

March 2020

# MIDLANDS NEWSLETTER

## Welcome to the March issue of Midlands Quarterly.

Despite the COVID-19 induced volatility in other sectors, we here at Midlands are pleased to confirm a consistent distribution rate of 5.10%\*. While never immune to market conditions, our ability to lend responsibly against quality securities, coupled with the relative stability of the property market, continues to underpin our performance.

# 5.10%\*

\*ANNUALISED PRE-TAX QUARTERLY RETURN

## INVEST WITH MIDLANDS

### Inside this issue

- Message from the CEO
- Investment update
- Loans and investment data
- COVID-19 information sheet
- Loans update
- Community news

HAPPY  
Easter

Newsletter written 17<sup>th</sup> March 2020

[midlandsmortgagetrust.co.nz](http://midlandsmortgagetrust.co.nz)

\*Annualised pre-tax March Quarterly Return. Paid quarterly. Past performance is no guarantee of future performance.

0800 870 326



## MESSAGE FROM THE CEO

Tobias Taylor



**2020 started very much in the same way 2019 ended. Lots of activity both on the lending and investing front. Due to main bank constrained lending, we continue to see a flow of quality loans. Also, due to perpetual low interest rates at main banks, we see savers and investors alike looking for yield. All in all, Midlands is in a very good place and growing.**

However, it is very hard to ignore Coronavirus – COVID19 is a hot topic. Readers will want to know; “How does this affect lending and how does this affect our investments?”

The short answer is our business model does not change. We look for quality loans, with good servicing and security, in order to support our objective of providing a consistent return to our investors. Our sector certainly is not experiencing the volatility we are seeing in equity markets. At this time, there is no reason to see this changing, albeit some activity may take longer than originally thought. We know interest rates will stay low, especially with the OCR announcement on 16<sup>th</sup> March, so we offer a considerable premium to our investors. We are also very much open for business.

As an employer of staff with families, as well as a responsible member of our communities, we must be acutely aware of developments as they happen. We are working through options to work remotely and ensuring our employees and clients are safe, healthy and aware of all considerations as they develop. Like many businesses, we are in new territory. But for now, it is very much business as usual.

Finally, I'd like to take the opportunity to welcome Leoni Potgieter. Leoni, an ex-pat from the Eastern Cape of South Africa, joined Midlands in February 2020 as the Investment and Administration Officer. Leoni has made a great start with the team and she looks forward to working with you moving forward.

**Feel free to contact me via e-mail on [tobias@mmt.net.nz](mailto:tobias@mmt.net.nz) to let me know how Midlands is doing**

A handwritten signature in blue ink that reads "Tobias Taylor".

Tobias Taylor, CEO

# INVESTMENT UPDATE



Elliott Jackson,  
Investment Manager

**The last 5 months have flown by. I reached the milestone age of 50 last month and I am not sure if I feel any wiser!**

I have really enjoyed learning all about Midlands over the last few months. It has been great to meet some of you and talk with many more over the phone.

Many new clients have come on board and it has been good seeing our funds under management grow steadily.

## MARKET UPDATE

The fear factor for equity investors is certainly running high these days. Equity markets have suffered their worst falls since the GFC. At the time of writing the Dow Jones Industrial Average has fallen over 30% from its February all-time high.

I can confidently state that during my 32 years in the financial services industry I have never witnessed such concerted effort being exerted by governments across the globe to stem the spread of a disease and provide financial stimuli to their respective economies.

Central bank and government policy measures will be critical in helping to diffuse the damage from travel restrictions and quarantine requirements and in calming markets.

The New Zealand Government announced their fiscal package on Tuesday 17<sup>th</sup> March, with wage and sick leave subsidies and benefit increases detailed.

At Midlands we closely manage our first ranking security loans and continue to outperform bank deposit rates. I am seeing renewed interest in our product and as the saying goes we are sticking to our knitting as a non-bank service provider of choice.

