



"The best way to predict the future is to create it – Abraham Lincoln"

How wonderful it would be to have the power of knowing the future!

What would we have done if we knew Covid-19 was a possibility? We would have been vaccinated; we would have worn masks regularly; we would have been careful about congregating in large groups of people. However, we had no understanding of this disease and the devastation that it has caused. A pandemic of this scale was never thought possible, given the advanced health care that many countries have. The lessons learnt through coping with the pandemic have been extensive and will take a long time to fade from our memories. But they will, in time, be replaced by more beautiful thoughts by people based on the hope for the future. In the words of Nelson Mandela, "There were many dark moments when my faith in humanity was tested, but I could not and would not give myself up to despair. That way lays defeat and death."

Just when the world starts to open up after finding ways to cope with the effects of Covid-19, the world woke up to an even greater threat, the invasion by Russia of Ukraine. No one thought that this was likely to happen to the extent it has evolved. This is even harder than Covid to extinguish. This is the ego of one man and his leadership group who act in the interests of their self-greed; their belief in their own superiority and entitlement; and their determination to take away the rights of the way which their prey lives. Surely, he cannot prevail. An ongoing war will not be the solution. The ending of the war will only be achieved through the willingness of men to seek justice and cooperation in achieving a peaceful future.

The fragile re-establishment of the world trade and growth patterns after the pandemic have been set back by the war in Ukraine causing a devastating humanitarian crisis in Europe; a hugely concerning food crisis throughout the world; a distressing effect on the world's population as a result of unbridled inflation, leading to the end of 'cheap' money with interest rates rising sharply; and a disruptive impact on the financial systems.

Fortunately, humans are resourceful. Like chameleons, we adapt to the environment that we find ourselves in. Once the Ukraine conflict is over, it is probable that the world economies will recover quicker than ever thought. It's worth remembering that the world economy has experienced the longest period of economic expansion for 40 years during the 2009-2020 period, following the Global Financial Crisis which commenced in 2007-2008.

We are fortunate in NZ in that we are a small country which is not affected by the large swings in the performance of our economy like larger countries have to contend with.

The NZ Property Market

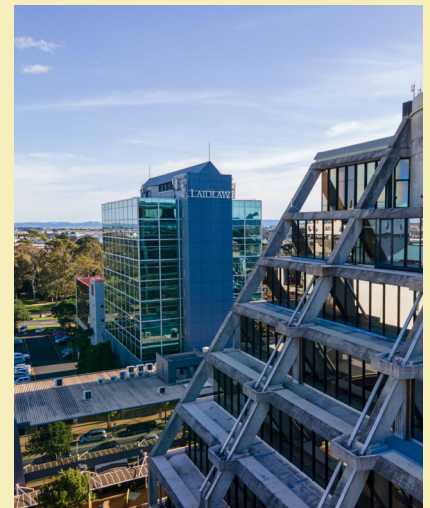
The rise in interest rates, banking support and seismic ratings of buildings are the challenges being focussed on by commercial property landlords, in the NZ property market at the moment.

The increase in interest rates has been much more severe than we had forecast, given the guidance provided by the Reserve Bank Governor in November 2021. We are now witnessing a much more aggressive approach and it is likely that the 3.5% target for the Official Cash Rate (OCR) will be nearly reached by the end of 2022, unless the inflation pressure is reduced rapidly. This is a year earlier than original forecasts.

Currently the OCR rate is at 2%, with forecasts being at least another 0.5% rise on the next OCR set date on 13 July.

So, what does this mean for borrowers? The base rate for bank lending is the wholesale 90 day bill rate, currently at 2.82%. In June last year it was at 0.35%. On top of this the bank's apply their margins, which will differ according to the bank's risk in the lending. We are now seeing the effect of the rise in interest rates with total borrowing costs now in the mid-5% range and expected to exceed 6% by year end. This is a significant increase from the mid-2% to 3% range that we operated in, in former times.

Central to the success of commercial property as a sound investment is the continuation of the bank's funding support. This will depend on the strategy of the banks as they move their money to focus their support on various aspects of the economy where they can reap the higher rewards for less risk. Bank lending for each commercial property purchase may be reduced significantly until the new order of interest rates and property values are in place.



