

# PropertyLine

the newsletter of PMG



## Letter from Scott McKenzie, CEO

Wishing all our valued clients a very happy and prosperous 2021. It's without a doubt the country, and the globe, breathed a sigh of relief as we collectively counted down the seconds to 2021, closing the chapter to a wild and unpredictable 2020.

While the world still battles – somewhat unsuccessfully – to control COVID-19, New Zealand has provided a shining light of what is possible when a nation works together to fight a common enemy. Although, as an island nation of only five million, it was always going to be easier for us. We have done a great job at keeping it out, so far (and at the time of writing this).

When we reflect on 2020 for PMG as a business, despite being very challenging at times, it was overall a very successful year. See highlights under 'The Year That Was' on this page.

We are thrilled to have helped all our clients through a tumultuous year, demonstrating our dedication towards achieving our vision of becoming a trusted employer, landlord and funds manager of choice.

Our focus for 2021 is to continue to improve the robustness and income resilience of our funds through the acquisition of high-quality properties, delivering exceptional property management services to add value to our existing assets, and to continue to explore a possible third-party, passive partnership.

As mentioned in our communications to our clients on 16 December 2020, we are having discussions with a possible equity partner that shares the same values as PMG. An equity partnership is expected to enable a number of opportunities and benefits to PMG investors and tenants alike, with the same high level of service to our clients and with the existing team. Please see the accompanying insert included with this newsletter for more information.

### Upcoming Offers

In 2021 we anticipate bringing three offers, possibly four, to investors this year. In March, the first offer will be in one of New Zealand's largest and most diversified unlisted commercial property funds – Pacific Property Fund Limited (the Fund). Since its inception in 2014, the Fund has consistently delivered regular and reliable returns to its investors. For more information on this upcoming offer, see page 4.

While there are at least three vaccines in circulation globally, it is still possible New Zealand will see another community transmission case and increase in Alert Level in 2021. Regardless of what the year throws at us, PMG as a funds manager, landlord and employer is totally committed to ensuring the best outcomes for all our stakeholders.

Kind regards,



Denis McMahon  
Chairman of the Board  
PMG Funds



Scott McKenzie  
Chief Executive Officer  
PMG Funds

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## 2020 The Year That Was

PMG won the Westpac Tauranga Business Award for **Service Excellence**

**\$525m+**

Assets under management

**Successfully completed** three capital raise offers

**Launched PMG Generation Fund**, a commercial property investment fund with a lower minimum investment required

**Successfully subscribed** PMG Direct Childcare Fund's Offer in 36 hours

**Improved energy efficiencies** by approximately 10% (in PMG's pilot properties)

20 tonnes of waste **diverted to recycling** (50% reduction from December 2019)

**Supported** and retained all PMG's tenants throughout COVID-19 lockdowns

PMG's **Simi Mukherjee** won the FMANZ Facilities Manager of the Year Award

PMG's **Reinvestment Plan** Launched

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For upcoming **Investor Seminar** dates around the country, head to [pmgfunds.co.nz/events](https://pmgfunds.co.nz/events)

# Local Outlook

by Scott McKenzie, CEO



In 2020, commercial property in New Zealand proved remarkably resilient. It was helped by the following:

- The many great businesses that have adapted and grown, supporting the consistent cash returns commercial property continues to deliver.
- Weight of investor capital looking for a home, together with the low interest rate environment (meaning alternative investments like commercial property are offering higher returns than cash in the bank currently).
- Growing demand for industrial warehousing for transport, logistics and manufacturing businesses.
- Investor wariness of an over-valued share market.
- A move from hands-on investments (like residential property with its increasing regulatory burden and compliance etc.) to passive investments (like commercial property funds) underpinned by productive NZ businesses, land and buildings.
- We've seen unprecedented yield compression<sup>1</sup> across commercial property over 2020.
- Investors globally are betting that interest rates will remain low for some time to come. As a result, many capital asset classes<sup>2</sup> have performed strongly over the past 12 months, now with some of the highest price-to-earnings ratios on record for many companies across world share markets.

While this could be the case for some months to come, the proverbial global 'drug' (central bank monetary and government fiscal stimulus) will need to be withdrawn from the arm (markets) at some point. This will occur faster than markets are currently expecting, i.e. as soon as we see growing inflationary pressure. While we don't know when this will be, we expect it will occur in the short to medium term.

*Content of this article is the opinion of Scott McKenzie and is not intended as personalised financial advice. You should seek independent financial advice from an authorised financial advisor before making any investment decisions.*

Once this occurs, capital asset values are likely to see some of the air let out of the tyres as investors begin to reset their expectations of returns relative to risk.

To date, New Zealand's businesses have shown resilience in the face of the pandemic. While this is encouraging, there are challenges ahead for NZ Inc and world economies.

