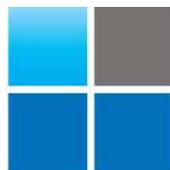


Quarterly Fund Update



MIDLANDS

INCOME FUND

For the quarter ended 31 December 2021

Name of Fund

Midlands Income Fund

What is the purpose of this update?

This document tells you how the Midlands Income Fund ("MIF") has performed and what fees were charged. The document will help you to compare the MIF with other funds. Midlands Funds Management Limited ("Manager") prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this Fund

The MIF holds cash deposits with registered banks and loans secured by first mortgages over land and buildings. The MIF has a low to medium level of volatility. The investment objective is to provide investors with an income return at a level which is better than New Zealand registered banks' 1-year term deposit rates. However, the Manager typically targets (but does not assure) a return of 2.5% to 3% above 1-year term deposit rates, while also seeking to maintain the credit quality of loans in the portfolio, and subject to market conditions.

Total value of the MIF at 31 December 2021	\$100,221,869.39
The date the MIF started	1 / 11 / 2004

What are the risks of investing?

Risk indicator for the MIF

⇐ Potentially lower returns	Potentially higher returns ⇒					
1	2	3	4	5	6	7
⇐ Lower risk	Higher risk ⇒					

The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the MIF's assets go up and down (volatility). A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz/tools/investor-kickstarter.

Note that even the lowest category does not mean a risk-free investment, and there are other risks (described under the heading 'Other specific risks') that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the 5 year period ending 31 December 2021. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will be updated in future fund updates.

See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in the MIF.

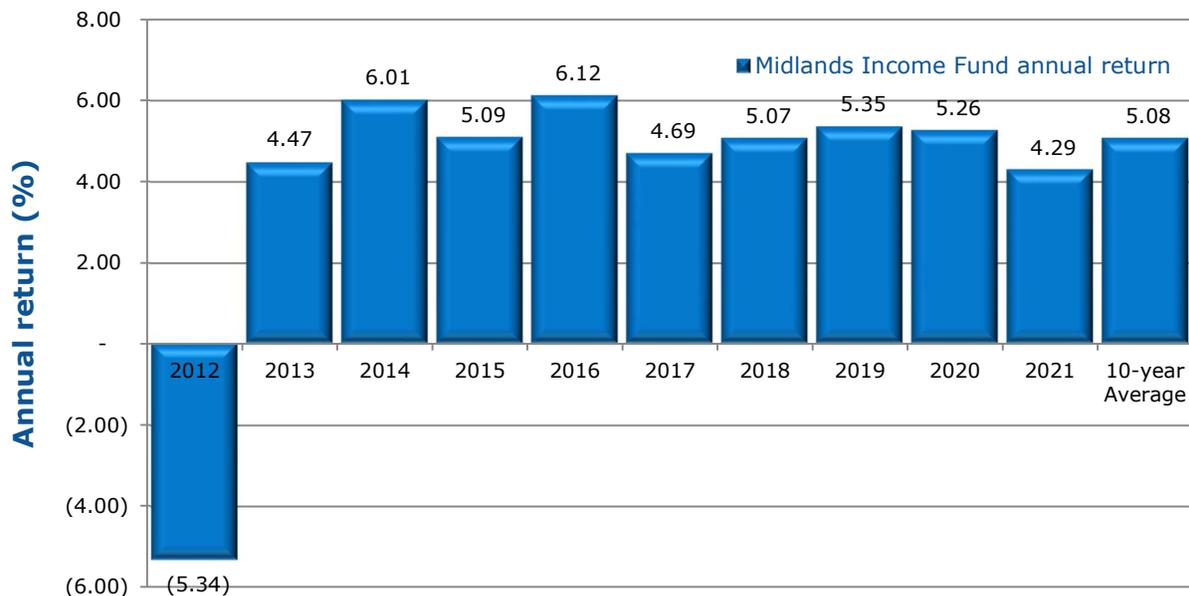
How has the MIF Performed?

	Average over past 5 years	Past year
Annual return (after deductions for charges and tax)	4.86%	4.04%
Annual return (after deductions for charges but before tax)	4.86%	4.04%

The MIF does not pay tax on investor income, it does however deduct withholding tax from individual investor returns at their elected withholding tax rate. See the PDS for more information on tax.

The Financial Markets Conduct (Market Index) Exemption Notice 2018 came into force on 17 July 2018. The Manager is exempted from the requirement of providing market index comparisons, as there is no appropriate comparative market index and no suitable comparable peer group index for the MIF against which to assess either movements in the market in relation to return from the assets in which the Manager invests or the performance of MIF as a whole. Refer to document titled 'No Market or Peer Group Indices' disclosed on the offer register as '20181029 Midlands Market Index Exemption.pdf'.

