



## Manager's Notes

Welcome to our second edition of "Lending News." We appreciate the feedback we received on the first edition and hope you find this copy just as informative. Below you'll find a quick summary of interest rate trends and inside a profile of our Lending Manager, Ken Hall. There is also a mention of our upcoming marketing initiatives and a summary of our investment product. On the back page is a breakdown of the Fund's mortgage portfolio.

As one of New Zealand's fastest growing investment funds we have money available now to cater for quality borrowing propositions. Whether purchasing or refinancing we're happy to listen to your requirements and do our best to tailor a package to suit. If you know of any quality lending opportunities please don't hesitate to call Ken Hall or myself toll-free during office hours on 0800 800 212.

Regards,

Peter Hutchison  
General Manager, Fund Managers Otago Ltd



## Interest Rates

The Reserve Bank's comments in early March 2006 were that while "inflation risks remain under control, we do not expect to raise interest rates again in this cycle. However, given the time that it will take to bring inflation back towards the mid-point of the target band, we do not expect to be in a position to ease policy. Any earlier easing would require a more rapid reduction in domestic inflation pressures than the substantial slowing already assumed in our projections."

More recent indicators are showing a more rapid reduction, which may result in the Reserve Bank lowering the Official Cash Rate (OCR) faster than planned. We will have to wait to see when this may occur but in the meantime it's encouraging to hear that interest rates are not expected to rise again this year.



# PROFILE

## Lending Manager of Fund Managers Otago Ken Hall

Ken Hall has worked in the banking and financial services industry for most of his career. Straight from school Ken worked as an office junior for the Bank of New South Wales in Christchurch before progressing through to an Assistant Manager's position at their Lower Hutt branch.

He then went on to work for Marac Finance, initially as the Advances Manager based in Christchurch and then as the Branch Manager in Dunedin for the Otago operations.

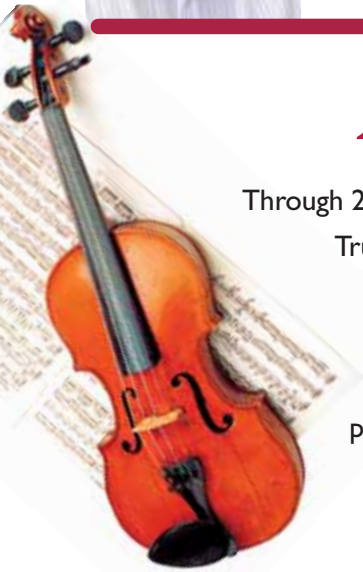
Ken has been working at Fund Managers Otago as the Lending Manager for the past six years. His role for the Fund involves analysing current and potential loans, and working closely with Peter Hutchison, the General Manager, to ensure the Fund is well secured through its lending decisions.

Ken is married to Glenyce, and has three adult children and a number of grandchildren. In his spare time Ken is an active rugby supporter and enjoys spending time at his crib in Otematata.



## *2006 Marketing Initiatives*

Through 2006 you will most likely see more marketing and promotion of the NZ Mortgage Income Trust. New initiatives involve sponsorships including support of the Southern Sinfonia and newspaper and magazine advertising. It is important to note that the money spent on marketing the Fund, such as advertising, sponsorships and promotions in general, are covered by Fund Managers Otago Limited. Fund Managers Otago pays for this promotion from its fixed income for managing the fund. The marketing initiatives are not taken directly from the investment fund and, as a result, the level of marketing initiatives will not alter the return that each investor receives, nor the cost to each mortgagor.



### *Royal Dunedin Male Choir*

## *Tickets Available*

In June or July the Royal Dunedin Male Choir will hold their annual mid-year performance. As a major sponsor we anticipate being able to offer tickets to mortgagors wishing to attend. If you're interested in attending this performance please feel to register your interest for these tickets now on 471 6500 or toll free on 0800 800 212, and we will contact you closer to the time.



# Money to Invest?

It's not uncommon for most borrowers to have investments for various reasons as well. An increasing number of borrowers are also placing investments with the NZ Mortgage Income Trust, and it's a worthwhile investment option.

The NZ Mortgage Income Trust was established in 1994 and is one of the oldest in New Zealand. The Fund pools investments and spreads these across a portfolio of registered first mortgages secured over rural, commercial and residential properties nation-wide. Unit holder funds total over \$168 million and are held by the Trustee of the Fund, Trustees Executors Limited. The Fund is rated favorably by both Fundssource and Morningstar, two leading investment rating agencies. The Fund Manager is Fund Managers Otago Limited, a successful boutique manager whose sole function is managing the NZ Mortgage Income Trust.

