



NZ Mortgage Income Trust is proud to have achieved a five star rating by New Zealand's investment research experts Fundsourc. That puts us in the top 15% of mortgage backed funds in New Zealand for returns over the past 3 years¹.

Manager's Notes

As an investor in NZ Mortgage Income Trust you can rest assured that despite the turmoil in the market our two group investment funds remain stable. The quarterly return of the main P.I.E. Fund has continued the trend of the past year with a further increase in the return to the equivalent of 9.00% p.a. before tax and after all expenses have been paid. The No. 2 Fund has also performed well with a return equivalent to 8.98% p.a. before tax and after all expenses have been paid.

Full details of the Funds' performances can be found on the back pages of the newsletter. We expect the return from both Funds to remain stable over the remainder of the year.

We would like to remind investors of one of the reasons why a group investment fund (G.I.F.) structure represent a sound investment option. All G.I.F's are required by law to have an independent trustee, whose role in essence is a watchdog, monitoring the running of the fund in the interests of the investors. Each fund is established by way of a trust deed, which lays out the parties to the fund, its structure, terms and conditions. The trust deed is the "rule book" for the fund within the framework of statute and case law.

Under the trust deed, the trustee holds legal title to the funds assets. This ensures that the assets are held independent of the fund manager. This imposes an ongoing discipline on the investment manager and provides a measure of protection and comfort for investors. It does not however provide any guarantee of performance by the fund.

The Trustee for the two NZ Mortgage Income Trust Group Investments Funds is Trustee Executors Ltd, a company established in Dunedin 125 years ago and one of the most respected trustee companies in New Zealand.

Fund Managers Otago, as manager of the Funds, is responsible for the investment decisions and, in turn, the performance of the Funds and is required to report monthly to the trustee on the performance of the funds. This reporting is subject to review by the auditor who, in turn, reports to the trustee.

Overall this means NZ Mortgage Income Trust investors' interests in both Funds are being monitored by an independent body, subject to audit, ensuring compliance with the Trust Deed (rule book) and all relevant law surrounding the Funds' activities, something all investors can take comfort in. If you have any questions about the Funds then please contact us toll free: 0800 800 212.

To close we are pleased to announce that on the 19th of June we will be hosting another investor function at the Otago Museum offering investors the opportunity to visit the "Tropical Forest - Butterfly enclosure" plus a further occasion for investors to meet the board, management and staff of Fund Managers Otago. See page 4 for details.

Peter Hutchison
General Manager

Fund Managers Otago Proudly Supports the Otago/Southland Division of the Cancer Society



RETURNS AT A GLANCE²

Return for quarter ending 31 March 2008

9.00% p.a.

Average return for the past 12 Months

8.53% p.a.



No. 2 Fund

RETURNS AT A GLANCE⁴

Return for quarter ending
31 March 2008

8.98% p.a.

NEW LEGAL REQUIREMENT:

Financial Advisers to Provide Disclosure Statements to Clients

New legislation with effect from the 29th of February requires all professionals and brokers offering investment advice to comply with the Securities Markets Act amendments when advising you on where and how to invest.

As a valued investor, it is our aim and objective to keep you abreast of such changes and we want to highlight the importance of the latest changes introduced by Securities Commission. The Securities Commission is New Zealand's main investment regulator and they aim to educate and encourage New Zealanders to gain knowledge and understanding on who offers investment advice, the rules that apply to them and what an adviser must tell you before you invest any money.

The new act applies to professionals including financial planners, financial advisers & brokers, share brokers, and some accountants and lawyers offering investment advice. It outlines the simple rules which apply to an investment adviser.

Advisers have to comply with the new law by giving you a "Disclosure Statement" which tells you about them, the investments they advise on, and how they are paid. The Disclosure Statement must be in writing, be dated, and give the contact details of the adviser or broker. It must be given to you in person, or sent to your postal, email or fax address. It is not enough for an adviser to refer you to a website for the Disclosure Statement. You must be given the Disclosure Statement before the adviser gives you investment advice and before you pay any money.

