

CHAIRMAN'S ADDRESS TO AGM

9 August 2019

Ladies, Gentlemen

I think we all know each other but for the sake of form I will introduce myself as John Jackson. The Supervisor and Directors of the Manger have resolved to appoint me as Chairman of the meeting.

I am pleased to advise we have representatives of the Statutory Supervisor present.

The agenda will encompass my report and further commentary by Scott Lester Executive Director of the Manager. Questions and interjections are welcome we aim to finish the formal part of the meeting at around 11.30 followed by the opportunity to talk informally and enjoy refreshments.

I will leave it to Scott to comment of the performance of the fund and restrict my comments to conditions and sentiment in the overall retirement village sector. Looking forward the sector fundamentals remain positive, driven by an ageing population and increasing acceptance of the retirement village lifestyle, however there has been a shift due to the slowing property market. We have finally gone past the current peak and are now in the long anticipated but orderly slowing in what was an over-heated property market.

As the larger companies compete for market share for large scale retirement villages there is growing demand in the regions and well located urban area's for boutique, independent villages that offer a less corporate and more intimate and often more innovative experience and service.

Much of the focus for the listed companies is in the "golden triangle" between Auckland, Hamilton and the Bay of Plenty leaving some strong opportunities in the regions. Many of the independent operators are offering a very high level of product and service in some stunning locations around New Zealand. "

Looking forward some regions in 2019/20 will not be as buoyant as the preceding years as enquiry and sales slow in line with the market. This is also likely to take pressure off build costs which will be a welcome relief for many. We believe the medium to long term prospects retain considerable value for the villages and their prospects. A key financial strength of retirement villages is that they grow in stages over time, so the rate of expansion can be modulated to meet market conditions.

The portfolio of retirement villages we fund remains very much focused on providing superior homes and environments to an increasingly discerning segment of retiring New Zealanders, each of whom desire something better than the average. We believe this segment of the market holds a more defensible position in the marketplace and will be less impacted by market downturns, such as the slowing we have seen in the latter part of the year.

We have continued to experience solid demand from our expanding portfolio of retirement village borrowers and are preparing the launch of a further unit trust fund that will share many of the characteristics of its predecessors. We are confident the new fund will continue the sustained track record of superior returns and unblemished security of capital

I now handover to Scott