

MIDLANDS Quarterly

MIDLANDS
MORTGAGE TRUST



APRIL 2017



Superannuation under the election spotlight

If you're in your mid 40's or younger, you might be waiting a bit longer to enjoy the golden years of retirement, following recent news that superannuation entitlement is proposed to rise from 65 years to 67 years of age.

The government proposal is that the age of retirement is raised from 65 to 67 years between 2037 and 2040, with the changes not affecting anyone born before June 1972.

KiwiSaver funds will still be able to be accessed from the age of 65.

To many this may not have come as a huge surprise as it has been touted for many years that the cost of providing superannuation was always going to rise as more and more people reached retirement age. It's a bold move in an election year to propose the increase in retirement age given the strong views of past governments that this was not an election winning policy.

Kiwis are living longer, our population is ageing and in 20 years, the number of

people over 65 will double. It is predicted that by 2060 there will only be two working-age people supporting a pensioner!

Currently superannuation costs about 5% of GDP, or in dollar terms \$11 billion a year and by 2031 this is forecast to reach \$20 billion a year. This is an enormous increase and will be an increase in percentage terms of GDP.

New Zealand isn't the only country grappling with this issue with Australia, the United Kingdom and Canada changing their policies in this area.

In the UK, retirement ages are different for men and woman although next year this disparity will be abolished and the retirement age for both will be 68 years.

Australia plans to raise the retirement age to 67 as well.

At one stage there was a fear that many people might hit retirement with little in savings until KiwiSaver became a compulsory retirement scheme. Up until then many people either had their own savings plan and/or were working towards being mortgage free.

"What we have seen is people know that they will have some money for retirement via KiwiSaver but it's not available until they're 65 years. A fund like Midlands Mortgage Trust offers flexibility as well as a better return than investing it at the bank if one is considering further discretionary savings.

The benefit of a mortgage fund like Midlands Mortgage Trust is that you can use it for unforeseen expenses or for that overseas holiday should the need arise. "For many of

us, we have worked hard all our lives and we should be able to enjoy the golden years," says Midlands Mortgage Trust General Manager Peter Harrison.

So what can you do?

1. Make sure you get the most out of KiwiSaver. Your employer matches the first 3% you put in, plus you get a \$521 tax credit, if you contribute enough.
2. Up your discretionary savings programme and make it regular.
3. Work towards a freehold home.

There are many imponderables along the way. Many baby boomers these days have the view they can still contribute in the workplace beyond age 65 and at that stage in life can save significant sums from their earnings whilst earning the pension too.

Peter Harrison goes on to say "Generation X' and 'Millennials' view the pension issue as a drag on the tax take and would prefer lower pension provisions and lower taxes and/or provision of better government services elsewhere.

"It becomes a political issue with parties promoting policies that appeal to their electorate. In recent times there has been a low turnout from the 'Millennials'. Should the parties contesting the election believe that a good turnout from 'Millennials' could help them win the election it wouldn't be surprising to see more policies directed towards reducing the superannuation burden. If that were to occur, a good savings plan is essential to afford a comfortable retirement."

Performance Snapshot

	1 April 2016	1 July 2016	1 Oct 2016	1 Jan 2017	1 April 2017
Quarterly Distributions	4.75%	4.65%	4.50%	4.60%	4.70%
Unit Pricing	92c	92c	92c	92c	92c

The Team



Peter Harrison



Wendy Spencer



Tony Brooker



Anne Hunter



Neti Sweetman

News and Views

Banks have continued to tighten their lending parameters, squeezing some of their potential borrowers in our direction. This has provided further opportunity for your Fund to lend on good quality propositions and has resulted in the further increase in the return we have been able to achieve this quarter.