## *The main benefits to investors are:*

Returns\* to investors, after all fees and expenses but prior to tax have been:

- For the quarter ending 28 February 2006: 8.00% p.a.
- Average quarterly return over the past 4 quarters (1 year): 7.85% p.a.
- Average quarterly return over the past 8 quarters (2 years): 7.49% p.a.
- Average quarterly return over the past 20 quarters (5 years): 7.00% p.a.

\*Returns are expressed as a per annum equivalent. The averages are the mean average with no compounded effect factored in.

- Interest is paid quarterly on a floating basis. The interest rate cannot be fixed.
- Returns can either be paid into a bank account or re-invested in the Fund.
- Investors may make regular automatic payments into their investment.
- An investor can apply for a withdrawal at any time. Withdrawals are currently paid out within five working days, sooner in emergencies.
- There are no entry or application fees. An exit fee of up to 1% may apply to funds withdrawn within 12 months of investing.

If you have money to invest feel free to call us for an investment statement by phoning toll free during office hours on 0800 800 212 or contact your independent investment adviser.

## Our Team



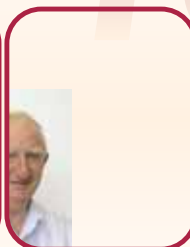
Peter Hutchison  
General Manager



David Frame  
Marketing Manager



Annette Marshall  
Office Manager



Ken Hall  
Lending Manager



Paula Taylor  
Senior Lending Officer



Kelly Ramsay  
Lending Officer



Carli Robinson  
Administration Officer

# Fund Facts

(Figures current at 27 March 2006)

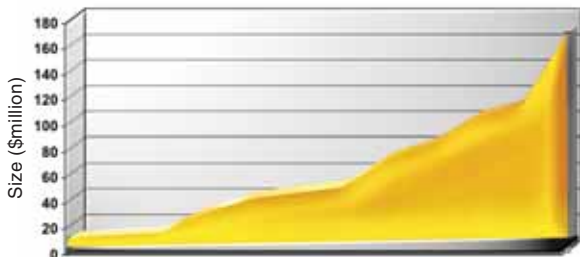
## Number of Mortgages: 386

(All registered first mortgage securities)

Value of Mortgages: \$134.3 million

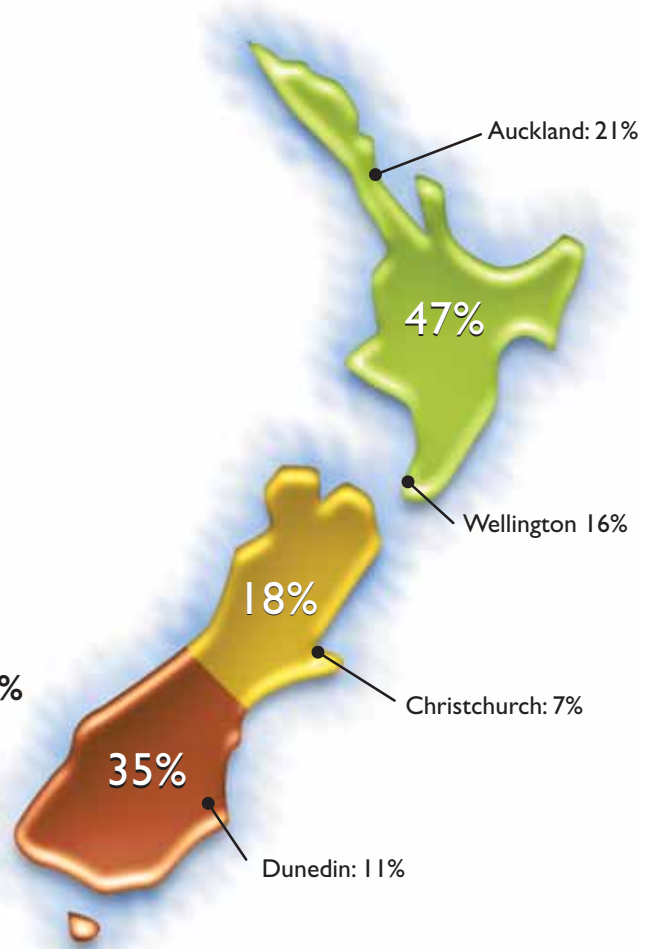
Average Mortgage Size: \$347,968.50

Average Loan to Valuation Ratio: 51.1%



Growth Since Inception in 1994

## National spread of mortgage securities:



## Prime Mortgage Limits    Max. Loan%

Commercial/Industrial	66.67%
Farming	60%
Home	80%
Residential/Rental	80%

## Sector Allocation:

Commercial / Industrial Loans 45%

Farm Loans 9%

Residential  
Rental Loans 30%

Home Loans 16%

