



**Maat  
Group**

# Investment News

August 2017

[www.maat.co.nz](http://www.maat.co.nz)

***“We are not a product of our circumstances, we are a product of our decisions” Stephen Covey***

*Welcome to another edition of Investment News. As we approach Spring, that magical time of the year, it's time again to provide information and to offer our thoughts on various topics throughout this Newsletter. We trust that you will enjoy reading this edition, written during the continuation of an historic period where long held economic and investing theories have been challenged.*



**Neil Tuffin - Director**

## The Maat Group

### Maat's Philosophy

We thank you again for your support and loyalty in assisting us to develop our business based on the principles of Maat – the Egyptian Goddess of Truth, Justice and Balance.

By following these principles, the Maat Directors are committed to placing the interests of investors first. Our commitment to our investors continues to be focussed on:

- Offering investment opportunities which we assess will have financial stability for the long term
- Giving New Zealanders an opportunity to own shares in a company which owns commercial property in their own country
- Having transparency so that investors have sufficient information and knowledge to understand the nature of the product that they are investing in;
- Minimising issue costs; and
- Minimising on-going management fees for the benefit of investors



**Maat Group Staff**

### Types of Investment Offers

The Financial Markets Conduct Act (the Act) established new rules for allowing property investment offers to the public. Two categories of offers have been provided for by the Act:

1) Offers from a licenced operator of a Managed Investment Scheme (MIS);

or

2) An Equity Investment offer

In view of these options, the Maat Directors advise that our preferred method of offer is that of an Equity Investment and the background to our decision is clarified below for your information:

a) Maat's offers for the last 5 years have been by way of investors holding shares in an investment company formed for that purpose.

We have registered those offers as a Portfolio Investment Entity (PIE) to allow investors to benefit from the advantages of this income tax regime.

b) The Maat Directors made a decision in the last quarter of 2016 to continue to offer our investment opportunities by way of issues of equity. However, In order to be eligible to continue in this manner, we have not only had to ensure that we were compliant with the Act but also that we complied with the decree in the first quarter of this year from the Financial Markets Authority (FMA), who administer the Act, which states that investments by way of an issue of shares (as per Maat's offers) will be treated as a Managed Investment Scheme (MIS) unless the offer entitles the investors to:

- *Have full voting rights*
- *Have the right to appoint the Directors of the company formed for the equity*
- *Have the right to terminate the contract of the manager with immediate effect and without an on-going contractual obligation*

As a result of our strategy, Maat's offers are clearly different from investment offers by MIS licensed issuers. The important distinctions are that in the Maat offers investors will:

- *Have control of the governance of the company; and*
- *Ensure that the manager (Maat) performs as an effective manager or risks being removed by the investors*

## Staffing

Unfortunately, we lost the services of Katherine at the start of this year after 5 years of service with us, but we were pleased to see her progress her career in the property industry and we hope to see her back one day after gaining lots of experience.

We have been pleased to appoint Tony Lomas as a Facilities Manager from May and Natalie Bell as an administrator from June. A brief bio on each of these employees follows:

Tony brings to the position the skills of 16 years in the police force and his experience in the building industry. Tony's role is clearly to organise solutions for both day-by-day issues and to manage projects, of which we currently have some significant projects underway. Tony is responsible for property budgets and long-term maintenance.



**Tony Lomas -**  
Facilities Manager

We have been fortunate to employ Natalie in an accounting/ administration role to take over a number of tasks from Jodi, who is focussing on her expanding role as Investor Relations Manager. Natalie has held similar roles previously and worked for us for two months on a casual basis, during which time she developed into a key member of staff and now is full-time.



**Natalie Bell - Accounts**

Please get to know all of our staff. Their goal is to serve our investors well, by attending to all of our stakeholders' key issues.

## Charitable Organisation Support

We are pleased to contribute financial support in some small way to organisations to which our investors belong and which we believe are driven by passion, excellence and public benefit. We assess each contribution on its merits and were pleased to make a donation to the Mangawhai Activity Zone Charitable Trust in the last quarter of 2016. The Trust responded by displaying this very public 'Thank You' at the site of their improved amenities for their large (and growing) younger residents.

