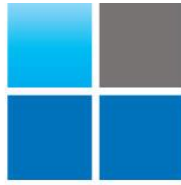


## Fund Update



# MIDLANDS

## INCOME FUND

**For the quarter ended 30 June 2023**

First made publicly available on 1 August 2023

### Name of fund and name of registered scheme

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 fund 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 in New Zealand. The MIF has a low level of volatility. The investment objective is to provide investors with an income return at a level which is better than New Zealand registered commercial 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 fund	\$109,284,375.01
The date the fund 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 fund's assets goes up and down. 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](http://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 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 30 June 2023. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

See the product disclosure statement (PDS) for more information about the risks associated with investing in this fund

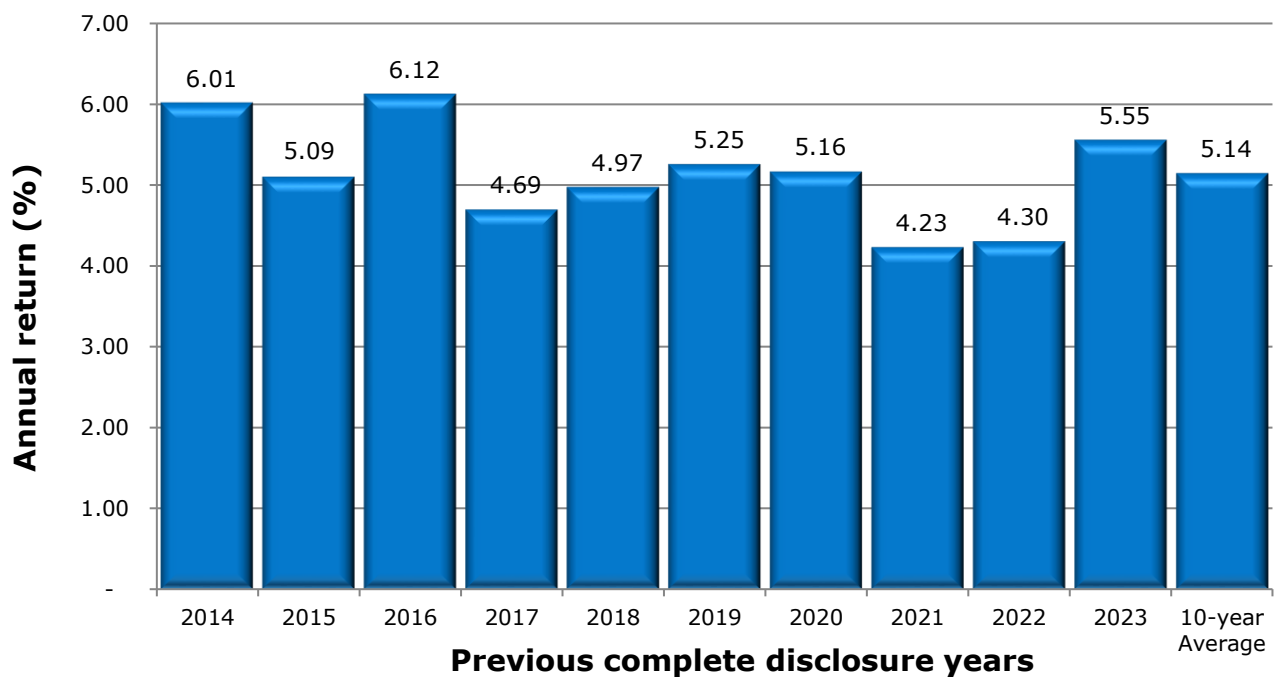
## How has the fund performed?

	Average over past 5 years	Past year
<b>Annual return*</b> (after deductions for charges and tax)	4.95%	5.87%
<b>Annual return</b> (after deductions for charges but before tax)	4.95%	5.87%

\* 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.

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 the returns from the assets in which the MIF invests or the performance of the 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



This shows the return after fund charges and tax for each of the last 10 years ending 31 March. The last bar shows the average annual return for the last 10 years, up to 31 March 2023.

**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 2023 these were:

	<b>% of net asset value</b>
<b>Total fund charges</b>	2.10%
Which are made up of -	
<b>Total management and administration charges</b>	2.10%
Including -	
Manager's basic fee	1.78%
Other management and administration charges	0.32%
<b>Total performance-based fees</b>	Nil
<b>Other charges</b>	Nil

The above fees are inclusive 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). See the PDS for more information about those fees.

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

### Example of how this applies to an investor

Jane had \$10,000 in the fund at the start of the year and did not make any 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 fund invests in.

	<b>Actual investment mix</b>	<b>Target investment mix</b>
Cash and cash equivalents	14.59%	From 5% to 25%
Other	85.41%	From 75% to 95%

'Other' assets are loans secured by first-ranking mortgages over New Zealand properties.

'Cash and cash equivalents' are on-call deposits with New Zealand registered banks and term deposits with a remaining term to maturity of under 90 days with New Zealand registered banks.