While we are confident in the country's ability to continue to weather the storm, we are an export nation, reliant on global supply chains. The ongoing disruption will likely impact NZ's economy in the coming year.

PMG's ongoing strategy in 2021 is then to continue increasing the robustness and resilience of our funds. In 2014, PMG transitioned from a single-asset property syndication model to a fund management structure (multiple properties, in multiple locations, with multiple tenants). This strategy has proven to be the right one.

While we saw businesses forced to work from home last year, and some increased their flexible working policy, we don't expect to see a wholesale shift in the occupier demand for office spaces, as we have mentioned in previous articles.

PMG's focus is on becoming the landlord of choice, and we continue to see growth opportunities across all sectors of the commercial property market, including the office sector. By investing for the long term and not attempting to pick the top or bottom of economic cycles, PMG firmly believes the commercial property sector will continue to deliver regular cash returns and long-term growth in value.

<sup>1</sup>Weight of capital, low interest rates, commercial property yields providing strong returns relative to term deposits and bonds, occupancy levels across industrial and office sectors faring well following the COVID-19 lockdowns.

<sup>2</sup>Including commercial property, equities, residential property, artwork and gold.

## Survey Results

At PMG, our vision is to be the most trusted property funds manager and the landlord of choice in New Zealand.

As part of our mission to *deliver better together*, we survey our investors and tenants once a year for their valuable insights and to see how we have been performing across our Investor Relationships, Asset and Facilities Management services.

We have received helpful and constructive feedback, which you can read below. Thank you to all those who participated.



### TENANTS

Over 90% of tenants surveyed view PMG to be living its values of trust, being genuine, innovative thinking, acting responsibly, demonstrating leadership, accessibility and approachability. Tenants said how easy the PMG team are to deal with, which is testament to the relationships we build with our clients.

*"The entire team have been absolutely fantastic to deal with. All our issues have been resolved as soon as possible, and the response rate has been the best I've ever seen. Great team to work with!"* – Joshua de Sales, Finance Now

*"I would like to personally thank Meilissa for all the work she does for us and for being so patient and understanding with the jobs we log on the portal. Working with her is a delight. I really appreciate the support she has given us, especially though this year, as it has been difficult for us all."* – Belle Deck, Animates

### INVESTORS

Over 95% of investors surveyed indicated that their PMG investment portfolio performed in the way they expected in 2020. Additionally, over 99% of investors feel they are given honest and transparent information regarding the performance of their investments.

*"Keep up the good work. I have selected you because of your open communication style. I like your webcasts on current events and information from economists etc. These are difficult times, and it is hard to know what to do as an investor. Access to experts in the field and their thoughts is always helpful."* – Lizette van Beek

*"We are completely happy with PMG and will invest more in the next twelve months. We think they have managed the growth, diversification and security of the fund and investors exceedingly well through a trying year and look forward to more progress in 2021."* – Anthony Rogers

## PMG's UpliftHER 2020 Event a Success



On Wednesday, 2 December 2020, PMG hosted over 100 ladies for its second UpliftHER event. Following the inaugural event in 2019, we again celebrated five inspiring local women and their contribution to the community.

This year's keynote speakers included Glenys Watson, who spoke of her calling to adopt four children from Russia, and Lavina Good shared her numerous charitable endeavours, from food rescue to youth mental health.

They were joined by Rachael Pearce from Cherish Life, Renee Ball from The Lactation Station, and Leigh Kite from Hemp Farm NZ, who also told their inspiring stories of challenges, grit and incredible growth.

As part of the event, PMG highlighted women's charity Dress For Success Bay of Plenty. Together, we raised funds, and many donated everything from personal hygiene products to gently used handbags to help the charity continue to empower women to achieve their personal and professional goals.

Thank you to all those who attended, donated and were involved. We look forward to doing it all again in 2021.

*"I was blown away by the organisation, quality and depth of the speakers, and the food and beverage of the whole evening! I felt totally uplifted and can't wait for the next event! Well done to all those involved."* – Nicky McCall

Head to PMG's News page ([www.pmgfunds.co.nz/news](http://www.pmgfunds.co.nz/news)) to read more and view the gallery of images.

## PMG Wins Tauranga Westpac Business Award for Service Excellence



We're humbled and thrilled to have won the Westpac Business Award for Service Excellence in 2020. The award recognises us as an organisation that has achieved outstanding results through initiatives that demonstrate leadership and commitment to service excellence and their customers. Congratulations to all our fellow nominees and winners.



## Simi Mukherjee Wins Facilities Manager of the Year



PMG's Head of Facilities Management Simi Mukherjee took out the Facilities Manager of the Year title at the Facilities Management Association of New Zealand (FMANZ) Awards on Wednesday, 4 November 2020.