An additional difficulty for landlords is the low seismic ratings currently being recorded on buildings, despite them being rated significantly higher when purchased. This has been well publicised, with government departments (in particular) moving out of properties which do not meet the seismic rating threshold detailed in their lease agreements.

The NZ Economy

The NZ economy has been severely tested by the events of Covid-19 and the indirect effects of the Ukraine war. Surprisingly though, the economy grew by a staggering (for us) 5.1% in the year to 31 March 2022. In dollar terms, the GDP rose to NZ\$355bn, ranking NZ 47th compared to other major economies. The next largest 'growth year' was 2017, when a growth rate of 4.4% was achieved. We have to go way back to 2002 when we last broke 5% growth per annum, at 5.1%.

On a productivity basis, NZ sits at only 65% of production per worker compared to the OECD best performers. Just think, if NZ could increase productivity...the increase of wealth for the country would be extremely significant! Productivity is often a softly spoken word in NZ, but we have many examples of non-deliverables in NZ due to (among other factors) the failure to complete projects on time, eg. building and roading contracts.

There are headwinds on the horizon according to the OECD analysis, with their forecasts that NZ's economy will grow by 3% in the 2022 calendar year (the world average is forecast to be 2.9%) and by 2% in 2023. NZ is ranked as the 18th largest economy in the world in terms of GDP per capita from an analysis of 53 countries by Country Economy.

The twin effect of unemployment at an historic low of 3.2% at the end of the first quarter of 2022 and lack of skilled labour, has added to the imported inflation caused by interrupted supply channels and the effects of the Ukraine war.

In addition to the focus on economic performance of NZ, the government is now also focussed on the well-being of its citizens.

The World Economy

As a result of the pandemic and the Ukraine war, the world's economic growth forecasts have been severely reduced.

The World Bank's rankings of the top 8 economies in the world in 2022 makes interesting reading, together with the national debt levels:

	Country	GDP (Trillions)	Debt to GDP
1	USA	\$20.89	124%
2	China	\$14.72	60%
3	Japan	\$5.06	240%
4	Germany	\$3.85	63%
5	UK	\$2.67	86%
6	India	\$2.67	52%
7	France	\$2.63	99%
8	Italy	\$1.89	122%

According to the latest World Bank's June 2022 forecasts, world growth will decrease to just 2.9% in 2022, compared to their January 2022 estimate of 4.1% and significantly lower than the 2021 growth rate of 5.7%.

Further, the Bank commented that *"It is expected to hover around that pace over 2023-24, as the war in Ukraine disrupts activity, investment and trade in the near term"*.

The Central Banks across the world are grappling with keeping within their inflationary targets by applying higher interest rates and the resulting effect of squeezing real incomes and dampening growth. We wonder when the balance will be restored.



Maat's Activity



It has been pleasing to witness some very positive income returns and capital gains for our investors from their investment in a variety of properties which they have held for some time. These gains have been achieved even against the backdrop of increased demands to meet the requirements of capital improvements; rising interest rates; unforeseen maintenance; and tenancy risks.

We are currently having 5 buildings seismically assessed at the request of current and/or prospective tenants. Buildings from Wellington southward are particularly vulnerable to a re-rating in line with the New Building Standard (NBS).

The annual audits of the property investment companies which we manage are well underway to meet our statutory obligations to file audited financial statements with the Companies Office by 31 July 2022. In addition, the audited financial statements are to be included in the Annual Report which will be distributed to investors for review prior to AGMs, which are to be held on August 25 & 26.

We experienced a spate of successful share sales for investors recently, based on the individual circumstances of investors. However, that heightened offer of share sales has now abated, with investors awaiting the annual reports for each company and keeping an eye on the status of the NZ property market in the new interest rate regime.

The creation of wealth for our investors is our prime goal in offering investment options for investors. We are aware that other factors impact on investors ability to enjoy the rewards of their investment. We are therefore saddened by the passing of one of our original investors in 2010 and also the major ill health challenges currently being encountered by three other loyal investors. We wish them all a successful recovery for their long-term challenges.