## Top 10 investments

Asset name	% of fund net assets	Type	Country	Credit rating
Cheque Account	11.55%	Cash and cash equivalents	NZ	AA-
Loan secured over Residential property in Otago	2.79%	Unlisted Property	NZ	unrated
Loan secured over Residential property in Bay of Plenty	2.40%	Unlisted Property	NZ	unrated
Loan secured over Rural property in Hawkes Bay	2.35%	Unlisted Property	NZ	unrated
Loan secured over Residential property in Otago	2.32%	Unlisted Property	NZ	unrated
Loan secured over Residential property in Wellington	2.09%	Unlisted Property	NZ	unrated
Loan secured over Residential property in Waikato	2.08%	Unlisted Property	NZ	unrated
Loan secured over Residential property in Bay of Plenty	1.89%	Unlisted Property	NZ	unrated
Loan secured over Residential property in Auckland	1.85%	Unlisted Property	NZ	unrated
Loan secured over Residential property in Waikato	1.83%	Unlisted Property	NZ	unrated

The total value of the 10 individual assets as a percentage of the net asset value of the fund is 31.15%.

'Other' assets are loans secured by first-ranking mortgages over New Zealand properties.

## Key personnel

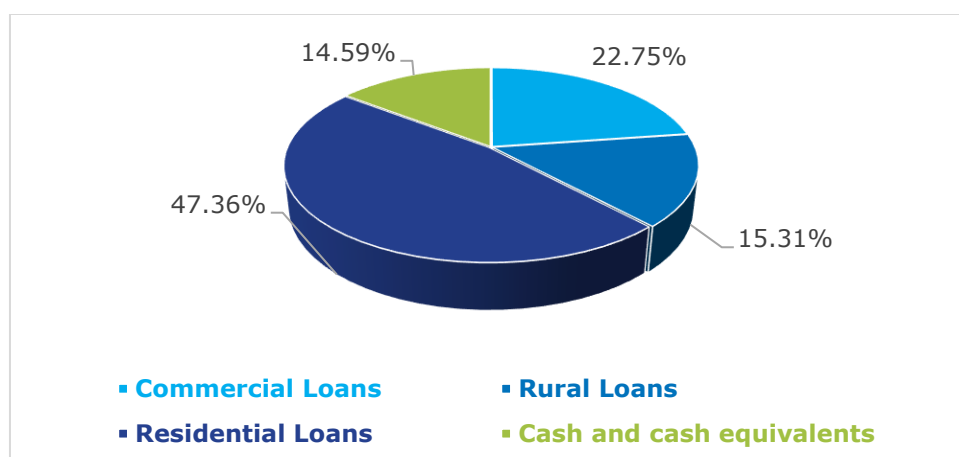
Name	Current position	Time in current position	Previous position	Time in previous position
Marise James	Chair of Audit, Risk & Compliance Committee	1 year and 9 months	Director Baker Tilly Staples Rodway Taranaki*	14 years and 8 months
Dinah Kennedy	Audit, Risk & Compliance Committee	2 years and 9 months	Consultant Bramwell Grossman Lawyers	28 years and 0 months
Rhys Trusler	CEO	0 years and 10 months	Managing Partner, Southern Cross Partners	2 years and 0 months
Miles Standeaven	Senior Credit Manager	2 year and 3 months	Senior Corporate Analyst Westpac	2 years and 5 months
James Brownlie	Chief Financial Officer	0 years and 3 months	Mortgage Adviser	0 years and 6 months
Jill Shipp	Compliance Manager	0 years and 6 months	Loans Analyst, MFML	3 years and 3 months

\* This is a current position.

## Additional information

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

## Actual investment mix with secured property proportions



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	15.91%	12.82%	18.20%	13.40%
Bay of Plenty	13.42%	4.72%	16.71%	16.17%
Canterbury	12.05%	9.68%	13.57%	10.87%
Gisborne	0.63%	2.37%	0.00%	0.00%
Hawkes Bay	13.08%	8.82%	8.21%	34.49%
Manawatu-Wanganui	2.36%	4.60%	1.23%	2.56%
Marlborough	0.00%	0.00%	0.00%	0.00%
Nelson	0.00%	0.00%	0.00%	0.00%
Northland	2.14%	5.16%	0.80%	1.77%
Otago	12.52%	14.20%	12.88%	8.93%
Southland	1.03%	2.86%	0.00%	1.50%
Taranaki	1.64%	2.58%	1.71%	0.00%
Tasman	0.00%	0.00%	0.00%	0.00%
Waikato	12.75%	16.28%	14.20%	3.04%
West Coast	0.00%	0.00%	0.00%	0.00%
Wellington	12.47%	15.92%	12.49%	7.27%
	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 was one specifically impaired mortgage loan at the time this fund update was prepared. The table below shows the composition of the impaired mortgage loan expressed as a percentage according to each geographical region and, within each geographical region, details of the proportion of impaired mortgage loans asset types.

Region	Percentage by geographic region	Proportion by asset type: Commercial	Proportion by asset type: Residential	Proportion by asset type: Rural
Southland	0.65%	0.65%	0.00%	0.00%

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 land and buildings: 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

**Note:** LVR means loan-to-value ratio. LVR shows the amount of a loan as a percentage of the value of the property that secures the loan. The lower the LVR, the lower the amount of the loan relative to the value of the secured property.

### 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](http://www.business.govt.nz/disclose).