



3.80%*

ANNUALISED PRE-TAX QUARTERLY RETURN

Welcome to our fourth and final newsletter for 2020.

We are pleased with the result for the December quarter. Midlands is performing well and has a high quality loan book. In December we reached the milestone of \$75 million invested in the Fund, up from \$57 million at the beginning of the year.

Newsletter written 14th December 2020

*Annualised pre-tax December quarterly return. Paid quarterly.
Past performance is no guarantee of future performance.



MIDLANDS
MORTGAGE TRUST

CEO COMMENT

Anton Douglas,
CEO



The return for the December quarter was lower than the previous quarter, but still provides an attractive return of around 3.00% over and above the major banks' 1-year term deposits which now range between 0.75% and 0.90%.

The return reflects two main factors; a decline in interest rates generally (so lower rates at which we can lend, while still maintaining our high lending standards), and our very conservative approach to lending through the June and September quarters as we remained cautious of economic conditions as a second wave of COVID-19 began to emerge. This resulted in an increase in our cash position from loans being repaid and new cash investments, and a slowdown in new lending. The quality of the loan book was not compromised and at the time of writing the portfolio has no loans in default.

From late October onwards, we returned to our business-as-usual lending criteria and made significant progress in both new lending and building a solid pipeline into the new year.

On a personal note, I am very excited to have joined the Midlands team as their CEO. I believe Midlands has a great opportunity to grow the Fund significantly and deliver you consistent and attractive returns from an increasingly well-diversified portfolio.

With best wishes
Anton Douglas, CEO

PERFORMANCE SNAPSHOT

	Quarterly distributions*	Fund size	Unit price
1 JAN 2020	5.10%	\$57.6m	92c
1 APR 2020	5.10%	\$59.7m	92c
1 JUL 2020	5.10%	\$61.1m	92c
1 OCT 2020	4.50%	\$67.4m	92c
1 JAN 2021	3.80%	\$75.5m at 14 th Dec.	92c

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

POSITIVE NEWS

Mark Hardman,
Senior Loans Manager



The loans team is now operating under normal lending conditions following a period of caution during the COVID-19 uncertainty earlier in the year. I can report that we have \$24m worth of loans approved for drawdown over the next 3 months that will improve returns to our investors and reduce our cash reserves to more normal levels. I am really pleased with the loans we have approved as they all meet our high credit standards and are well within our loan-to-value (LVR) limits.

With the Fund continuing to grow and our natural 'churn' of repaid loans, we have funds to lend and we are actively seeking the right opportunities in which to invest. Interestingly, for every loan application we approve, we reject four other proposals, not because they are 'bad' investments or higher risk, but mainly because they are more complex and require professional advice and intervention. These proposals often require specialist lenders and do not reflect the conservative nature of our Fund.

Our loan book has continued to perform well and, at the time of writing, all our loans are up to date and we have no arrears.

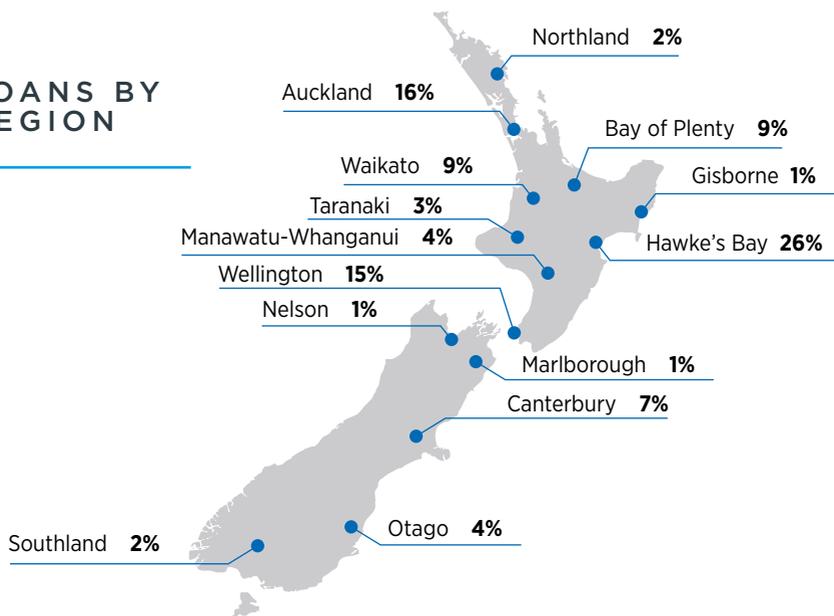
As you would expect, I have been on the road visiting our borrowers and trusted brokers. I have been really pleased with the feedback we have received, and I hope to share some of that in the new year.

I hope you have a very Merry Christmas, and a happy, safe and prosperous new year and extend my thanks for all your support during 2020.