Most of what one reads in the media concerning property focuses on residential property issues. As you can see from the graph opposite, our portfolio is spread across residential, commercial and rural properties. Rural property prices have been rising steadily for a number of years and there are no indications these will go into reverse given the strong demand for them. There does not seem to be a shortage of buyers to underpin value in this area. Commercial property prices are complex but, if anything are being driven upwards by the low yield environment on cash assets. Essentially, the argument for commercial property is that you would be prepared to earn higher yields from rents coming in than have the money in the bank. Accordingly, as bank yields go down, so do commercial property yields and consequently commercial property values rise being a multiple of the rental yield. With recent natural disasters affecting major centres in Wellington and Christchurch, there is a shortage of commercial space available which is also underpinning demand for commercial property.

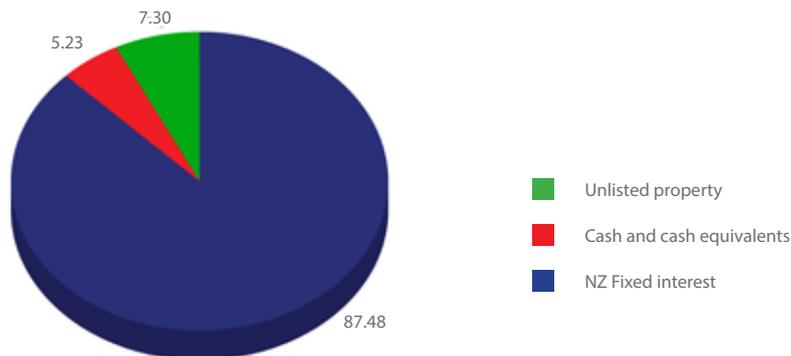
On the residential front, there is evidence that prices are beginning to plateau in Auckland and Christchurch but there is no suggestion that there is an imminent danger of retreat in prices. As pointed out in our last letter, we have reduced the maximum lending percentage on residential properties from 80% to 75% as a precaution against the rapid rise in residential property prices over the past 18 months.

Midlands Mortgage Trust is well placed to take advantage of the current environment and we would be happy to entertain further deposits from existing investors and new ones for that matter. Take advice from a financial adviser before investing and visit our website for a product disclosure statement and further investment information or contact us on the numbers shown on the back of this newsletter.

Kind regards

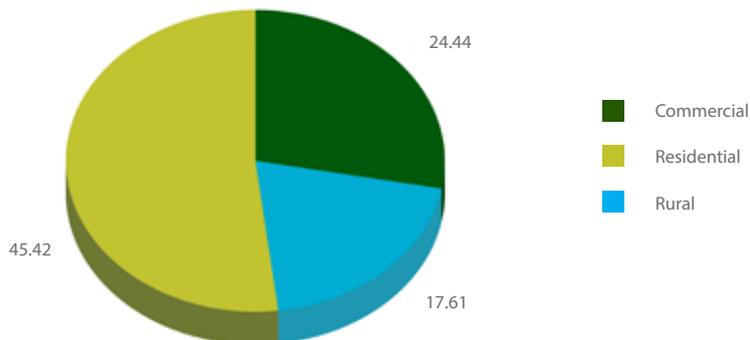
Fund Asset Allocation

At 28 February 2017 the Fund's assets comprised:



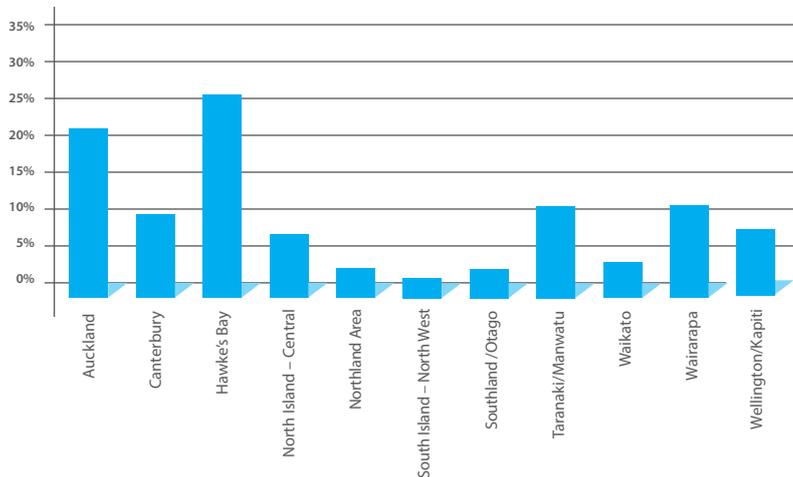
Loans by Sector

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



And these assets are located throughout New Zealand in the following areas:

