

SMARTER INVESTING STARTS HERE

MIDLANDS
NEWSLETTER
MARCH 2025

We are pleased to report another
solid quarterly performance.

Return
6.65%*

*Annualised return, after fees but before
tax for quarter ended 31st March 2025.
Past performance is not a reliable
indicator of future performance.



0800 870 326
www.investmidlands.co.nz

 **MIDLANDS**
FUNDS MANAGEMENT

Newsletter written on 18th March 2025.

CEO Report



Welcome to our first newsletter of 2025 and the last distribution of our FY25 financial year. We're very pleased to announce our latest annualised quarterly distribution of 6.65% (after fees but before tax).

Review of the Quarter

Most of the activity in the March quarter can be attributed back to recent changes to the Official Cash Rate (OCR). On the 19th February, the RBNZ cut the OCR a further 50 basis points (0.5%), taking it to 3.75%. This is down 1.75% from the high of 5.5%, which drove mortgage rates up and has tormented many New Zealand homeowners since!

The OCR has a direct and immediate impact on bank mortgage rates and these rates set a benchmark for the entire finance industry, including Midlands. Effectively, as the OCR falls, bank mortgage rates follow (with immediate effect), which leads to a gradual decrease in the mortgage rates we charge our borrowers. Put another way, although Midlands' mortgage rates always maintain a premium above bank mortgage rates, to remain competitive in the market, the mortgage rates we charge our borrowers eventually need to follow the general direction of bank mortgage rates. Your investment returns are predominately determined by these mortgage rates, which explains the dip in our latest annualised return

from 6.90% for the December quarter to 6.65% this quarter (both after fees but before tax).

Given the first OCR drop occurred nine months ago, we're pleased to have been able to hold investor returns for as long as we have. The modest dip this quarter is a great result for our investors and reflects the stability and resilience of our investment strategy.

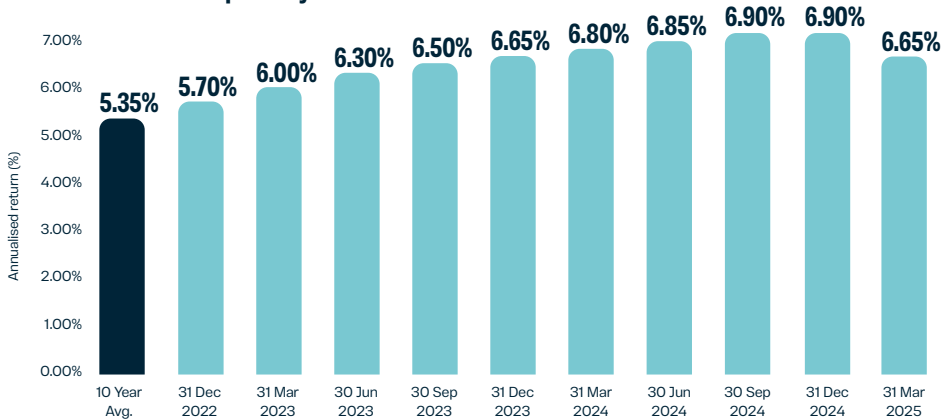
What happens from here?

At Midlands, our objective is to deliver a consistent premium on our investors' hard earned money. As can be seen on the adjacent page, **our average after fees return since April 2017 is 5.36% versus bank 90 day term deposit rates averaging 2.45%**. While the trajectory of the OCR and bank mortgage rates will continue to impact returns, our average loan term of around 12 months gives us a level of foresight into future returns and we're confident our loan portfolio will continue to deliver a favourable premium above what can be achieved through investing in 1 month - 12 month term deposits. The added benefit of our investment having no fixed term means investors can be confident their money is working for them while also having the added comfort of knowing it's normally available if they need it, without worrying about break fees or penalties.

Continued overleaf >

Fund Performance

Midlands annualised quarterly returns*



*This graph shows Midlands Smarter PIE Fund's annualised quarterly returns, after fees but before tax. The '10 Year Avg.' bar represents the Fund's average annual return after fees but before tax for ten years ending 31st March 2025. Past performance is not a reliable indicator of future performance.