Most importantly, you should only invest when you understand the investment portfolio and the risks involved.

Please note that the staff at Fund Managers Otago, who are responsible for the administration and management of your Group Investment Funds, are not investment advisers nor brokers and are strictly governed by the Trust Deed and the respective Prospectus and Investment Statement for the two investments offered.

The Securities Commission offers free comprehensive reading material and if you have trouble getting hold of this information please contact us and we will send you the brochure. You can also visit the Securities Commission website: www.seccom.govt.nz

Violinist Chuanyan Li plays Mozart

ticket offer

3pm, Sunday 25 May



As part of our sponsorship of the Southern Sinfonia we are pleased to offer six current investors and partners tickets to attend the performance of Chuanyan Li.

Chuanyan is one of the foremost violinists of his generation from China. Winner of numerous prizes and now an international artist, Chuanyan makes his debut performing the first of the 2008 Matinée Series with Mozart concertos.

If you would like to jump in early and secure your tickets, please contact Jessie Peat or Kirk Tarr on 0800 800 212. Please note that this offer is strictly on a 'first come first serve' basis and only for current investors. Thank you.



A New Face

Rachel Spinney joined Fund Managers Otago as Receptionist /Administration Assistant on the 26th of March 2007 and has since been promoted to the role of Accounting Assistant to support the Office Manager, Annette Marshall.

Formally from England; Rachel left in February 2005 for a nine month round the world trip but never quite made it back! After spending three months in Sri Lanka working on a Turtle Conservation Project, she then moved to Brisbane where she met her kiwi partner. They travelled the East Coast of Australia in a campervan prior to coming to New Zealand in January 2006.

Rachel loves the adventure of travel and her other interests include keeping fit at the gym and Pilates. She holds a degree in English Literature and Urban Studies. Before leaving England Rachel worked for three and a half years in administration at the Head Office of a tour operator in London and also spent time in European resorts as part of the hotel staff complement.



Rachel Spinney
Accounting Assistant



NZ Mortgage Income Trust Hole-in-One Putting Competitions

As part of our community involvement we recently participated in the Taieri A&P Show and the 'Thieves Alley Market Day' at the Octagon in Dunedin. NZ Mortgage Income Trust ran a "Hole-in-One Putting Competition" where entrants who achieved a hole-in-one were entered into a draw to win a \$500 investment certificate. The winners were drawn at the close of each event by the respective events managers. NZ Mortgage Income Trusts two new investors and winners on the day: Jenny Jury from the A&P Show and Melanie Stevenson from the Market Day.



Melanie Stevenson, a Dunedin engineer, is presented with her \$500 investment.



Kirk Tarr presents Jenny Jury of Mosgiel with her new investment.

- Our Team



Peter Hutchison
General Manager



Kirk Tarr
Business Development Manager



Craig Ross
Senior Lending Manager



Annette Marshall
Office Manager



Ken Hall
Lending Manager



Ann Burton
Senior Lending Officer



Carli Robinson
Lending Officer



Natasha Spek
Investment Officer



Rachel Spinney
Accounting Assistant



Jessie Peat
Receptionist/Admin. Assistant

What is a Group Investment Fund (G.I.F.) ?

A G.I.F. is an investment structure where individuals pool their money to create a group advantage and avail themselves of cost sharing in an Investment Fund, which is managed by a professional Fund Manager. The objective of the NZ Mortgage Income Trust G.I.F. is to invest in prime registered mortgages for a competitive quarterly income return to investors. Investments in the NZ Mortgage Income Trust's Group Investment Funds are monitored by an independent trustee under trust deed and Trustee.

NZ Mortgage Income Trust's Group Investment Funds should not be confused with other financial institutions. It is important to make this distinction given that in recent months a number of institutions have incurred negative publicity due the risks they pose to investors.

