

SMARTER INVESTING STARTS HERE

MIDLANDS
NEWSLETTER
SEPTEMBER 2024

We are pleased to report another solid quarterly performance.

Return
6.90%*

*Annualised return, after fees but before tax for quarter ended 30th September 2024. Past performance is not a reliable indicator of future performance.



0800 870 326
www.investmidlands.co.nz



MIDLANDS
FUNDS MANAGEMENT

Newsletter written on 9th September 2024.

CEO Report

Welcome to the September quarterly update and distribution. I'm very pleased to announce our latest quarterly distribution of 6.90% (annualised, after fees but before tax).

Review of the quarter

This quarter we've seen a marked shift in the property market. The quarter started slow with lending conditions tough amongst stiff competition. August continued along the same lines until the RBNZ announcement of the first rate cut in over 4 years.

This reduction will take time to flow through to the economy and it's no surprise that term deposit rates seem to be coming down faster than mortgage rates. Those with foresight plunged over \$2Bn into term deposits in July in anticipation of a long awaited cut while any now looking to re-fix will see the returns on offer are far less attractive than those being offered over the past few years.

September saw the expected spring bounce and Midlands was well placed to take advantage of this increase in lending activity while maintaining strong lending returns for the Fund without sacrificing quality.

It's great to see confidence return however we remain cautiously optimistic.

Good stuff we're doing

At Midlands, we're proud to be part of our local community. We support a number of local clubs, charities and causes, all of whom make a positive contribution to our community. A few of these are below.

- We recently donated \$1,000 towards the Hastings Karamu Rotary Club fundraiser auction. Proceeds from this auction will go towards building the new Cranford Hospice.



- We are a proud sponsor of the Special Children's Extravaganza, which supports children who live with physical illnesses or impairments or in underprivileged circumstances.
- We are proud sponsors of a number of local bowls clubs, all of whom give a lot back to their local communities. If you are interested in giving bowls a go, you can find your local club here [Play Bowls - Bowls New Zealand Aotearoa](#)

Please note these sponsorships are paid for out of the Manager's fees. It is not deducted from your quarterly returns.

New website is live

We are proud to launch our brand new Midlands website. You can check it out here: www.investmidlands.co.nz. Important documents including the quarterly newsletters can be accessed at your leisure.

As always I wish to thank you for your ongoing support and hope you are enjoying the beginning of spring.

A handwritten signature in black ink, appearing to read 'Rhys Trusler'.

Rhys Trusler
Chief Executive Officer

Key Facts

MIDLANDS' LOAN BOOK

OUR INVESTING PRINCIPLES

Midlands' conservative lending principles help protect our investors:



Secured

Loans are always secured by first mortgages over NZ property.



Diversified

Midlands' Loan portfolio is diversified across property types and location.



Conservative

We maintain conservative LVR limits.

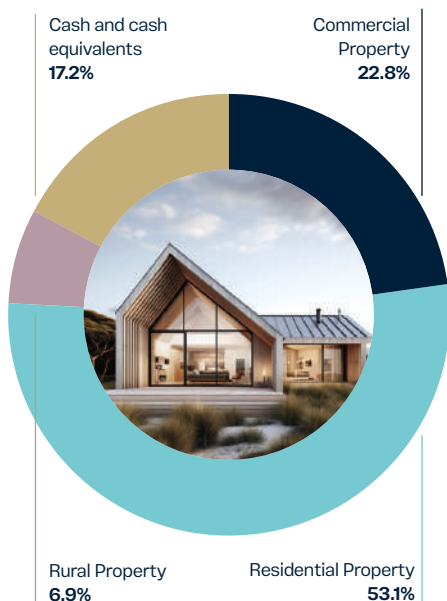


Experts

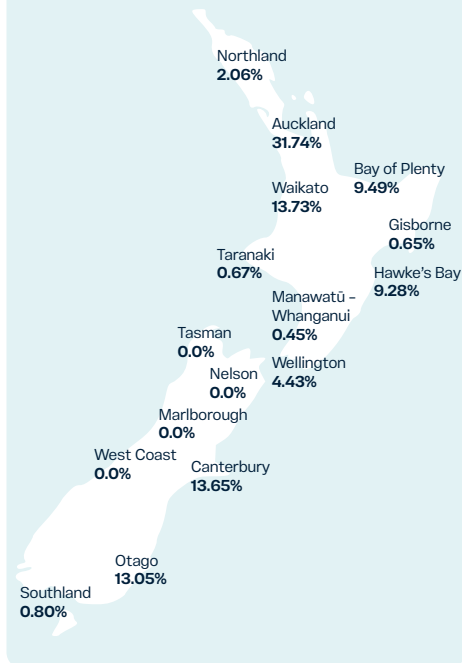
Our specialist loans team has over 110 years of experience.