The Brian Happy Award is presented to a Facilities Management (FM) professional that has applied their experience and knowledge to produce exceptional results within their organisation.

PMG's CEO Scott McKenzie said the honour recognises Simi's dedication, expertise, leadership and exceptional customer service.

"Headed by Simi, our in-house Facilities Management team take care of over 60 commercial properties, 200 tenants and more than 100 suppliers and contractors across New Zealand, which is no small feat," McKenzie said.

"When Simi joined PMG in 2015, she was tasked with setting up an effective customer-service focused FM function. She works over and above – evidenced by the safety displayed during two COVID-19 lockdowns. Together, with her team, she delivers on our aspiration to be the landlord of choice."

Simi was a finalist alongside some of the industry's best, including David Curry from Auckland University of Technology, Mark Squire from Tamaki Health, Leon Hewerston from Precinct Property and Gwynn Gilmour from Mackersy Property Limited.

"Congratulations to all the 2020 finalists," McKenzie said. "We couldn't be prouder to see Simi recognised for all the work she does at PMG, and we're grateful to have her as an integral part of the PMG team."

**MARK YOUR CALENDAR**  
**PMG Golf Day**  
**Friday 19 March 2021**

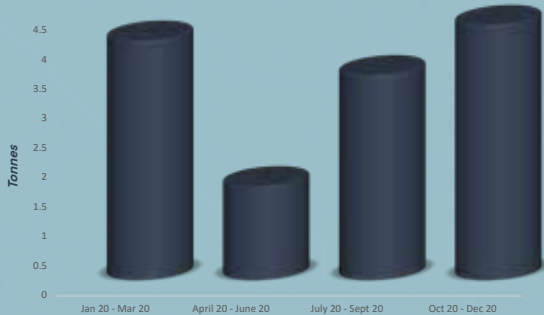
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## Quarterly Recycling Results



For 2020, 13.39 tonnes of cardboard, glass, paper, food compost and co-mingled items were recycled in the five buildings where PMG manages waste services.

### Total Recycling



The decreased amount in the April - June 20 quarter was due to the sale of Kelston Mall and COVID-19 lockdown.



## Pacific Property Fund Limited Investment Offer

Valued PMG investors, we want you to be the first to know in March we will be bringing an opportunity for clients to invest in Pacific Property Fund Limited. As our largest and most diversified fund, its track record of performance positions this upcoming offer as one not to be missed.

To register your interest, head to our website.

## Banks to Phase Out Cheques by Mid-2021

With the increased uptake of technology in the banking world, cheques are being phased out. As announced last year, most New Zealand banks (BNZ, ANZ and Kiwibank) will stop accepting cheques by mid-2021, and some already have.

While this may be an adjustment for some investors, it will streamline the process when taking up units and shares in PMG's funds. If you have any questions, please contact your PMG Investor Relationships Manager.

## PMG's Environmental, Social and Governance Update

This quarter has seen significant environmental initiatives take flight at PMG.

### Steps Toward Energy Efficiency

Currently, our Facilities Management team are trialling a centralised building management system (BMS) in three PMG properties in Auckland, which will help us monitor and improve our buildings' performance via universal software infrastructure. This allows for remote management, which enables us to proactively capture electricity, water, natural gas, waste and recycling figures, and usage information.

Following the Government's climate emergency announcement in December 2020, we anticipate the NABERSNZ energy rating efficiency will become mandatory, as it is in Australia. Our Government tenants will also require better buildings as part of the plan for a carbon-neutral public sector by 2025.

Overall, this is a significant step toward PMG's commitment to sustainability and will reduce overall operating costs for both tenants and our funds.

### Why Waste

PMG Direct Office Fund property 143 Durham Street, Tauranga (home to PMG's Head Office) has recently installed a worm farm by Why Waste. The service transforms food waste into soil and reduces our contribution to landfill. It has been well received by the tenants of the building. We will introduce the Why Waste service to other buildings we manage in 2021.



## Meet PMG's New Investor Relationships Manager - Ben Cant



We're excited to announce Ben Cant has joined the PMG team as Investor Relationships Manager - South Island, based in Christchurch.

Ben has a strong, long-term connection to Canterbury and Otago regions, having grown up in Dunedin and Oamaru before moving to Christchurch to study a Bachelor of Commerce degree at Lincoln University, majoring in accounting and minoring in international business.

Coming to us from ANZ, Ben attributes much of his business acumen to working with many business and personal banking customers throughout his time at the bank. Prior to ANZ, Ben coached and played semi-professional cricket in NZ and the UK. When he's not helping others achieve their goals, Ben is at home with wife Rachel and newborn daughter Charlotte.

No doubt our South Island investors will hear from Ben soon, as he champions PMG from Christchurch.



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