

MANDATE NATIONAL MORTGAGE CORPORATION

PRESIDENT'S REPORT

Revenue for the three months ending September 30, 2010 decreased 25.4% to \$149,380 from \$200,258 a year earlier. This was due to a decrease in mortgage interest income from non-performing loans which were anticipated to be recovered in the third quarter but has now been pushed back into the fourth quarter.

Net income for the three months decreased 19.8% to \$129,352 or \$.15 per share compared with \$161,377 or \$.19 per share for the same period in 2009. The lower net income was consistent with a decrease in revenues. Expenses also declined from \$38,881 in 2009 to \$20,033. The Manager waived their fee in order to preserve the yield to shareholders.

When the Bank of Canada did not increase rates at their most recent meeting, they specifically mentioned the prospect of a more pronounced correction in the Canadian housing market. A major contributing factor is the high level of debt of the average household which is reaching as high as \$1.50 for every dollar of disposable income.

When making decisions on loan applications, Lenders must now take into consideration high debt payments, slower sales activity resulting in increased listings, slower growth in incomes and higher unemployment levels. A continuation of low interest rates is necessary to help offset these risks.

FINANCIAL HIGHLIGHTS

Source: globefund.com

As of September 30, 2010						
Fund name	5 Star Rating	1 yr %	3 yr %	5 yr %	10yr %	15yr %
Mandate	*****	7.47	8.99	9.11	8.11	7.84

- Annualized return on common shareholders' equity for the three (3) months ending September 30, 2010 was **6.45%** while return on preferred shareholders' equity was **6.00%**. This compares favourably to the average one year return of bond funds of 6.9%, G.I.C.'s of up to 1.72% or Fixed Income Mutual Funds up to 3.0%.
- The yield once again exceeded the benchmark return to shareholders of 4.77% (Prime plus 2.0%).
- Provisions for losses totaled \$74,753 or 1.68% of the portfolio compared to \$134,929 or 2.3% in 2009. This is in keeping with the Company policy which is to provide a provision of 60 basis points for all new loans.

