



Manager's Greeting

The year commenced with the hope that the turmoil of 2008 would be a fading memory. Unfortunately the economic outlook remains troubled and the world financial markets unsettled. There is not much that we, as individuals, can do to influence the outcome except trust those in power and not curb our spending to such an extent that we add to the deepening recession.

Here at Fund Managers Otago, we have endeavored to identify the best way forward. It has not been an easy task. In our opinion 2009 looks likely to be a further difficult year and now is the time for a cautious and conservative approach. We have therefore decided on a reduced return for the P.I.E. Fund for the quarter ending 31 March 2009 equivalent to 4% per annum before taxation but after all expenses. This means that over the past 12 months the annualised return for the P.I.E. Fund has been equivalent to 7.53% p.a. before tax but after expenses, an excellent result in the current climate. The P.I.E. Fund prospectus has expired and as such we are not currently offering units in the Fund until a new prospectus is put in place.

The No.2 Fund continues to perform well with a return for the quarter ending 31 March 2009 equivalent to 6.50% p.a. before taxation but after all expenses. This Fund has ample reserves but the return will come under pressure as mortgage interest rates continue to fall.

It is our expectation that we can continue to pay a return above 5.00% p.a. before tax but after all expenses for both the P.I.E. Fund and the No.2 Fund for the balance of 2009. We are working hard to ensure that future returns for both Funds remain competitive, and at present we remain optimistic as to future return levels. As you will know however, it is difficult to predict future return levels with any certainty in the current economic outlook. What is certain however is that retained earnings that result from the more conservative return for the P.I.E. Fund will provide a buffer for the Fund and the Unitholders.

So, what can we say with confidence? Well, we have weathered the storm to date. We have maintained our record of paying distributions on time as we have done for fourteen years. In these difficult times we trust that you feel comfortable with the manner in which we manage your investment funds and thank you for your continuing support.

Many thanks to all our investors and if you wish to discuss your investment please do not hesitate to telephone me (03) 471 6500 or toll free on 0800 800 212.

Yours sincerely,

Peter Hutchison, General Manager

Proud Supporter of
Otago/Southland Division
of the Cancer Society



RETURNS AT A GLANCE



Return for quarter ending: 31/3/2009

4.00% p.a.¹

Compounded return past 12 months

7.75% p.a.²

P.I.E Pre-Tax Return
(Applies to those changing from a 39% to 30% tax rate)

8.64% p.a.³

RETURNS AT A GLANCE



No. 2 Fund

Return for quarter ending: 31/3/2009

6.50% p.a.¹

Compounded return past 12 months

8.41% p.a.²

HONEST & HARD WORKING



It's a good feeling having an investment you can relate to. At NZ Mortgage Income Trust we're proud of being one of the leading, established mortgage backed investment Funds in the country.

If you're looking for the comfort of a simple, straightforward investment, call us for an investment statement or contact your independent investment adviser.



NZ MORTGAGE INCOME TRUST

No. 2 Fund

Notes: 1. the above return is based on an investor being in the Fund for the entire quarter ended 31/3/2009. Any investor who joined the Fund or withdrew from the Fund during the quarter would not necessarily earn the same return. 2. the returns achieved are calculated by adding accumulated interest back to the principal so that interest is earned on interest from date of opening balance, before tax but after all fees and expenses have been deducted and are expressed as compounding return per annum equivalent. Unforeseen factors may influence future compounded returns and the actual return may fluctuate and are not guaranteed. Details on the return calculation are set out in the registered prospectus for each Fund that is available on request. Past returns do not guarantee future performance. 3. the above return calculation 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 expenses and is based on an investor being in the Fund for the entire quarter. See general note on back page. 4. the NZ Mortgage Income Trust P.I.E. Fund (the 'Fund') does not have a current prospectus and therefore no units in the Fund are currently being offered, nor will applications be accepted for investment in the Fund, until a new prospectus is put in place. Information on the Fund contained in this newsletter is included for the sole purpose of the reporting to current investors.

SPOTLIGHT ON ONE OF OUR BOARD MEMBERS



David Joseph Ehlers BCom, LLB

David Ehlers is a qualified lawyer and also has a Bachelor of Commerce degree with an accounting major. He has been a partner in the Dunedin law firm Webb Farry since 1984 practising in the commercial/corporate and conveyancing areas. David Ehlers is one of the most experienced commercial lawyers in Dunedin and heads the commercial team at Webb Farry.

His work involves wide ranging commercial advice relating to taxation matters, joint ventures, commercial property transactions, business acquisitions and the establishment of companies, as well as advice on company constitutions and the rights and powers of directors and shareholders.

