



# *Manager's Christmas Greeting*



**Peter Hutchison**

The year is all but over and it is not hard to look forward to the festive break with all that it brings. The past year has been challenging, dealing with recessionary issues and planning ahead for more prosperous times in 2010. From our perspective we see next year as more settled, and with a prospectus in place for each of the Funds, we will be looking for new deposits and new lending opportunities.

The new P.I.E. Fund prospectus was registered during December and for investors wishing to reinvest their income this option has been reinstated in time for the December quarterly distribution.

The improving outlook for the property sector continues to translate into an increase in positive activity within the mortgage portfolios. Our strategy has not changed. We remain cautious in our approach to management of the mortgage portfolio and all new loans are being directed towards the continual maintenance of the overall risk profile and the geographical spread of the P.I.E. Fund.

We remain confident in the quality of the mortgage portfolios and can report that at the time of writing the No. 2 Fund continues to have no arrears. The P.I.E. Fund has just 2.3% in installment arrears. Both positions are excellent in the current economic climate.

The quarterly return for the P.I.E. Fund is equivalent of 4.25% per annum and the No. 2 Fund is the equivalent of 6.25% per annum. This means that over the past 12 months annualised returns for the P.I.E. Fund pre-tax return has been equivalent to 4.72% per annum and the compounded return for the past 12 months for the No. 2 Fund was 6.33% per annum. The return on the P.I.E. Fund should continue to steadily improve each quarter, possibly catching up with the No. 2 Fund later on next year. All returns are expressed before taxation but after all expenses.

New investors have supported the No. 2 Fund which has resulted in healthy growth of 41.3% since January 2009.

We have updated our disclosure statistics on page 2 of the newsletter. The intention is to ensure that all investors have a good grasp of where their money is invested and how the two Funds and their mortgage portfolios are performing. We welcome feedback. If there is additional information you think would be useful then please call me to discuss.

We are pleased to announce that we have appointed a Customer Relationship Manager. Humphrey Catchpole comes to us from The NZ Institute of Management and provides the company with an opportunity to further improve service to both the broker firms and our investors.

Next year Fund Managers Otago will continue to support The Royal Dunedin Male Choir, The Cancer Society of New Zealand and many other smaller charities. The annual golf tournament will be held on the 12th March 2010 and any investor interested in participating is welcome to enter.

As always we remain committed to our investment strategy and are encouraged by the loyalty of our investors and the recent resurgence in activity. Please do not hesitate to call me on (03) 471 6500 or toll free on 0800 800212 to request a copy of the latest Investment Statement for the Funds.

From all of us here at Fund Managers Otago, we hope that you have a relaxing and enjoyable break over the festive season.

Yours sincerely,

Peter Hutchison

C.E.O., Fund Managers Otago Ltd.



Proud Supporter of Otago/Southland Division of the Cancer Society



*Merry Christmas & a Happy New Year*  
*Christmas Holiday Hours*

We close at 5pm on 23rd December 2009 and will reopen at 8:30am on 11th January 2010

**Registered Office of The Manager: Fund Managers Otago Limited**

Level 5, 165 Stuart Street, Dunedin • PO Box 5741, Dunedin 9058 • Free Phone: 0800 800 212 • Tel: (03) 471 6500 • [www.nzmit.co.nz](http://www.nzmit.co.nz)

# NZ Mortgage Income Trust Fund Facts

Investment Portfolio Statistics		
Fund Size	\$84,145,231	\$8,387,888
Number of Investors	1995	938
Minimum Investment	\$500.00	\$500.00
Income Payments	Quarterly, floating rate of Return Income can be compounded	Quarterly, floating rate of Return Income can be compounded
Term of Investment	Medium to long term	Medium to long term
Entry fees	Nil	Nil
Exit fees	The Manager has discretion to charge a fee of up to 2% on any money withdrawn 12 months after investment and up to 1% on any money withdrawn more than 12 months but less than 24 months after investment.	The Manager has discretion to charge a fee of up to 2% on any money withdrawn 12 months after investment and up to 1% on any money withdrawn more than 12 months but less than 24 months after investment.
Liquidity as at 7/12/2009	5.08%	25.3%
Mortgage Portfolio Statistics		
Number of Mortgages	131	41
Value of Mortgages	\$80,551,610	\$6,525,812
Average Mortgage Size	\$614,898	\$159,166
Average Loan to Valuation Ratio	48.2%	30.5%
Portfolio Commercial Mortgages	48.6%	39.4%
Portfolio Residential Mortgages	46.5%	38.8%
Portfolio Farming Mortgages	4.9%	21.8%
Geographic Spread: North Island	77.2%	18.2%
Geographic Spread: South Island	22.8%	81.8%
Installment Arrears at 50-90 days	2.3%	Nil
Installment Arrears at 90 days plus	Nil	Nil

## RETURNS AT A GLANCE



Return for quarter  
ending: 31/12/2009

**4.25% p.a.**<sup>1</sup>

P.I.E Pre-Tax Return

(Applies to those changing from a  
39% to 30% tax rate)

**4.72% p.a.**<sup>2</sup>

The NZMIT P.I.E. Fund is open for investments.

## RETURNS AT A GLANCE



Return for quarter  
ending: 31/12/2009

**6.25% p.a.**<sup>3</sup>

Compounded return  
past 12 months

**6.33% p.a.**<sup>4</sup>

The NZMIT No. 2 Fund is open for investments.

**Notes:** 1. The 'Return for the quarter' displayed above for the NZ Mortgage Income Trust P.I.E. Fund is based on an investor being in the Fund for the entire quarter ended 31/12/09 which is before tax but after fees and expenses have been deducted and is expressed as a per annum equivalent before tax. Any investor who joined the Fund or withdrew from the Fund during the quarter would not necessarily earn the same return. 2. The above 'P.I.E. Pre-Tax Return' illustrates the per annum equivalent if an investor changes from a tax rate of 39% to the maximum P.I.E. tax rate of 30% which is before tax but after fees and expenses have been deducted and is expressed as a per annum equivalent before tax. Details on the return calculation are set out in the registered prospectus for the NZ Mortgage Income Trust P.I.E. Fund that is available on request. Any investor who joined the Fund or withdrew from the Fund during the quarter would not necessarily earn the same return. 3. The 'Return for the quarter' displayed above for the NZ Mortgage Income Trust No. 2 Fund is based on an investor being in the Fund for the entire quarter ended 31/12/09 which is before tax but after fees and expenses have been deducted and is expressed as a per annum equivalent before tax. Any investor who joined the Fund or withdrew from the Fund during the quarter would not necessarily earn the same return. 4. The 'Compounded return past 12 months' displayed above for the NZ Mortgage Income Trust No. 2 Fund is based on an investor being in the Fund for the entire year ended 31/12/09 and having elected to have their quarterly income reinvested in further units and calculated before tax but after fees and expenses have been deducted and expressed as a per annum equivalent before tax. 5. Each Funds' details of the return calculation is set out in the respective Registered Prospectus for the NZ Mortgage Income Trust P.I.E. Fund and the NZ Mortgage Income Trust No. 2 Fund. 6. Past returns do not guarantee future performance in respect of both the NZ Mortgage Income Trust P.I.E. Fund and the NZ Mortgage Income Trust No. 2 Fund. 7. All information in this newsletter is current to 7th December 2009, unless otherwise stated. 8. For further information please contact our office to obtain a copy of the current NZ Mortgage Income Trust P.I.E. Fund and NZ Mortgage Income Trust No. 2 Fund Investment Statement and/or Prospectus or contact your adviser.