We wish the Trust well in their quest to complete their vision for the area.



We have also supported the Auckland Manukau Dressage Group in a small way to assist the running of their event early in 2017. We also sponsored a North Shore Commercial Property Group event held by the Business North Harbour business association of which Neil is an Executive Board member in late 2016. The Chief Executive of Auckland Council and a representative of Auckland Transport addressed the plans for roading in Auckland and, in particular, plans for the North Shore to cope with the expected dramatic increase in population.

## New Offer – Fred Thomas Investment Limited

We are pleased to finally bring to the market an offer which meets our criteria of being a quality property with a range of quality tenants, and which has a satisfactory return for investors. It has been an intense last 9 months for Maat as we have been active in a series of property analysis as part of the type of business we are in.

We are now underway with the capital raising period for our pending purchase of 2-4 Fred Thomas Drive, Takapuna, North Shore, Auckland.

An insert is enclosed with this newsletter which expands on the key features of this investment.

Applications close August 23

Settlement will be August 31

Please contact either the Office: 09 414 6078  
or Jodi: m: 021 0844253 info@maat.co.nz  
or Neil: m: 021 481 441 ntuffin@maat.co.nz

## The Commercial Property Market

Changes in the commercial property investment market continue to occur.



The demand for investment in commercial property has increased significantly over the last three years, resulting in higher prices and (conversely) a significant drop in the yields as tenant's rents have not kept pace with the values of the properties. Demand for purchasing has been driven by the traditional scenario of either:

- developers seeking opportunities
- private investors seeking long term returns better than the current bank deposit rates
- other investors who have turned to commercial real estate from their previous investment in the residential market
- syndicators who seek to provide investors with opportunities for a passive cash income stream at a sustainable level well in excess of the bank deposit and/or bond rates

As is the traditional pattern, the tightening of supply in Auckland has led to the increase in prices and is followed 18 months later by increased demand and lack of supply in other main centres. This is the same pattern in residential property demand. Even regional centres across the country are now benefiting from the demand for good quality commercial property. We continually receive information regarding the availability of regional commercial properties with yields of 6%-6.5%, which does not fit our model but, no doubt, will be purchased by someone who has a different goal.

A new obstacle has entered the pathway of commercial property investors - the lack of guaranteed finance. The large Australian owned banks are having to ration their available funds as a result of Reserve Bank controls and too much lending having been completed over the last 18 months. The banks only have 12.5% of their lending book available for commercial property investment, as regulated by the Reserve Bank. Banks are rationing their funds in various ways, including one bank withdrawing their support for developers.

The second difficulty for investors is the rising interest rates as a result of banks having to source more of their funds from offshore. This results in an additional margin being charged by the banks on their loans, although the exact amount of that margin is not disclosed. The deposits in banks from customers have decreased significantly (to a low of circa 30%) as a result of the low investment interest rates offered and has driven investors to search for other means of obtaining better returns. It makes it even more important that we have paramount consideration for the long-term future of our investments, not just the short-term benefits and ensure that we have adequate cash reserves to sustain increases in interest rates and other costs once growth in the world economy rises again.

To fill the availability of finance, two Chinese Government banks have become established in NZ, the China Construction Bank and The Industrial and Commercial Bank of China. Each of these banks has secured the services of NZ employees from other banks for their business development.

The Maat Directors continue to use our experience of the past to understand the reasons for the volatility of investment markets. We have seen the effects of the rise and fall of the equity markets, the unrealistic borrowing of property companies and the failure in dramatic fashion in a short time of the invention of new investment products.