Annual Return Graph



Previous complete disclosure years

The graph shows the MIF annual return after charges and tax for each of the last 10 years ending 31 March, up to 31 March 2021. The last bar shows the average annual return over the last 10 years, up to 31 December 2021.

Important: This does not tell you how the fund will perform in the future.

What fees are investors charged?

Investors in the MIF are charged fund charges. In the year to 31 March 2021 these were:

	% of net asset value
Total MIF charges [A = B + C]	2.07%
Which are made up of -	
Total management and administration charges [B = D + E]	2.07%
Including -	
Manager's basic fee [D]	1.75%
Other management and administration charges [E]	0.32%
Total performance-based fees [C]	Nil
Other charges	Nil

The above fees are exclusive of GST and represent the actual fees charged for the year.

Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). Such See the PDS for more information about those fees.

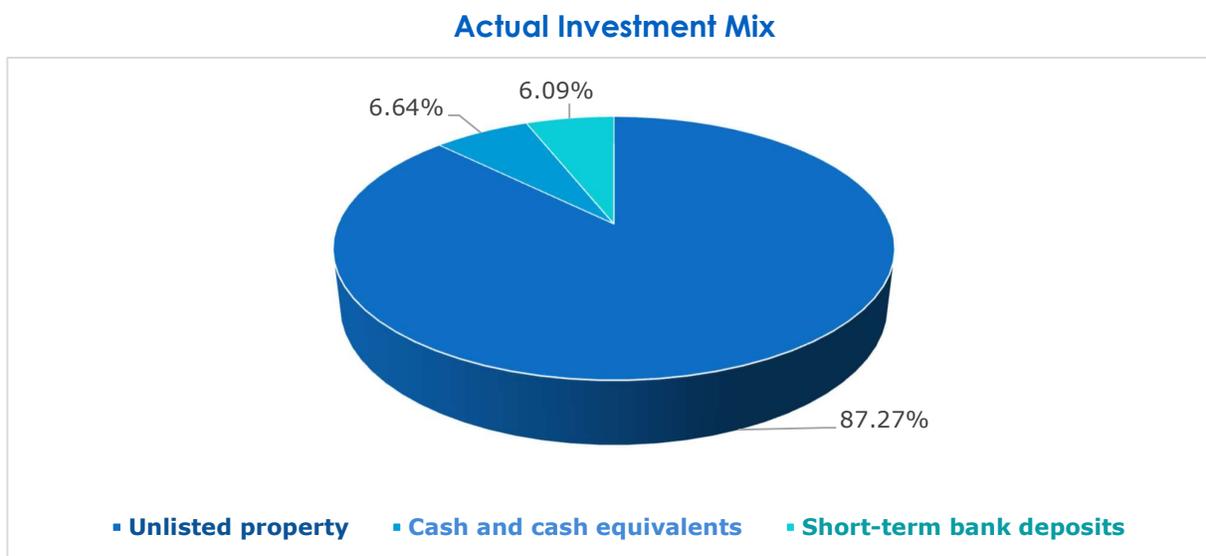
Example of how this applies to an investor

Small differences in fees and charges can have a big impact on your investment over the long term.

Jane had \$10,000 in the fund at the start of the year and did not make further contributions. At the end of the year, Jane received a return after fund charges were deducted of \$537 (that is 5.37% of her initial \$10,000). Jane paid no other charges. This gives Jane a total return of \$537 for the year before the deduction of withholding tax at her elected withholding tax rate.

What does the Fund invest in?

This shows the types of assets that the MIF invests in.



Unlisted property is first-ranking mortgages secured over New Zealand properties.

Cash and cash equivalents are on-call deposits with New Zealand registered banks and term deposits of under 90 days with New Zealand registered banks. Short-term bank deposits are term deposits of between 91 days and one year with New Zealand registered banks.

Top 10 Investments

Asset name			% of fund net assets	Type	Country	Credit rating
Call Account	ANZ		6.63%	Cash and cash equivalents	NZ	AA-
12052998.11	Rural	Auckland	2.79%	Unlisted property	NZ	unrated
12078921.1	Commercial	Bay of Plenty	2.52%	Unlisted property	NZ	unrated
12041378.7	Residential	Waikato	2.23%	Unlisted property	NZ	unrated
12283159.2	Residential	Waikato	2.01%	Unlisted property	NZ	unrated
12239039.1	Residential	Wellington	1.84%	Unlisted property	NZ	unrated
12258144.4	Residential	Bay of Plenty	1.78%	Unlisted property	NZ	unrated
12261182.2	Commercial	Bay of Plenty	1.76%	Unlisted property	NZ	unrated
11618757.2	Residential	Auckland	1.68%	Unlisted property	NZ	unrated
12195443.3	Rural	Bay of Plenty	1.63%	Unlisted property	NZ	unrated
Total value of top 10 assets			24.87%			

The total value of the 10 individual assets as a percentage of the net asset value of the fund is 24.87%.