Midlands returns vs bank term deposits

5.36%

Midlands Smarter PIE Fund

Average annualised return from Apr 2017 – Mar 2025 (8 years), after fees but before tax. Past performance is not a reliable indicator of future performance.

BETTER RETURNS,
FROM AN ON CALL
INVESTMENT

2.45%

Average Bank 90 Day Term Deposit

RBNZ Statistical Series B26,
Mar 2017 – Feb 2025 (8 years)

The information and data above represents the most recent data as at the date of publication.

CEO Report (continued)

Investor base growing

Whilst the four OCR cuts have brought welcome relief to many homeowners, they've delivered blow after blow for term deposit holders. New and prospective investors have expressed a combination of astonishment, despair and despondence with how quickly term deposit rates have dropped away from their recent highs. In many cases, investors have term deposits rolling off rates with a "6" in the front and when they're looking to re-fix they're being offered rates in the 4.1%-4.4% range. For many relying on this income, this represents a significant drop. Despite the difference between Midlands and a bank, this has been the catalyst for many new investors to make the move to Midlands and has driven steady and sustainable growth for the Fund this quarter.

Review of lending

On the lending side of the business, after a quieter than normal October and November, December saw the floodgates open up and we were frantically processing loan applications right up until we closed for Christmas. The latest 50 basis point cut to the OCR seems to have released significant pent-up demand, primarily in the Auckland market. In the past six weeks alone we have advanced close to \$25M in loans, all secured by 1st mortgages over high quality properties. We're yet to see this demand flow through to the rest of the country but what we generally see is Auckland is the first to move (in any direction) and it can take 6-12 months before we begin to see the same trend in other regions. We look forward to seeing the recovery expand out around the country and the lending opportunities that this creates for our Midlands investors.

Our team

This quarter we're excited to welcome two new members to the team - Chris Fenwick (Chief Financial Officer) and Kelly Clark (Investments Administrator). Both bring a wealth of experience and we look forward to sharing more about them in our newsletters.

On a final note it is with mixed feelings that we said goodbye to Sandy Gernhoefer in February, who is moving on to a new opportunity after 3 1/2 years of loyal service. Sandy leaves Midlands a friend and we wish her all the best with her future endeavours. We know Sandy was a familiar face and the main point of contact for many of you. Rest assured you're in good hands. We will be recruiting for a new Relationship Manager, but in the meantime Christie Campbell, Kelly Clark and myself are happy to assist you with any queries you have or anything you need. Feel free to give us a call (0800 870 326) send us an email (investments@midlands.net.nz) or pop in and see us (1/111 Karamu Road North, Hastings, 9am-4pm Monday to Friday).

In summary, we are proud of how we have managed the evolving OCR landscape and remain confident in our ability to continue delivering solid, sustainable returns for our investors. As always, I wish to thank you for your ongoing support.



Rhys Trusler
Chief Executive Officer

Key Facts

MIDLANDS' LOANS SUMMARY

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.