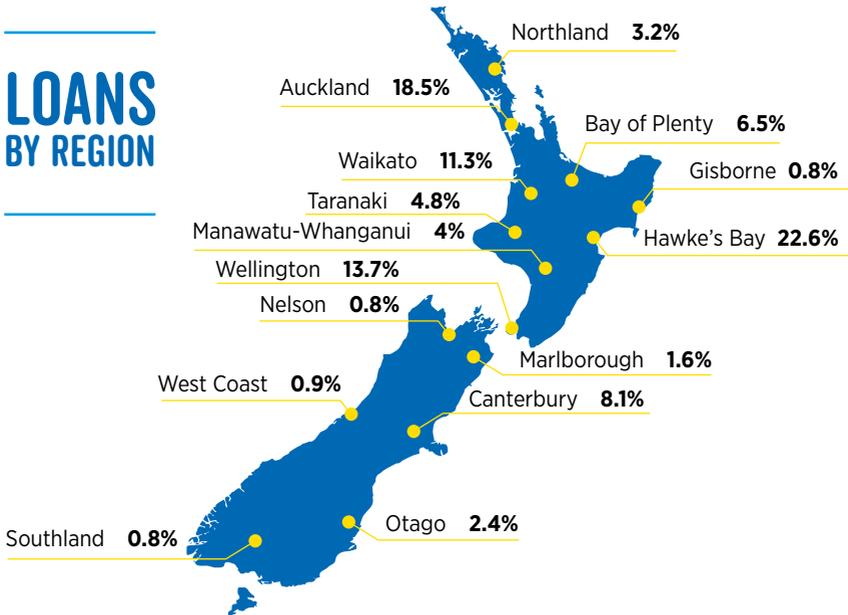
## Performance snapshot

	Quarterly distributions*	Fund size	Unit price
1 APR 2019	<b>5.10%</b>	<b>\$51.48m</b>	<b>92c</b>
1 JUL 2019	<b>5.20%</b>	<b>\$51.13m</b>	<b>92c</b>
1 OCT 2019	<b>5.20%</b>	<b>\$53.4m</b>	<b>92c</b>
1 JAN 2020	<b>5.10%</b>	<b>\$57.6m</b>	<b>92c</b>
1 APR 2020	<b>5.10%</b>	<b>\$60.4m</b> <i>at 16<sup>th</sup> March</i>	<b>92c</b>

\*Annualised pre-tax returns paid quarterly. Past performance is no guarantee of future performance.

**Should you wish to talk further about Midlands or any of my comments above please call me on 06 870 3260 or 027 523 3425 or e-mail me at [elliott@mmt.net.nz](mailto:elliott@mmt.net.nz)**

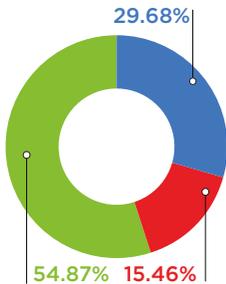
# LOANS BY REGION



## Loans by Sector

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

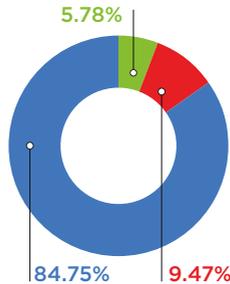
- Commercial loans
- Rural loans
- Residential loans



## Fund Asset Allocation

At 16 March 2020 the Fund's assets comprised:

- Unlisted property (*loans secured by 1st mortgage*)
- Cash and cash equivalents
- New Zealand Fixed Interest



Investor return	<b>5.10%*</b>
Number of investors	<b>614</b>
Average investment	<b>\$99k</b>
Fund size	<b>\$60.4m</b> <i>(as at 16 March)</i>
Largest loan	<b>\$1.7m</b>
Number of loans	<b>122</b>
Average loan size	<b>\$427k</b>
Cash and term deposits	<b>\$9.4m</b>

As at 16<sup>th</sup> March 2020.

\*Annualised pre-tax March Quarterly Return. Paid quarterly. Past performance is no guarantee of future performance.

# COVID-19 CORONAVIRUS

How to protect yourself and others

March 2020

## What is COVID-19?

COVID-19 is a new illness that can affect your lungs and airways. It's caused by a virus called coronavirus. There are simple steps you can take to protect you and your family/whānau.



## Symptoms of COVID-19

The symptoms of COVID-19 are:

- a cough
- a high temperature (at least 38°C)
- shortness of breath.

These symptoms do not necessarily mean you have COVID-19. The symptoms are similar to other illnesses that are much more common, such as cold and flu. However, infections with mild symptoms such as cold-like symptoms or no symptoms are likely, but it's not known how common this is.

## How to protect yourself and others

- Cough or sneeze into your elbow or by covering your mouth and nose with tissues.
- Put used tissues in the bin or a bag immediately.
- Wash your hands with soap and water often.
- Try to avoid close contact with people who are unwell.
- Don't touch your eyes, nose or mouth if your hands are not clean.
- Clean and disinfect frequently touched surfaces and objects, such as doorknobs.
- Stay home if you feel unwell and call Healthline on 0800 358 5453.