EMAIL ADDRESSES

Midlands is increasingly using electronic communication to talk to customers, and we are continually adding email addresses to our customer files. Please take the time to send us your email address by emailing: elliott@mmt.net.nz

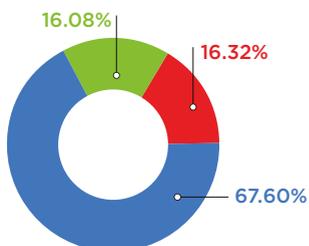
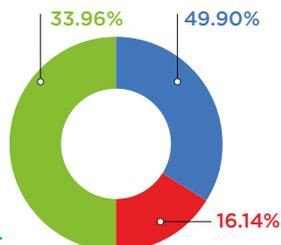
LOANS BY REGION



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 14 December 2020 the Fund's assets comprised:

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

INVESTOR RETURN	NUMBER OF INVESTORS	AVERAGE INVESTMENT	FUND SIZE	LARGEST LOAN	NUMBER OF LOANS	AVERAGE LOAN SIZE	CASH AND TERM DEPOSITS
3.80%*	699	\$108k	\$75.5m <i>as at 14 Dec</i>	\$1.7m	113	\$461k	\$24.9m

*As at 14th December 2020.

*Annualised pre-tax December quarterly return. Paid quarterly. Past performance is no guarantee of future performance.

WHAT A YEAR!

Elliott Jackson,
Investment Manager



This has certainly been a challenging year and one we are not likely to forget in a hurry.

At home and abroad, the economic situation has been at times concerning and ever changing. In New Zealand we have witnessed ever-decreasing bank deposit rates. If you read the financial press you will have noticed that some commentators feel it is unlikely that the official cash rate will be cut again. If they are right, the 0.25% level reached in March 2020 will probably be the lowest we will ever see.

During the worst of COVID-19 we positioned ourselves to be conservative in our lending strategies. This has had some impact on our investment performance during the year. That being said, the latest quarter's annualised pre-tax rate of 3.80% does provide a very competitive return when compared to the 1-year deposit rates offered by the major banks.

We continue to see positive interest in our product and funds under management now stand at over \$75m. Many investors, whether new or existing, have been in contact with me over the last few months wanting a home for their maturing bank term deposits or returned Bonus Bond money. If you have not spoken to me yet or know someone who would like to chat about achieving reliable returns above bank deposit rates, then please do not hesitate to get in touch.

Thank you all for your continued support and best wishes for the holidays and 2021.

GET IN TOUCH

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**

COMPLIANCE UPDATE

Doug Bailey,
Commercial Manager



There has been a lot of change at Midlands, besides the office shift. A major one has been a change of IT provider as we seek to improve our capability, security, and customer experience. They have helped shape our IT strategy, which takes into consideration several events: Financial Market Authority's (FMA) continued focus on cybersecurity, the recent Distributed Denial-of-Service (DDoS) attacks on New Zealand financial institutions (including the NZX), and the new Privacy Act. It also anticipates our migration to cloud-based storage and more online services for customers.

The Privacy Act 2020 came into effect on 1 December. In updating the former Act, it additionally promotes early intervention and risk management by agencies such as Midlands, and enhances the role of the Privacy Commissioner. A key functional change is the requirement to report any privacy breach that causes serious harm or is likely to do so by notifying the people affected and the Commissioner. Midlands takes its privacy obligations seriously and has increased its security around information storage and access. We pride ourselves in knowing our customers well; however, please do not be offended if we ask for proof of identity if you phone the office, as part of our increased controls.

Our Statements of Investment Policy and Objectives (SIPO) and Product Disclosure Statement (PDS) are being updated. A key change is extending our cash liquidity benchmark from 20% to 25%. This recognises the additional cash we currently hold to manage risk associated with COVID-19. It also updates our office's physical address and notes IRD's new process for RWT exemptions. You can see the SIPO and PDS on the Midlands website: www.midlandsmortgagetrust.co.nz

MEET THE TEAM



Anton Douglas



Doug Bailey



Mark Hardman



Elliott Jackson

NEW CEO APPOINTED

Welcome to Anton Douglas!

Anton was appointed to the position of CEO of Fund Managers Central Limited, manager of the Midlands Mortgage Trust, in October 2020. He has 25+ years of experience across lending, credit, corporate finance, wealth management and banking, having worked in New Zealand, London, Hong Kong and New York. Prior to joining Midlands, Anton was a Managing Director at Credit Suisse and most recently the Chief Investment Officer for Credit Suisse Asset Management's EM Credit Opportunities and Special Situations Fund. He has also held the positions of global head of EM Finance and Head of Fixed Income Asia for Credit Suisse's Investment Bank. Anton began his career with the National Bank of New Zealand's treasury division, based in Wellington.

Anton is a Trustee for the IHC Foundation and a member of the Institute of Directors.



Jill Shipp



Wendy Babe



Chandar Dudding



Leoni Potgieter



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