Loans by region as at 28 February 2017



Further information concerning the Fund can be found at www.companies.govt.nz/ disclose and search for Midlands Mortgage Trust as a scheme and/or an offer.

Autumn gardening tips

Autumn is a fantastic time to be in the garden. The air is crisp, with warm long days, perfect for all the jobs that need doing after a long hot summer. Autumn is a great time for sowing or repairing a lawn, planting trees and shrubs, and planting the vegetable garden for the months ahead.

AUTUMN TO DO LIST

- Autumn is the perfect time for a bit of lawn care and to sow a new lawn.
- Harvest seeds from last season's crops for use next season. Label them carefully before storing.
- Plant up pots and containers with autumn potted colour.

In the vege garden

- Replace the lost nutrients from those heavy growing seasons by adding in compost, blood and bone and sheep pellets. This will provide a healthy new foundation for your autumn and winter crops.
- Keep mounding up celery and leeks.
- Harvest pumpkins and dry well before storing.
- Main crop potatoes should be ready for lifting.
- Autumn is an ideal time to plant broccoli, cauliflower, cabbage, beetroot, spinach and Chinese cabbages.
- Plant lettuce early autumn and you will get a good harvest from most lettuce varieties.
- Sow seeds for your winter crops like carrots, swedes, turnips and radish. A good seed raising mix that is light and free draining will give your seeds the best possible start.
- Autumn is a busy season for slugs and snails so make sure you protect your young vegetable seedlings.
- Aphids and whitefly will be about. Spray with insect control for fruit and veges.
- If early frosts are a concern, protect seedlings with a cloche or growing tunnel.
- If you choose to rest some areas of your vegetable garden over autumn and winter, planting a green adds nitrogen rich organic matter back into the soil



In the fruit garden

- Autumn is a busy time for the home orchardist as new season fruit trees make their way to the garden centre and existing trees are laden with fruit.
- Fertilise citrus trees in early autumn with citrus food, unless there is threat of frost.
- Prepare new planting sites with compost and plant into garden mix.
- Protect grape vines with bird netting.



In the flower garden

- Autumn in the flower garden signals a time to change to new season's potted colour.
- Pansies, violas, and polyanthus are more tolerant of the cooler weather.
- Plant into a flower mix for best results.
- It is the best time to plant bulbs for spring flowering.
- Basic maintenance in the flower garden requires pruning back flowering plants that have finished for the season.
- Support taller flowering plants like dahlias and sweet peas with frames or stakes.
- Mulch your flower beds to suppress weeds and protect plants from the cooler months ahead.



Paella

By Kem Ormond

INGREDIENTS:

- 2 chicken thighs
- 1 calamari tube cut into rings
- 8 mussels
- 10-15 cockles
- 4 large uncooked prawns
- Peppers half green and half red cut into strips
- Small onion sliced
- Snow peas or peas or beans cut into 2cm pieces
- 2 cups paella rice
- 2 cups chicken or fish stock
- 2 cups water
- Saffron
- Salt
- Olive oil
- Garlic sliced
- Half can diced tomatoes

METHOD: Put generous amount of olive oil on a high heat, add the calamari and garlic and fry for 1 min and then remove onto a plate.

Add a dash of more oil, add the chicken and fry for another minute.

Add the vegetable and fry for another 5 mins.

Add more oil and add rice, fry for 1 min

Add stock, water, and tomatoes, calamari saffron, salt and stir. Bring to the boil and then reduce heat to med.

DO NOT STIR AGAIN

Simmer for 15 mins, reduce heat to low, add mussels, prawns and cockles. Stick shell fish into the rice. Simmer for a further 5 mins.

