

Manager's Notes

Welcome to another edition of our 'Lending News.' This year has proven to be challenging as the economy begins to slow. For our part it's business as usual and we have continued to concentrate on providing excellent service to our customers and their mortgage brokers.



It is refreshing to receive such strong support from borrowers who understand the value of stable long term interest only funding at competitive interest rates against quality land and buildings throughout New Zealand. It is important to note that we are interested in proposals ranging from \$20,000 to \$8 million dollars. This is particularly relevant to people looking to improve their homes as well as property investors buying or upgrading their property portfolio. I recommend you have a look at page 2 of this newsletter for more details on our current lending policies and guidelines.

A supportive lender can make all the difference to a project or property investment. We have helped many people to realise their ambitions in the competitive property investment arena that exists within New Zealand. Trust us with your plans so we can support your aspirations to build your own property portfolio.

All you really need to do is take the time to give us a call and discuss your requirements. We are always interested in discussing lending opportunities so please call me or Ken Hall, toll-free on 0800 800 212.



Peter Hutchison
General Manager

Interest Rates

We anticipate that our lending interest rates will remain stable over the coming year unless the Reserve Bank of NZ decides to move the Official Cash Rate either upwards or downwards. The Fund is restricted in offering predominantly floating interest rates but we can fix those for periods up to 12 months providing that the average term of those fixed interest rate loans is less or equivalent to 6 months in duration.

There is little doubt that the current state at the economy may force the Reserve Bank to act on interest rates. All we can do is to react and wherever possible lessen any impact to our clients.





Mortgage Funding Available

NZ Mortgage Income Trust has grown extensively over the past few years. During the past twelve months the Fund has written over \$100 million of loans. These loans have been across a wide range of properties nationwide, ranging from small houses to large rural and commercial properties. Our rise as a nationwide lender has been a result of our attractive terms and service.

- We lend on principles rather than hard and fast rules
- Queries and applications are responded to quickly
- We're more approachable than some traditional lenders
- The Fund lends in a wide variety of situations

We will consider all first mortgage opportunities over almost any type of property providing they meet our guidelines. These guidelines are as follows:

- Residential Rental First Mortgages up to 80% LVR
- Owner Occupied Home First Mortgages up to 80% LVR
- Commercial First Mortgages up to 66.67% LVR
- Farm / Rural First Mortgages up to 60% LVR
- Leasehold property up to 50% LVR

Like many lenders we have additional criteria such as:

- Residential and Home loans between 75-80% are subject to additional requirements.
- Maximum exposure relates to the percentage of purchase price or the registered valuer's mortgage recommendation (whichever is lower).
- Maximum exposure against current quotable valuations is 50% for residential and rural zoned properties only
- Debt servicing criteria that ensure our prospective clients can afford to borrow.

If you have any loan requirements please feel free to contact either Ken Hall or Peter Hutchison by phoning during office hours on 0800 800 212.

Our Team



Peter Hutchison
General Manager



David Frame
Marketing Manager



Annette Marshall
Office Manager



Ken Hall
Lending Manager

Paula Taylor Senior Lending Officer



Paula has worked mainly in banking and the financial services industry. She started her career at the ANZ Bank in Queenstown before taking a position at GE Finance and Insurance in Dunedin.

Paula joined Fund Managers Otago in 2002.

Her role as Senior Lending Officer involves preparation of loan documentation and the administration of the loans ledger.

She is currently studying towards becoming a Registered Legal Executive.

NZ Mortgage Brokers Association Expo

In late August Lending Manager Ken Hall and Marketing Manager David Frame attended the NZ Mortgage Brokers Association Expo in Christchurch. With a novel golf putting display stand, Ken and David had a busy four days promoting the advantages of borrowing from the Fund. NZ Mortgage Income Trust relies on the Mortgage broker network for quality lending propositions.



Royal Dunedin Male Choir Subscription Offer

Over the past few years we have been able to provide free tickets to our investors as a result of our sponsorship of the Choir. For future concerts we'd like to encourage you to become a subscriber of the Royal Dunedin Male Choir. Instead of paying the \$28 annual subscription fee, Fund Managers Otago Ltd will subsidise your first year by \$10 so that you pay just \$18, providing you with four tickets (two tickets to each of the June and December concerts). If you would like free tickets to the December concert and details on how to gain a subsidised subscription for the 2007 concerts, please contact Carli by phoning 0800 800 212 during office hours.