**Call Healthline 24/7 on 0800 358 5453 if you need to speak to someone.**

**Visit [health.govt.nz/covid-19](https://health.govt.nz/covid-19) for more information.**

New Zealand Government



# LOANS UPDATE

Mark Hardman,  
Senior Loans Manager



## Why Midlands Mortgage Trust?

I am often asked: Why do people use a trust like Midlands Mortgage Trust rather than one of the big 4 main banks for their mortgage? Having worked for the main banks in senior roles, my answer is always the same: The big 4 banks are built for volume (number of loans) and apply a broad brush criteria that best maximises their profitability, in the cheapest way possible. You only have to walk into a main bank branch now to see the automatisisation of banking or try and make sense of their call centres when you're looking for help with your mortgage.

With Midlands Mortgage Trust it's quite different; you don't have to wait an hour on the phone to speak to someone and we take the time to tailor the mortgage to fit the circumstances of the client. We also work with their adviser so often our clients will have two professionals looking out for them and ensuring they get the best mortgage possible. But it doesn't stop there as we also ensure they have a plan in place when their loan expires, and this is often to exit back into a main bank, which is more cost-effective in the long term. This end-to-end solution, coupled with 'hands on' customer service and account management, is the reason people choose a non-bank product.

One of the most critical elements to maintaining customer satisfaction and quality is meeting the borrowers wherever they are in NZ, looking closely at their projects, understanding where we can add value as a financial partner and making sure that the loan is fit for purpose and in the best interests of everyone.

The uncertainty that comes along with coronavirus will likely affect us all to some extent in the short term. This makes us more determined to focus on quality and supporting our new and existing borrower's plans through this period. As you would expect, we have extensive plans in place to ensure it's business as usual and safe for all our stakeholders.

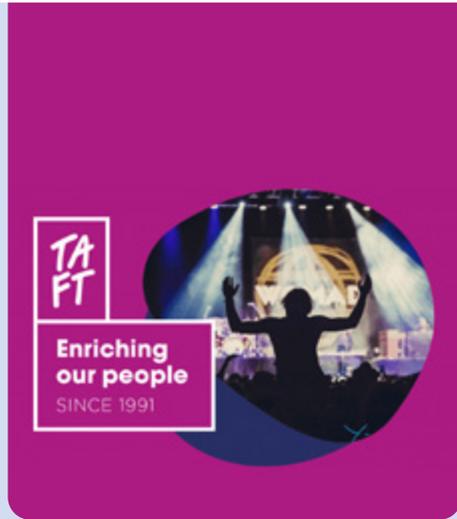
## Why did you choose Midlands Mortgage Trust over one of the 4 main banks?

"ASB were initially supportive, but as we started to grow, they got less interested and declined my application. We couldn't understand why because we always kept up with our repayments and kept them informed. Our mortgage broker suggested Midlands Mortgage Trust, who immediately took the time to understand how we invested in the local property market. We have a very close relationship with them and have had several loans now which we have repaid. They just make it hassle free and I know they really understand me and my business."

Hawkes Bay Property Investor

# COMMUNITY NEWS

At Midlands, our roots are proudly and firmly planted in Hawke's Bay and Taranaki. Because of this, we are very pleased to announce that we are partnering the good people at the Taranaki Arts Festival this year



The Taranaki Arts Festival has a rich and vibrant history dating all the way to an ice-cold winter morning in the 1980s. Three years later in March 1991, the Taranaki Arts Festival was launched. An estimated 45,000 people attended the inaugural Festival, which presented a total of 500 artists and more than 150 shows. Since then it has grown from strength to strength and is a staple on the calendar for people far outside of the Taranaki region.

Today the popular festival has a loyal and passionate following nationwide, enjoys an extensive partnership base, and is approaching its 15th presentation in New Zealand. At Midlands, we love community events like this. We are pleased to be partners this year.

Pop over and have a look at all the good things going on at [www.taft.co.nz](http://www.taft.co.nz)

## Meet the team



Tobias Taylor



Doug Bailey



Mark Hardman



Elliott Jackson



Tony Brooker



Wendy Babe



Jill Shipp



Chandar Dudding



Leoni Potgieter





# MIDLANDS

MORTGAGE TRUST

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## MIDLANDS MORTGAGE TRUST

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