David is a member of the New Zealand Law Society (Property Law Section) Property Transactions Committee. He is also a qualified Alternative Dispute Resolution mediator. David holds directorships in building, investment and forestry companies.

In his spare time, David enjoys spending time with his family and is a keen golfer and fisherman.

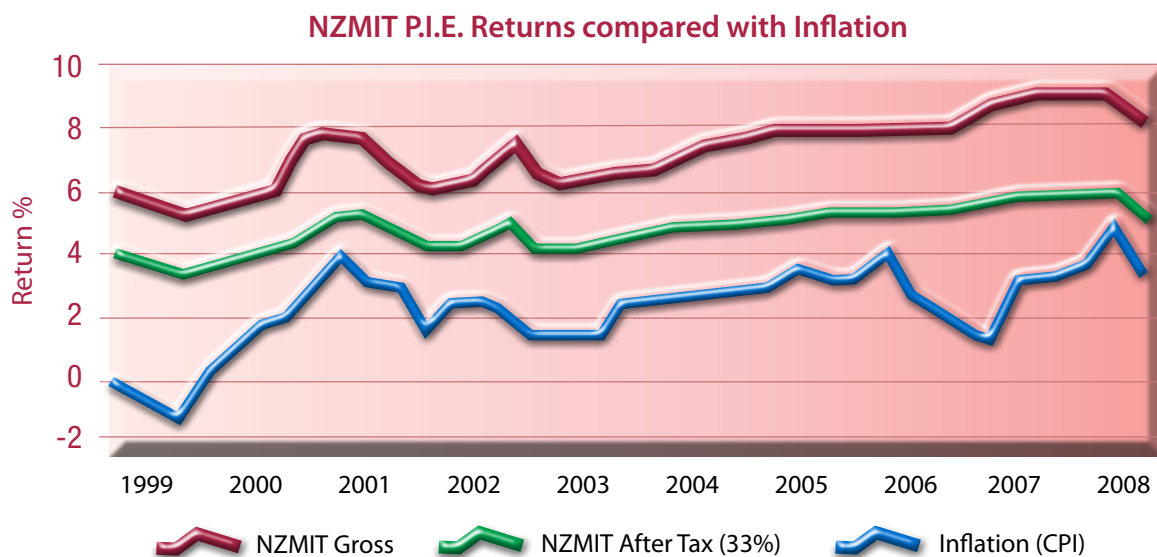
OUR RETURN vs INFLATION SINCE SEPTEMBER 1999

Many commentators say that it is the return of your capital, not the **return on your capital** that matters at present. Well, here at NZ Mortgage Income Trust we don't subscribe to this attitude. We can remain focused on the return on capital because our investors have so far never had to worry about the return of their capital.

The recently published results for the majority of fund managers operating in New Zealand have moved into the red, with losses of up to 30% on investors portfolios. It is not the first time this has occurred over the past two decades and to be fair reflects the higher risk of the investments within some portfolios.

However, a negative return has never happened here. In fact not only has our return been positive since inception of the Fund in 1994, it has stayed ahead of the inflation rate as demonstrated by the graph below. Even more impressive, our return has remained ahead of the inflation rate when adjusted at the 33% tax rate.

You see why we assert that you can have a competitive return on your investment and be assured of a return of your capital.



Note: Inflation figures sourced from <http://www.tradingeconomics.com/Economics/GDP-Growth.aspx?Symbol=NZD>

The actual annual return calculations in the above graph have been determined in accordance with the following formula: $A/B \times C$, Where: "A" means the total net earnings of the Fund for the relevant period (excluding unrealised gains). "B" means the average daily balance of the Fund for the relevant period. "C" means the number of days in the year. Returns are based on investors remaining invested within the Fund for the entire relevant return period. Past returns do not guarantee future performance. Investors will not necessarily be taxed at 33% on their return on investment in the Fund but at their individual applicable prescribed investor rate.



At NZMIT, we're proud to be involved in supporting this community eco-project and encourage you to enjoy a Guided Preview Tour.

Guided Preview Tours

For all ages and abilities

Your chance to get an early preview of this inspiring forest restoration project.

90 minute Guided Tours
Adult \$20 • Child \$10 • Family \$50
Bookings Essential • Tours by Arrangement

Your Tour Experience

Explore with one of our guides as they describe the intricate world of Otago's coastal forest, native species, and explain the human and natural impacts that have shaped this ecosystem.

Learn about the ongoing restoration effort to return the forest to the way it was, and when nature allows, you will hear and see the birds and lizards that are making Orokonui their safe haven.