Remove from the heat and cover with a damp tea towel for 10 mins. This steams the seafood open and dries out the paella.

This will serve 4



Kem Ormond has a passion for good food, good wine and using local seasonal produce. She has travelled and tasted her way around the world stopping off at cooking schools along the way.

Kem offers cooking demonstrations in her purpose built French styled home and kitchen, situated close to the Tuki Tuki Valley, Havelock North Hawke's Bay. If food is your passion... come and spend some time with a like minded person!

These classes are relaxed, informal and fun. For more recipes and upcoming classes visit: www.maisondecuisine.co.nz

Events Calendar

Hawke's Bay Events

1st – 9th April Hawke's Bay Festival of Hockey

See the best players from the best teams playing one of the fastest ball games in the world. The international component of the Hawke's Bay Festival of Hockey will see four of the world's best women's teams including our very own Black Sticks between the 1st and 9th of April 2017. Come down to the Unison Hockey Stadium at the Hastings Regional Sports Park to see some of the top international players in action as they play for the Hawke's Bay Cup. Be sure get in quick as tickets will sell out fast!

www.hockeyfestival.nz

15th April The Big Easy

Fancy taking a bite out of the Hawke's Bay Trails this Easter? The Big Easy on the Hawke's Bay Trails is the ultimate antidote to all those serious lycra laden cycling events held across the country. The Big Easy ride is 43kms and we encourage you to take all day and enjoy the many tasty Hawke's Bay distractions along the way.

www.thebigeasy.co.nz



9th June – 9th July Winter F.A.W.C!

F.A.W.C! Food & Wine Classic Hawke's Bay is a delicious series of out of the box seasonal food and wine events held twice a year throughout Hawke's Bay. This June, we are bringing you five fabulous Winter F.A.W.C! weekends to celebrate the seasonal goodness winter brings.

www.fawc.co.nz



13th May Air New Zealand Hawke's Bay International Marathon

Run away to Hawke's Bay for an all new running festival incorporating 42km, 21km, 10km and 3km kids run options. Take in the best highlights of the region, with flat easy running through local cycle trails, vineyards, olive groves, quiet country roads - all finishing at the impressive Sileni Estates Winery where you can celebrate your efforts in style. The event courses are flat, easy running.

www.hawkesbaymarathon.co.nz



For more information on Hawke's Bay events visit www.hawkesbaynz.com

14th – 16th July Hawke's Bay Toyota Deco Winter Weekend

Celebrate Napier's mini winter Art Deco festival, an intimate event featuring the best Deco events. The Winter Deco Weekend is all about the Roaring 20s and 30s and celebrating our unique heritage. This mid-winter Deco celebration has a completely different feel to the February one. Most events are indoors, it is winter after all, and this creates a more intimate and compact experience which regulars have come to love.

www.artdeconapier.com



Taranaki Events

2 Apr 2017 ITU Sprint Triathlon World Cup,

Top triathletes sample Taranaki's landscape in short course action.

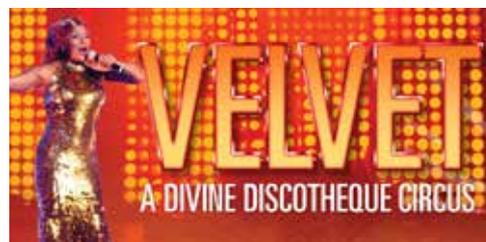


21 May 2017 Naki Run Amuck

A running race with a difference: river crossings, mud and sand.

10-11 Jun 2017 Taranaki Arts Trail

Add to your collection with exclusive access to Taranaki's studios.



17 Aug – 3 Sept 2017 Taranaki International Arts Festival

A thriving regional arts fest featuring top global talent.

9 Sep 2017 All Blacks vs. Argentina

Catch the world's best at Yarrow Stadium – also judged one of the world's best places to watch a rugby match.

For more Taranaki events visit www.taranaki.info