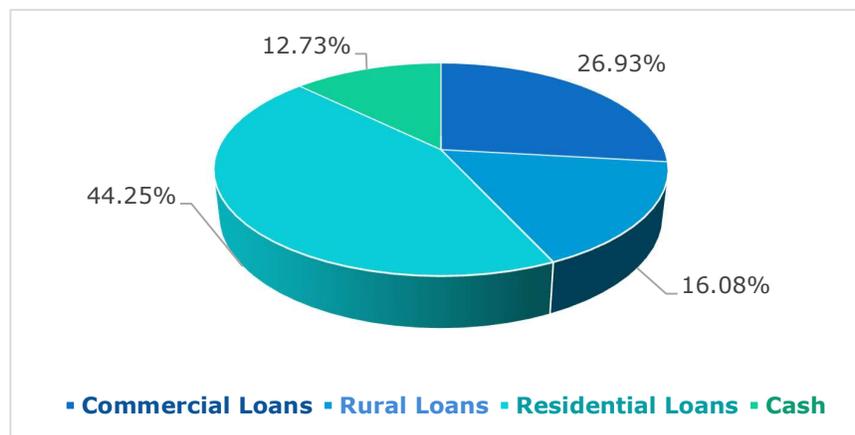
Key Personnel

Name	Current position	Years	Months	Previous position	Years	Months
Dinah Kennedy	Chairman of Loans Committee	1	3	Consultant Bramwell Grossman Lawyers	28	0
Preston Bulfin	Loans Committee	17	1	Consultant Halliwells Solicitors	49	0
John Campbell	Loans Committee	17	1	Partner Davidson Armstrong and Campbell Lawyers	35	0
Anton Douglas	CEO	1	4	Chief Investment Officer Credit Suisse EM Credit Fund	7	0
Miles Standeaven	Senior Credit Manager	0	9	Senior Corporate Analyst Westpac	2	5

Additional information

The Manager has prepared this additional information in accordance with the Financial Markets Conduct (Managed Funds - Loan Disclosure Requirements) Exemption Notice 2019.

Asset Type



This graph shows the composition of the MIF's assets as a percentage according to asset types.

Loan Risk by Region

List of Regions	Percentage by geographic region	Proportion by asset type: Commercial	Proportion by asset type: Residential	Proportion by asset type: Rural
Auckland	20.68%	19.12%	22.13%	19.30%
Bay of Plenty	14.22%	17.86%	7.65%	26.01%
Canterbury	5.25%	6.42%	4.47%	5.45%
Gisborne	0.57%	1.87%	0.00%	0.00%
Hawkes Bay	14.53%	16.98%	12.61%	15.68%
Manawatu-Wanganui	3.66%	4.23%	2.60%	5.60%
Marlborough	0.00%	0.00%	0.00%	0.00%
Nelson	0.55%	1.78%	0.00%	0.00%
Northland	3.04%	4.80%	0.39%	7.31%
Otago	5.16%	7.50%	3.51%	5.78%
Southland	1.09%	2.63%	0.00%	1.53%
Taranaki	1.71%	2.35%	1.15%	2.18%
Waikato	12.77%	8.67%	15.85%	11.16%
West Coast	0.00%	0.00%	0.00%	0.00%
Wellington	16.78%	5.80%	29.64%	0.00%
	100.00%	100.00%	100.00%	100.00%

This table shows the composition of the mortgage loans expressed as a percentage according to each geographical region and within each geographical region details of the proportion of mortgage loans asset types.

There were no specific impaired mortgage loans at the time this fund update was prepared.

Mortgage loans are allocated an asset type based on the zoning of the principal secured property (by value) that is set in the local council's district plan.

Lending Limits

The MIF has lending limits, based on the amount of the mortgage loan when compared with the value of the mortgage security properties ("LVR") at the time of mortgage loan approval, as follows:

Loans secured (or principally secured) by mortgage over residential property	Loans secured (or principally secured) by mortgage over commercial property	Loans secured (or principally secured) by mortgage over rural property
Fee simple and cross lease land and buildings: up to 75% LVR	Fee simple and cross lease land and buildings: up to 66.7% LVR	Fee simple and cross lease: up to 60% LVR
		Property used for dairy farming (fee simple and cross lease): up to 66.67% LVR provided collateral security is obtained over co-operative shares
Leasehold: up to 50% LVR	Leasehold: up to 50% LVR	Leasehold: up to 50% LVR
Vacant land: up to 50% LVR	Vacant land: up to 50% LVR	Vacant land: up to 50% LVR

Further Information

You can also obtain this information, the PDS for the MIF and some additional information from the offer register at www.business.govt.nz/disclose.