We continue to strive to bring another investment opportunity to the market. Opportunities are limited currently as vendors are not yet 'cashing up' after a golden run, as they weigh up their options following the impact of the rapid rise in interest rates forming downward pressure on the values of commercial property.

We are analysing options but will not bid for any purchase unless we can obtain our base criteria of the investment being in a quality property, with quality tenants and which will provide a satisfactory return for investors.

We maintain a low overhead approach for the benefit of our investors and will continue to do so to achieve a sustainable investment opportunity for investors in this new, high interest rate regime. This low overhead approach includes the non-payment of director fees to the Maat directors who are also the sole directors of the investment properties managed by Maat.

Maat's Staff Profiles



Neil Tuffin
Managing Director

Neil has built up a vast experience of commerce throughout his (long) working career commencing in the oil industry and progressing to the Govt. Audit Office; an accountant with Price Waterhouse (before PwC days); a retail business owner; a management consultant for National and International companies; a Chief Financial Officer; a financial advisor; and, for the last 12 years, focussing on commercial property investment opportunities for investors.

Outside of his working career, Neil was at the forefront of setting up Whakatane High School for self-management under the "Tomorrow's Schools" concept when he was a Board member in the late 1980's. He later became a life member of the Whakatane Rowing Club and served as treasurer and president of the North Shore Squash Club during the 1990s, also serving as president of the Auckland Squash Association for 1 year. Neil maintains a keen interest in rugby, which he played for Whanganui some 50 years ago, finishing with a few years of playing club rugby in New Plymouth. His life-time interest in rowing and squash continues. Neil holds the role of Chairman of the largest organic composting company in NZ, under the brand name of Revital Fertiliser.



Mark Hughson
Director

Family life has always been the key focus for Neil and his very resourceful and capable wife of 49 years, Allyson. They consider themselves very fortunate that each of their four children and 10 grandchildren maintain close contact and are supportive of each other. Each of the four children developed into very capable squash players with the grandchildren now involved in the sport, as well as having a diverse interest in other sports and activities. Allyson's recovery from a serious cancer illness 20 years ago has left both of them truly indebted to the professional skills of the oncologists and haematologists involved.

With Allyson and Neil residing back in Neil's home city of Whanganui for the last 24 years, Neil travels to the Maat office in Auckland for circa 60% of the working weeks each year. Neil and fellow director, Mark, have built Maat as a business employing prodigies of both families, based on the Henry Ford principles of "Coming together is a start; working together is progress; staying together is success."

Mark is a Chartered Accountant operating as the sole practitioner of his practice in Hawera, New Plymouth, Opunake and Patea (Taranaki). He has a Bachelor of Business Studies in Economics and a Post Graduate Diploma in Business Studies (Accounting), both from Massey University and is a Chartered Accountant of Australia & New Zealand (CAANZ).

He started as a gofer at the Hawera-based accountancy practice during his university holidays in 1985 later becoming a partner in 1993. Now with a staff of 12, Mark manages and provides strategic advice for a client base which extends across New Zealand. Mark enjoys his work and loves advising clients and working with them to achieve their goals.

He makes a significant contribution to the South Taranaki community and is a Trustee on the Hawera St Joseph's School Board.

Outside of the office, Mark is a father to 3 daughters and 4 sons. He enjoys travelling and has travelled extensively outside of New Zealand. Marks other passions are wine, food and motorcycles.

Staff Profiles

Facilities and Leasing



From left: Natalie Bell, Paul Tuffin and Tony Lomas

Tony Lomas **Facilities Manager**

In 2017 Tony joined the team at Maat Group following a 16-year career with the NZ Police Service. During this time, he served predominantly in front line roles in various North Island locations, however he also spent two years as a recruit instructor at the Royal NZ Police College in Porirua. Prior to joining the police service, Tony completed his Trade Certificate in carpentry, spending 10 years working on a wide variety of projects from residential housing to larger industrial construction sites.

