.99%



## LOAN SUMMARY

Average Loan Size	<b>\$907,667</b>
Average Weighted LVR	<b>48.5%</b>
Average Origination last 12 months	<b>\$50m</b>

It's not all work

# Get to know our team

Name: **Rhys Trusler**

Position: **CEO ("The Boss")**

## 1. What do you do for Midlands?

Depends on who you ask. If you ask my children they'd say I'm the boss. If you ask the Board they'd say I have operational control of the business with their guidance and oversight. If you ask the team they'd probably say 'good question, what DOES Rhys do?'

## 2. Career highlight?

Developing, negotiating and closing the launch of a new finance product across multiple stakeholders (Customers/Legal/Finance/Compliance) and jurisdictions (Germany/Australia/NZ/US/France/Hong Kong).

A close second was driving a new tractor down the main street of New Plymouth with a power harrow on the back. I felt like a king.

## 3. What is the best investment advice you ever received?

Don't try and time the market. Invest for the long term and watch the magic of compounded returns grow your investment.

## 4. What was your first job?

I worked for a radio company. My job was to sit in a closet-sized room while listening to 5 radio stations simultaneously, listening for what's called dead air during the ad breaks for up to 18 hours a day. Some say that explains a lot about me.



## 5. If you were Prime Minister for a day what would you do?

Get the Security Intelligence Service to look after my daughters so I could take my wife on a chauffeur driven date night.

## 6. Best kept Hawkes Bay secret?

Midlands

## 7. Something your colleagues don't know about you?

I danced with Pamela Anderson at a nightclub in Monaco back in the 90s after having a beer with Boris Becker.

## 8. Cats or Dogs?

Dogs

## 9. Marmite or Vegemite?

Marmite. No contest.

## 10. Pineapple or no pineapple on your pizza?

My girls like making pizza at home so when it's family Pizza then pineapple. When I make pizza just for my wife and I, then pineapple is considered blasphemous.

# Things we love

and you might too

## Real World

Real World makes beautifully considered plant-based hand, home & body care. Originally designed to pamper our 'hard working hands', they now make a huge range of beautiful body and home care products. Their products use only the most necessary & nourishing ingredients and are all made right here in Hawkes Bay which we think is pretty cool.

We love their 'ugly soap bars', which celebrate imperfections, their 'use it on everything' kawakawa balm (who doesn't need one of those) and their Harakeke & Blood Orange Hand Wash because it just smells so good.

You can buy Real World from their beautiful store at 211 Queen Street, Hastings (behind Brave Brewing) or online at [www.realworldnz.com](http://www.realworldnz.com). Pop along and pamper yourself or one of your special people this Christmas.



Get a 25% discount when you shop online by entering MIDLANDS as discount code at checkout.

## Alpha Domus

It's hard to pick a favourite out of Alpha Domus' amazing range of wines, but given Christmas is just around the corner, we've picked their delightful Beatrix Sparkling Rosé, which has a bit of a cult following...in our office anyway!

First created in 2016, the whimsical brainchild of third generation Beatrix Ham, Beatrix Sparkling Rosé is the prettiest of pinks. It's sprightly & sparkly (obviously), delightfully refreshing and Oh. So. Yummy.

It's a quintessential favourite that can be enjoyed all year round. It's especially good whilst wearing a Santa jumper and waving a Christmas Cracker. Hint hint.

You can buy Beatrix from the Alpha Domus Cellar Door 1829 Maraekakaho Road, online at [www.alphadomus.co.nz](http://www.alphadomus.co.nz) or from lots of good wine stores.



## Topics of interest to investors

# Tax Policy Changes Ahead

### Coalition Government Expectations:

While tax discussions might not spark excitement for many, it had been a central focus of 2023's election. In a landscape often marked by cautious tax reform, both major parties, National and Labour, refrained from promising substantial alterations to the country's tax framework, such as introducing wealth taxes or comprehensive capital gains taxation.

Now, with a new Coalition Government steering a different course on tax and investment policy, the spotlight turns to what this means for New Zealand investors.



### 'Back Pocket Boost' Tax Policy:

The Coalition Government says it believes in rewarding hard work, advocating for Kiwis to keep more of what they earn. Effective 1 July 2024, proposed adjustments to income tax brackets aim to reduce income tax for all New Zealanders. As a result, an individual earning \$50,000 per annum could see an extra \$790 in their pocket. Additionally, the Government plans to increase tax credits for modest incomes, offer rebates for childcare costs, and boost Working for Families payments.

### Tax Changes for Property Investors:

As accountants, we're particularly excited about the positive developments for residential property investors. The previous Government phased out interest deductibility for residential rental properties in 2021, citing it as a tax "loophole." The current Coalition Government, however, is taking a different approach. They are not only restoring interest deductibility for residential property investors but are doing so at an accelerated rate from what they had campaigned on – 60% in 2023/2024, 80% in 2024/2025, and reaching 100% in 2025/2026. These changes will be welcome news for property investors, particularly with the high interest lending rates at present.

### Brightline Test:

The Brightline test for residential property will be reduced back to two years with retrospective effect from July 2024. This means that properties acquired before July 2022 should no longer be subject to the Brightline test at sale.

These tax changes should be music to the ears of middle New Zealand and "mum and dad" investors. Staying informed and understanding how these adjustments impact your specific situation will be key to making informed financial decisions in the evolving landscape.

Article provided by Ashleigh Gilmour, Nexia Hawkes Bay  
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# Meet Sandy

## Sandy Gernhoefer

Relationship Manager



This is Sandy, our bright, bubbly and brilliant Investing Relationship Manager.

Sandy has 33 years of banking and investment experience and is passionate about 'treating our customers like real people, not numbers'.

If you are interested in investing with Midlands or have any questions about your existing investment, Sandy would love to see you.

Give her a call, drop her an email or even better, come into our office for a cuppa.

Sandy Gernhoefer

Mobile 027 624 4554

Email [sandy@mmt.net.nz](mailto:sandy@mmt.net.nz)

Phone 06 870 3260

Come & see us: Midlands, Tribune Building, 1/111 Karamu Road North, Hastings (behind Kindred Road Café).

Pop in  
and see us, no  
appointment  
necessary

## Christmas Hours

Midlands' office will close this year on  
Friday 22nd December.

The last day that withdrawals will be  
processed before the holiday period will be  
Wednesday 20th December.

The office will reopen on Monday 8th January

Thank you for your support in 2023.  
We wish you a very Merry Christmas  
and a happy new year.



**MIDLANDS**  
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At Midlands we balance a consistent rate of return with conservative risk management for your investments.

## Invest with Midlands

The Midlands Income Fund has a conservative strategy designed to weather market volatility and provide investors with quarterly income from a diversified portfolio of floating rate loans backed by residential, commercial and rural first ranking mortgages.



A risk indicator of 1 does not indicate a risk-free investment.

Get in touch with your local experts

**0800 870 326**

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