LOANS BY SECTOR (AS AT 31/08/2024)

The Fund's assets are spread between commercial, rural, residential property and cash as follows:



LOANS BY REGION (AS AT 31/08/2024)



LOAN SUMMARY (AS AT 31/08/2024)

Average Loan Size

\$1.054m

Weighted Average LVR

50.8%

Loan Originations last 12 months

\$68.1m

The OCR has fallen.

What does it mean for your investment?

Midlands is not a bank. The money we lend out to borrowers comes from our investors. As such, the OCR does not *directly* impact the interest charged on Midlands loans and therefore our investors' returns.

What is the OCR?

The Official Cash Rate (OCR) is the interest rate set by the Reserve Bank of New Zealand (RBNZ). It directly influences banks borrowing costs, which in turn impacts how much they charge customers for loans, including mortgages. As such, the OCR has a broad and powerful influence on the cost of money across the financial system.

How the OCR affects interest rates and term deposits?

When the RBNZ drops the OCR, banks typically drop the interest rates they charge their customers on loans and mortgages, as well

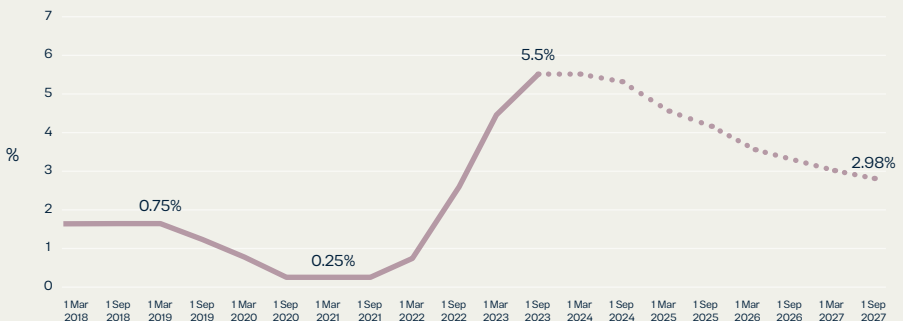
as the rates they offer on savings accounts and term deposits. In essence, a falling OCR is good news for homeowners with mortgages but bad news for savers and term deposit rates.

What's happening with the OCR?

As of August 2024, RBNZ has made its first reduction in the OCR in four years, cutting it by 25 basis points (0.25%) to 5.25%. The move reflects the central bank's growing confidence that inflation is (finally) under control. The RBNZ's latest projections are forecasting consistent OCR cuts through to 2027, with the OCR expected to settle around 3%. The next OCR announcement will be on the 9th October 2024.

This recent cut has already flowed through to many kiwis' wallets, with the major banks lowering their mortgage rates and term deposit rates in response. At the time of print, term deposits with a "6" in the front seem to have had their day in this economic cycle and if OCR projections materialise, term deposits rates will continue to decline.

Historical OCR & RBNZ Projections



Source: RBNZ Monetary Policy Statement August 2024

Is there any link between the OCR and Midlands returns?

Midlands is not a bank. The money we lend out to borrowers comes from our investors, not the RBNZ. As such, the OCR does not *directly* impact the interest charged on Midlands loans and therefore our investors returns.

- 1 Investors' funds are deposited into the Midlands Smarter PIE Fund
- 2 Funds are then lent out to approved borrowers to purchase property or land assets.
- 3 These borrowers pay interest back to the Fund.
- 4 Fees and expenses are deducted.
- 5 The net returns are distributed back to our investors.

HERE'S HOW IT WORKS:



What will happen to Midlands returns?

Although the OCR does not *directly* impact the interest charged on Midlands' loans and therefore our investors returns, there is a connection.