When he's not working for Maat Group, he enjoys spending time with his wife and three children, especially taking advantage of the outdoors, including camping, kayaking, boating, fishing, swimming etc. Tony also likes to keep fit and enjoy walking on the beach, running, tennis, and particularly squash.

Paul Tuffin **Facilities Manager**

Paul Tuffin is a Facilities Manager at Maat Group. Paul joined Maat in September 2014 as an Insurance adviser, before moving full time into the Facilities team in 2020.

Before joining the team at Maat, Paul was a professional Squash Coach for 7 years. He has coached in a few countries around the world including Canada, Luxembourg, and Tasmania. Paul is an A grade squash player and is a current Auckland masters representative. He is married to Jodi and together they have 2 very active boys, James (11) and Caleb (8). When not at work, he enjoys playing and coaching squash and also watching his boys participate in numerous sports.

Natalie Bell **Leasing Manager**

Natalie Bell has worked for Maat since April 2017. She was originally employed as a general administrator before moving into the role of Leasing Manager, which she has held for the last 3 years. Before her time at Maat, she worked as an Office Manager for a construction company in Auckland.

Natalie has two amazing kids that keep her busy outside of work. She loves to spend time watching the kids sport, enjoying family time and getting out on the ocean, fishing whenever the weather lets them.

Staff Profiles



Jodi Tuffin
Investor Relations Manager

Jodi Tuffin has worked for Maat since January 2015 after returning from living overseas for 7 years in Canada, Luxembourg and Tasmania. Before the world of Maat, she had studied to earn a Bachelors degree in Japanese, taught English over in Japan, worked in basic accounting jobs, waitressed and also worked as a receptionist for Bay Audiology! She joined Maat not long after her husband, Paul.

Initially starting at Maat when there were only 3 employees, Jodi started by working in the accounts department, investor relations management and assisting with the management of the properties. Since then as Maat has grown, she has moved into the role predominantly of Investor Relations Manager and is the Office Manager.

She has two boys, aged 11 and 8. Her interests outside of work include a lot of sport- both for her kids and her husband, but also herself with running. She completed an Ultra Marathon back in 2019 – which is hard to believe is 3 years ago! She also has a strong faith background. She loves to spend time with her friends and family as much as she can.



Michelle Lomas
Finance Manager

Michelle joined the Maat team on a part time basis in February 2018, slowly increasing her hours to full time capacity in April 2020. She is a Chartered Accountant with the majority of her experience coming from working at Grant Thornton Chartered Accountants in both Wellington and Auckland. Michelle has also had two stints working overseas (Perth, Dublin and England) as an accountant in various roles which included working for both the government and commercial sectors. After leaving Grant Thornton in June 2011 to have her second child, Michelle contracted on a part-time basis before starting with Maat.

Outside of her work life, Michelle has three children, aged 14, 11 and 8 who keep her busy with all their after-school activities. She also enjoys playing squash, running and spending lots of time at the beach and in the outdoors with her family and friends.



Rose Hughson
Admin and Accounts

Rose has worked for Maat Group since April 2018 in an administration and account's role. She started following the completion of her conjoint Bachelors degree in Arts and Commerce at The University of Auckland. Rose majored in International Business, History and Film, TV and Media Studies. Whilst working for Maat Group she has been completing parttime study towards a Diploma in Business Studies focusing on accounting and finance.

She is from Taranaki and enjoys spending time with family, friends, going to the beach and playing tennis.

As always, Neil and Jodi are willing and able to assist investors and prospective investors in clarifying any investment queries which they may have. We appreciate the regular contact which a number of our loyal investors have with us and understanding their needs and concerns as well as advice they provide to us. Please call us either at the office on 09 414 6078, Jodi on 021 084 42523 or Neil, at any time, on 021 481 441.

After 2 years of virtual AGMs, it will be wonderful to again host you for the 2022 AGMs. As per the preliminary notice below:

Upcoming Events:

Annual General Meetings
25th and 26th August
Ellerslie Event Centre

We hope that everyone is taking care of their families and friends. The best that all of us can offer is consistency, stability, respect and loyalty.