There are a few fundamental differences between our Funds and other financial institutions and the chart below should help illustrate some of these important differences:

	NZ MORTGAGE INCOME TRUST'S GROUP INVESTMENT FUNDS	BANKS, FINANCE COMPANIES & OTHER DEPOSIT TAKERS
Who owns the assets?	The Investors (Assets held by a Trustee on Trust for all investors)	Generally Companies/Banks
Who receives additional profit?	The Investors	Generally Companies/Shareholders
Who is first in line if the fund/company is wound up?	The Investors (After payment of liabilities of the Fund)	Secured parties and preferential crediting. Generally, secured debenture holders aren't first in the queue.
Where does a new investment go?	Directly into the Fund	To the Company/Bank
What is the new investment money used for?	Invested into registered first mortgages or other investments authorised under the Trust Deed.	Often there is a broad discretion for Companies and Banks.

The difference of the risks to investors from this Fund and from other finance institutions may be significant. Certainly the risk of some investments is not easily identified through advertising or through the image portrayed by some financial institutions. Some institutions' investments may be good investment options if they provide adequate levels of safety.

We are proud of the 14 years of NZ Mortgage Income Trust's history, and proud of the fact that prudent measures have ensured that no investor has ever lost money on this investment. To adequately understand the risks of various other investments we recommend you seek independent advice from an investment adviser who will present a "disclosure statement" to help ensure you invest in the right investment to suit your needs and risk profile.

Otago Museum – Investors Function 19 June

As part of our commitment to offer you an opportunity to meet our Board of Directors, management and staff, we are hosting an Investors Function at the Otago Museum on the 19th of June at 2.30pm for tea followed by the presentation at 3pm.


We are offering 150 tickets, on a first serve basis, to current investors to attend this function and each guest will receive a ticket for entry to the Otago Museum's "Tropical Forest" after the presentation.

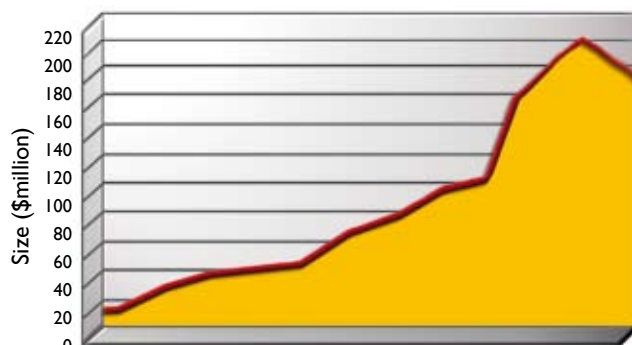
If you would like to attend this event please contact Kirk Tarr or Jessie Peat on 0800 800212 to reserve your seats. Please note that this opportunity is only available to current investors.

Thank you.



Key Investment Points

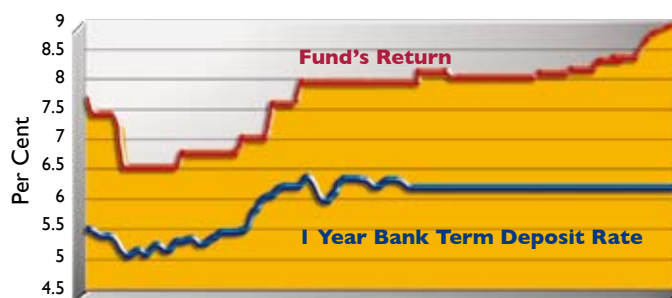
Fund size:	\$172.6 million (unaudited figure)
Minimum Investment:	\$500
Income Payments:	Quarterly, floating rate of return Income can be compounded
Term of Investment:	No fixed term
Fees:	No application fees, no entry fees. An exit fee of 1% may apply for withdrawals in the first year.
Fund Rating:	 5 Stars from Funds Research Ltd. ¹



Growth since inception in 1994

Return to Investors²

Average quarterly return for the past 1 year:	8.53% p.a.
Average quarterly return for the past 2 years:	8.26% p.a.
Average quarterly return for the past 5 years:	7.64% p.a.
Return for quarter ending 31 May 2007:	8.05% p.a.
Return for quarter ending 31 August 2007:	8.20% p.a.
Return for month ending 30 September 2007:	8.30% p.a.
Return for quarter ending 31 December 2007:	8.60% p.a.
Return for quarter ending 31 March 2008:	9.00% p.a.