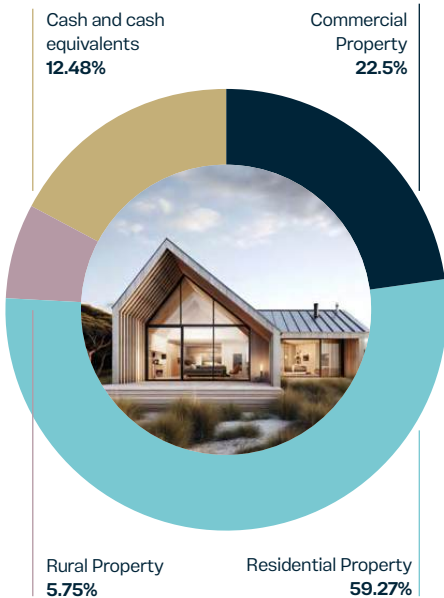


Experts

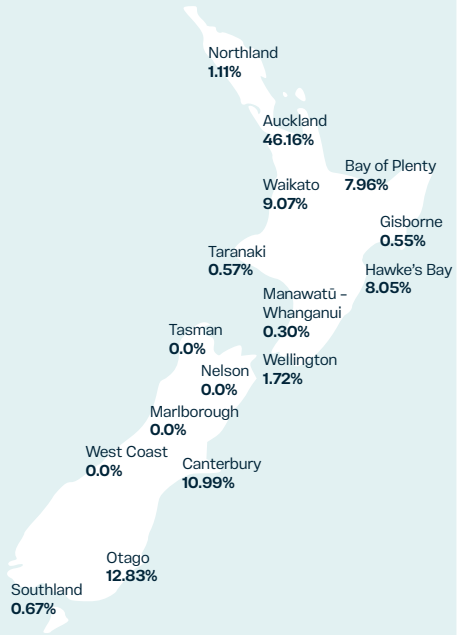
Our specialist loans team have many years of banking and lending experience.

LOANS BY SECTOR (AS AT 28/02/2025)

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



LOANS BY REGION (AS AT 28/02/2025)



LOAN SUMMARY (AS AT 28/02/2025)

Average Weighted LVR

53.7%

Average Loan Size

\$1.270m

Total loans

\$116.5m

Q&A

It's not all work Get to know our team

Kelly Clark

Investments Administrator

Kelly is our new Investments Administrator, which is a newly created role which has come about due to the strong growth of the Fund. Kelly's experience spans property development, finance, retail and marketing and we're delighted to welcome her to the team.

What do you do for Midlands?

I'm the voice you'll hear when you call us at Midlands. I get to chat with all our fabulous investors and answer any questions they may have. I also look after any investment requests, withdrawals and the onboarding of new investors. I've loved meeting many of our new and existing investors already and I'm looking forward to meeting many more of you.

What is the best investment advice you ever received?

Start yesterday! No, but seriously, I am very glad that my parents taught me a thing or two about money management growing up. I would highly recommend having that conversation with your children or grandchildren when you can.

Best Hawke's Bay secret?

The Mohaka river farm is such a fun family or friends' day out. There are pottery classes, horse trekking and lots of local food stalls to enjoy!

Cats or dogs?

Definitely dogs, we have two spoilt Border Terriers called Lenny and Darcy... who I might add has a very similar hair style to the 'Mr Darcy' (Colin Firth), but tends to be much more excitable!



Quote of the day

Kindness is a gift everyone can afford to give.

Marmite or Vegemite?

Neither thanks. I think the real question is Biscoff spread (you might need to google that one) or Nutella.

Something your colleagues don't know about you?

My partner and I are huge fans of getting out on our vintage stand up jetskis, we even have a 'project ski' for our two year old daughter to (hopefully) enjoy the sport with us one day.

What was your first job?

A horse trekking guide. I traded my time for winter grazing, hay, and farrier services for my pony. Thankfully I realised early that horses are definitely not a smart long term investment strategy!

Meet (some of) the team



Call us old fashioned, but at Midlands, we love real people. Chatbots, robots and AI have a place, but we think when you're investing your hard earned money its nice to know you can pop in and see us or pick up the phone and chat to our friendly team of humans. Meet (L to R) Andrew & Ania (Loans Team), Rhys (CEO), Christie & Kelly (Investments Team), Chris (CFO).



EMAIL US

investments@midlands.net.nz



GIVE US A CALL

0800 870 326



DROP IN AND SEE US

1/111 Karamu Road North, Hastings 4122
(behind Kindred Café). 9am - 4pm Mon-Fri

IMPORTANT TAX MATTERS:

The PIR thresholds for resident individuals are changing on the 1st April 2025. Your PIR is the tax rate your Midlands returns are taxed at.

This means it's a good time to review the PIR tax rate you have provided us. If the rate needs updating, please give us a call and we can change this for you.

To assist with your end of year tax returns, we will also be providing Interest Advice summaries for all investors. These will be emailed or posted to you in May.

If you have any questions, please call us on 0800 870 326.

WHAT IS MY PIR RATE?



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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