

Christmas Greetings



Steady Performance Continues

We enter the Christmas break with quiet confidence for the New Year and it is our expectation that returns from both Funds will continue to improve as 2011 unfolds.

It is pleasing to again be able to report a sound performance for both Funds for the quarter ending 31 December 2010 (Refer to back page for details). We know all too well how many investments produced negative returns during the past two years. Not here though, not only has our return been positive since inception of the Funds, it has stayed ahead of the inflation rate.

We remain focused on the return on capital and the return of capital for all unitholders. As Manager we have never allowed related party transactions and we have always endeavoured to maintain a balanced mortgage portfolio with strict limits on land transactions and any form of property development. We continue to manage the mortgage portfolio for your benefit as we always have.

If you have some funds that you wish to invest we suggest you obtain a copy of our latest investment statement and consider the fund for the New Year. We would like to take this opportunity to thank you for your continued support and to wish you and your family a wonderful Christmas.

Yours sincerely,

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

Fund Managers Otago Proud Supporter of
Otago/Southland Division of the Cancer Society



Investor Invitation



FUND MANAGERS OTAGO GOLF OPEN

11th March 2011 – Otago Golf Club



We are proud to offer our current investors the opportunity to play in our Golf Open at the Balmacewen Golf Course. For information or to enter your team please phone Ruth on (03) 471 6500 or 0800 800 212, or email Ruth@mortgagetrust.co.nz

Merry Christmas & Happy New Year

Christmas Holiday Hours

We close at 5pm on 23rd December 2010 and will reopen on 10th January 2011.

NZ Mortgage Income Trust Fund Facts

Investment Portfolio Statistics		
Fund Size	\$69,918,050	\$10,232,211
Number of Investors	1,703	415
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Exit fees	The Manager has discretion to charge a fee of up to 2% on any money withdrawn 12 months after investment and up to 1% on any money withdrawn more than 12 months but less than 24 months after investment.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 10 December 2010 ⁷	4.07%	14.84%
Mortgage Portfolio Statistics		
Number of Mortgages	86	60
Value of Mortgages	\$66,265,955	\$8,834,262
Average Mortgage Size	\$770,534	\$147,238
Average Loan to Valuation Ratio	57.17%	35.48%
Portfolio Commercial Mortgages	44.26%	34.94%
Portfolio Residential Mortgages	49.74%	54.79%
Portfolio Farming Mortgages	6.00%	10.27%
Geographic Spread: North Island	80.65%	33.19%
Geographic Spread: South Island	19.35%	66.81%
Instalment Arrears at 30-90 days	5.58%	Nil
Instalment Arrears at 90 days plus	6.86%	Nil

RETURNS AT A GLANCE



Return for quarter
ending: 31/12/2010

5.25% p.a.¹

P.I.E Pre-Tax Return
(Applies to those changing from a
38% to 30% tax rate)

6.03% p.a.²

Compounded return
past 12 months

4.93% p.a.⁴

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

RETURNS AT A GLANCE



Return for quarter
ending: 31/12/2010

6.25% p.a.³

Compounded return
past 12 months

6.40% p.a.⁴

The NZMIT No. 2 Fund is open for investments.

1. The 'Return for the quarter' displayed above for the NZ Mortgage Income Trust P.I.E. Fund is based on a \$1 unit value and on an investor being in the Fund for the entire quarter ended 31/12/2010 and 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 38% 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. 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 a \$1 unit value and on an investor being in the Fund for the entire quarter ended 31/12/2010 and 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 P.I.E. Fund and No. 2 Fund are based on an investor being in the Fund for the entire year ended 31/12/2010 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. The liquidity percentage is that percentage of the total assets of the Fund held in cash or liquid assets. 8. All information in this newsletter is current to 10th December 2010, unless otherwise stated and the figures are unaudited. 9. 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.