Bank mortgage rates do set a benchmark for the entire finance industry. To remain competitive in the market, the mortgage rates we charge our borrowers will need to follow the general direction of bank mortgage rates and will soften if bank mortgage rates continue to drop as forecast. However, Midlands mortgage rates will continue to maintain a premium above bank mortgage rates.

Furthermore, Midlands average loan term currently exceeds 12 months. The large majority of existing loans will remain on their current interest rate until the loan term ends. This means it will take some time before lower interest rates begin to flow through to new lending and impact our investor returns.

Better returns from an on call investment

That is why our returns are consistently higher than bank term deposits. Our average return since **October 2017 is 5.29% versus bank 90 day term deposits at 2.30%**. We are proud of this performance and confident we will continue to deliver consistent returns to our investors.

5.29%

Midlands Smarter PIE Fund

Average annualised return from Oct 2017-Sept 2024, after fees but before tax. Past performance is not a reliable indicator of future performance.

BETTER RETURNS, FROM AN ON CALL INVESTMENT

2.30%

Average Bank 90 Day Term Deposit

RBNZ Statistical Series B26, Sept 2017-Aug-2024

The information in this article is correct as at date of publication.

Q&A

Miles Standeaven

Head of Credit

What do you do for Midlands?

I'm Head of Credit, my role is responsible for overseeing the credit team, managing credit risk, setting credit policies, and ensuring that lending practices align with the Midlands' financial goals and regulatory requirements.

Career highlight?

I've had a few, however the one that stands out the most was being selected as a Platinum Achiever for Westpac which came with an all expense paid trip to Fiji.

What is the best investment advice you ever received?

"Get into property early my boy" Credit - My Dad. I purchased my first investment property in Christchurch when I was 20, the capital growth and subsequent sale allowed me to travel and then purchase properties in Petone and Napier.

What was your first job?

My first job was working at a floating petrol station at Westhaven Marina in Auckland during the America's Cup. Superyachts would dock for hours filling up on diesel.

If you were Prime Minister for a day, what would you do?

Introduce a system which allows free tertiary education in order for the next generation to get ahead without the hangover of a student loan.

Best kept Hawke's Bay secret?

Faith, Hope, Love - a little Malaysian restaurant in Napier. From the outside it's not much,

It's not all work Get to know our team



however when you enter you are welcomed with the biggest smile. The food is superb, with my go to being the roti with curry sauce, dumplings and the rendang curry. Now the secrets out you won't be disappointed.

Something your colleagues don't know about you?

I enjoy baking, I bake every weekend with my two boys, Grayson (9) and Kingsley (7) ensuring we have fresh scones and biscuits.

Cats or dogs?

Both, I have two Jack Russells, Benji (14) and Caramel (1) and two cats, Isabel (9) and Samira (6).

Benji swims with me every morning in my pool while Caramel runs around the outside barking.

Marmite or Vegemite?

Neither, give me marmalade on my toast.

Pineapple or no pineapple on your pizza?

Absolutely no pineapple on my pizza. I like pineapple and I like pizza, but the two should never meet.

READY TO INVEST SMARTER? CALL SANDY!

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 help you.

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



**EMAIL
ME**

sandy@midlands.net.nz



**GIVE ME
A CALL**

027 624 4554



**DROP IN
AND SEE US**

No appointment necessary
1/111 Karamu Road North,
Hastings 4122
(behind Kindred Café)



DO YOU HAVE AN EMAIL ADDRESS?

If you received this communication by post, we do not have an email address on file for you. If you do have an email address, we would like to add this to your customer account file. Please phone us on 0800 870 326 or email us on investments@mmt.net.nz.



MIDLANDS
FUNDS MANAGEMENT

THANK YOU FOR CHOOSING TO INVEST SMARTER

Low Risk | On Call | Regular Cash Returns

To find out more, call us on

0800 870 326

Midlands is licensed by the Financial Markets Authority (FMA) as a manager of registered schemes that invest in first ranking mortgages and cash. FSP number FSP43686. Cash returns are paid quarterly. **Returns are not guaranteed and past performance is not a reliable indicator of future performance.** Midlands Funds Management Limited, the issuer of the Midlands Smarter PIE Fund, is not a registered bank. The product disclosure statement for the Midlands Smarter PIE Fund is available from our website.



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