Ph (03) 482 1755 • Email info@orokonui.org.nz



Photo courtesy of D. Curtis

www.orokonui.org.nz

— Our Team —



Peter Hutchison
General Manager



Craig Ross
Senior Lending Manager



Annette Marshall
Office Manager



Ruth Schmelz
Manager's Assistant



Ann Burton
Senior Lending Officer



Carli Robinson
Administration Officer

NZ Mortgage Income Trust Fund Facts



No. 2 Fund

Fund Size	\$101,897,340.83
Minimum Investment	\$500.00
Income Payments	Quarterly, floating rate of Return Income can be compounded
Term of Investment	Medium to long term

Fees

▶ No entry fees.

▶ In the interest of encouraging a stable and planned approach to 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.

Return to Investors

Current Rate of Return 4.00% p.a.¹

Note: 1. See footnotes 1-4 on front page and general note on this page.

Fund Size	\$6,479,295.72
Minimum Investment	\$500.00
Income Payments	Quarterly, floating rate of Return Income can be compounded
Term of Investment	Medium to long term

Fees

▶ No entry fees.

▶ In the interest of encouraging a stable and planned approach to 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.

Return to Investors

Current Rate of Return 6.50% p.a.¹

Note: 1. See footnotes 1-4 on front page and general note on this page.

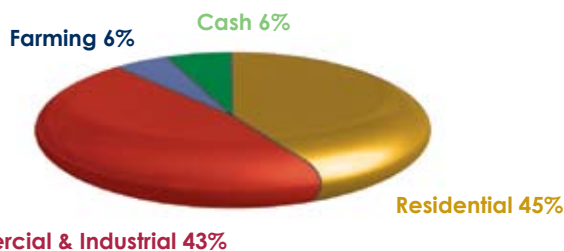
Where the Fund is Invested - the Mortgage Portfolio

	PIE Fund	No.2 Fund
Number of Mortgages: (All registered First Mortgage Securities)	164	32
Value of Mortgages:	\$96,286,573.88	\$5,176,494.17
Average Mortgage Size:	\$587,113.26	\$161,765.44
Average Loan to Valuation Ratio:	50.95%	40.98%

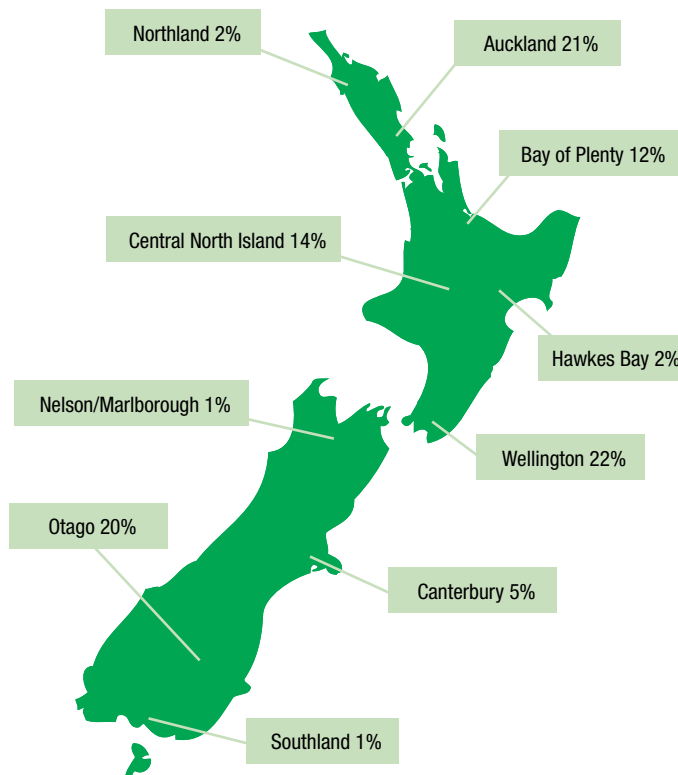
National spread of Mortgage Securities

North Island: 73%
(Auckland City: 18% & Wellington: 22%)

South Island: 27%
(Nelson & Marlborough 1%, Christchurch 4%, Dunedin 4%)



Loans by Region



General Notes:
On the 1st of October 2007 NZ Mortgage Income Trust No.2 Fund was formed. All the returns in this Newsletter are calculated quarterly up to 31/3/2009, unless stated otherwise, after all fees and expenses have been deducted, and are expressed as a per annum equivalent before tax. From 01/10/2007 returns are calculated daily but paid out quarterly. Details on the return calculation are set out in the registered prospectus for each Fund that is available on request. Past returns do not guarantee future performance. All information is current to 16 March 2009, unless stated otherwise. For further information please contact your adviser or our office to obtain a copy of our current No.2 Fund Investment Statement and/or Prospectus.

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