Paula Taylor
Senior Lending Officer



Kelly Ramsay
Lending Officer



Carli Robinson
Investment Officer



Lauren Caswell
Receptionist

Fund Facts

(Figures current at 24 August 2006)

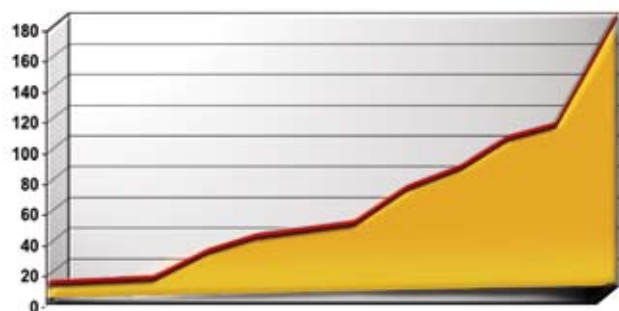
Number of Mortgages: 367

(All registered first mortgage securities)

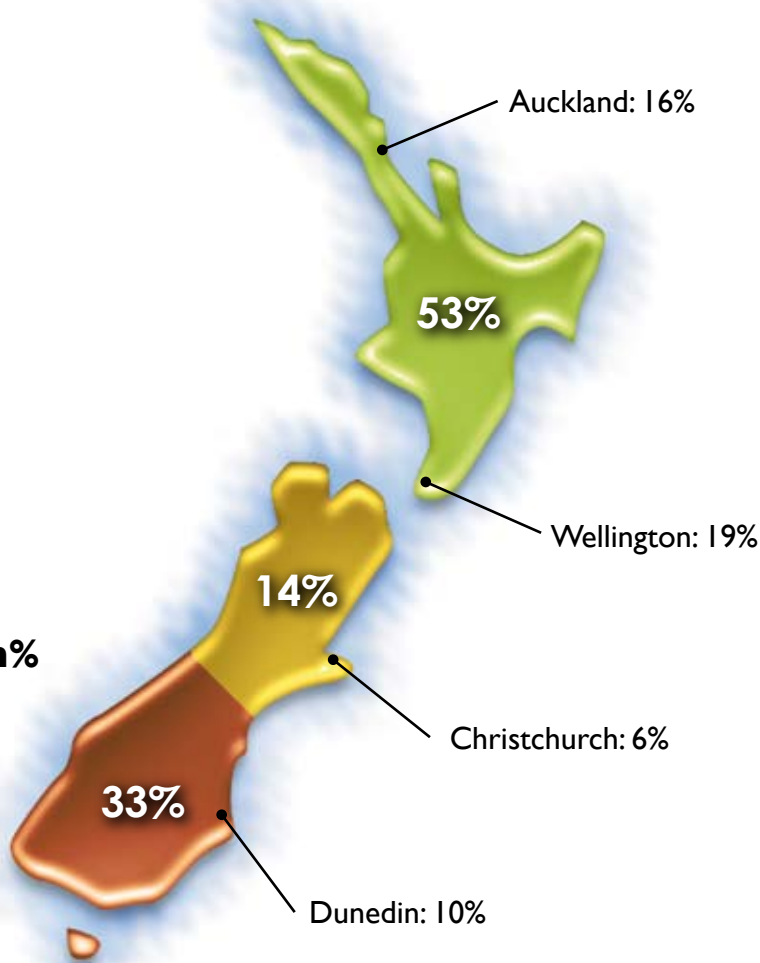
Value of Mortgages: \$157 million

Average Mortgage Size: \$427,670

Average Loan to Valuation Ratio: 51.6%



National spread of mortgage securities:



Prime Mortgage Limits Max. Loan%

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

Sector Allocation:

Residential
Rental Loans 30%

Commercial / Industrial Loans 40%

Home Loans 12%

Farm Loans 5%

Bank Deposits 9%

Undrawn loans 4%