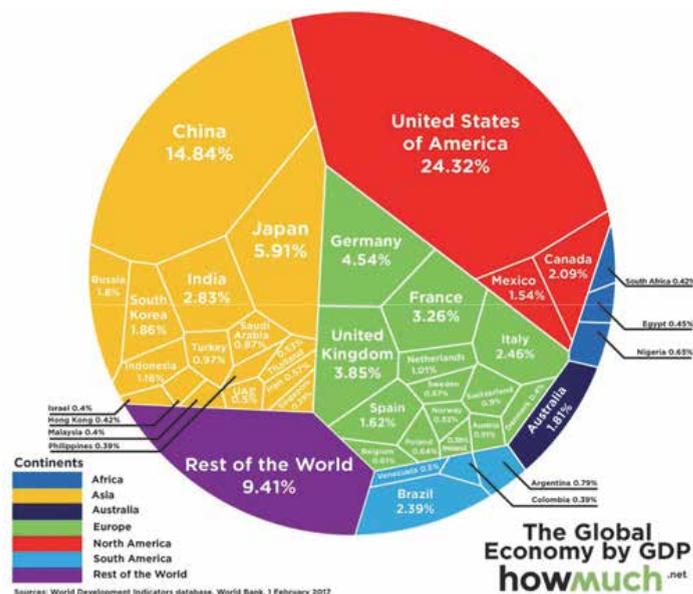
## The World Economy

### Global economy walking a tightrope

The views of economists across the world seems to be that the global outlook is unchanged, as global risks appear to be balanced. The latest data for Q1 suggests that the global economy is recovering at a healthy pace. Following a 2.6% increase in 2016, analysts forecast that the global economic growth will accelerate to 3.5% in 2017. For 2018, growth strengthens further to 3.6%.

Some interesting facts from the latest World Bank report advises that in 2017:

- The US economy represents 24.3% (\$18 trillion) of the world economy
- China is in second place at 14.84% (\$11 trillion), but catching fast as they forecast growth of 6.7% in 2017 compared to the US growth of just 1.6%.



These figures need to be taken in context though, as it is more likely that emerging economies will grow at a faster rate than mature economies.

According to the World Bank Report. One of the most interesting developments going on in the world at the moment is in Africa. China is involved in Africa in both an official capacity and as a major source of private investment. China is preparing to relocate 85 million light manufacturing jobs from higher-income East Asian economies, including its own, to Africa. This represents an important opportunity for Africa to create more and better employment opportunities for its citizens, thereby reducing poverty and supporting dynamic growth.

Italy is also thought to be in a position to lead the use of African made goods to boost consumer confidence. It is forecast that, together, "Chinese and Italian firms can overcome the challenges posed by an unstable political environment and limited financial and human resources".

## The NZ Economy

NZ is the 53rd largest national economy in the world measured by GDP, but is one of the most globalised economies and depends greatly on international trade, mainly with Australia, the EU, the US, China, South Korea and Japan. NZ's currency is in the top 10 of traded currencies in the world.



The primary sector continues to dominate New Zealand's exports.

In its March 2017 report, the ANZ commented that "the economic cycle has reached a mature stage. Historically, sharp slowdowns have followed".

They considered that "the credit/housing related excesses are being more actively curtailed, which lessens the odds of imbalances building further and ultimately bringing about a nasty future correction". They forecast that the annual GDP growth should be around 3% over 2017 and this seems to be the expectations of other economists and the Government.

## Maat Financial Services

We are committed to building financial security for our investors and many others who have the need.

Led by Paul Tuffin, Maat Financial Services provides the required personal insurance advice and service to assist individuals and businesses to secure their income and/or to protect their business exit strategies or continuity if an insured event occurs.



Paul Tuffin - Advisor

As one of its diverse markets, Maat Financial Services provides companies with the opportunity to benefit their employees by implementing an Insurance Group Scheme. NZ companies are slowly catching up to this employee benefit that has become the norm in many developed countries throughout the world.

Some startling statistics are available in NZ in regards to the impact of income lost through a personal tragedy. One key fact is that every year over 50,000 New Zealand households lose the main income earner's salary through illness for at least six months.

## Maat's Goal

Maat's goal is to continually measure our organisation's performance against our own high expectations. We will always strive to do what's possible. If we can't achieve it, it may not be possible.

If you have any queries about our business or your investment, please call Neil direct at any time on 021 481 441, or contact the administration office on 09 414 6078 and speak with Jodi.