Quarterly returns for the past five years

Where the Fund is Invested - the Mortgage Portfolio³

Number of Mortgages: 273
 (All registered first mortgage securities)
 Value of Mortgages: \$158.8 million
 Average Mortgage Size: \$581,841
 Average Loan to Valuation Ratio: 48.11%

Prime Mortgage Interest Rates:		Max. Loan%
Commercial/Industrial	11.25% p.a.	66.67%
Farming	10.95% p.a.	60%
Home	10.95% p.a.	80%
Residential/Rental	11.25% p.a.	80%

National spread of mortgage securities:

North Island: 69%
 (Auckland: 12% Wellington: 27%)

South Island: 31%
 Nelson, Marlborough & Canterbury: 10%
 (Christchurch: 7%)

Otago & Southland: 21%
 (Dunedin: 5%)

Residential Loans 41%



Commercial / Industrial
 Loans 45%

Farm Loans 6%

Bank Deposits 8%

NOTES: On 1 October 2001 all assets of the NZ Mortgage Income Trust Unit Trust were transferred into the NZ Mortgage Income Trust Group Investment Fund. All historical information on this page relates to the NZ Mortgage Income Trust Unit Trust to 30 September 2001 and for the NZ Mortgage Income Trust Group Investment Fund from 1 October 2001. All information is current to 26 March 2008, unless stated otherwise. For further information please contact your adviser or our office to obtain a copy of our current Investment Statement and/or Prospectus.

1. Funds Research Fund ratings are calculated from risk adjusted fund returns over the past three years to 29 Feb 2008. The top achieving 15% of funds attain five stars. Past performance analysis is not necessarily a guide to future performance.

2. The return to investors is calculated quarterly, after all fees and expenses have been deducted, and is expressed as a per annum equivalent before tax. Details on the return calculation are set out in the Registered Prospectus that is available on request. Past returns do not guarantee future performance. Average quarterly returns are the mean average return and have not been compounded. The 1 year bank term-deposit rate as advertised is calculated on the average return for \$5,000 with four banks- ANZ, BNZ, National and Westpac.

3. Investments are pooled and invested across the entire mortgage portfolio. The portfolio breakdowns are calculated on dollar values. Averages are the mean average. The "Loan Max %" is the maximum loan amount against registered valuation or purchase price, whichever is lower.

Key Investment Points

Fund size:	\$5.63 million (unaudited figure)
Minimum Investment:	\$500
Income Payments:	Quarterly, floating rate of return Income can be compounded
Term of Investment:	No fixed term
Fees:	No application fees, no entry fees. An exit fee of 1% may apply for withdrawals in the first year.

Return to Investors⁴

Return for quarter
ending 31 December 2007: **8.55% p.a.**

Return for quarter
ending 31 March 2008: **8.98% p.a.**

Where the Fund is Invested - the Mortgage Portfolio⁵

Number of Mortgages: 21
(All registered first mortgage securities)
Value of Mortgages: \$4.92 million
Average Mortgage Size: \$234,142
Average Loan to Valuation Ratio: 45.88%

Prime Mortgage Interest Rates:		Max. Loan%
Commercial/Industrial	10.95% p.a.	66.67%
Farming	10.95% p.a.	60%
Home	10.95% p.a.	80%
Residential/Rental	10.95% p.a.	80%

National spread of mortgage securities:

North Island: 25%
(Auckland: 9% Wellington: 4%)

South Island: 75%
Nelson, Marlborough & Canterbury: 16%

Otago & Southland: 59%
(Dunedin: 15%)

Residential Loans 36%



Farm Loans 21%

Bank Deposits 13%

NOTES: On the 1st of October 2007 NZ Mortgage Income Trust No.2 Fund was formed. All information on this page relates to the NZ Mortgage Income Trust No. 2 Fund current to the 26 March 2008, unless stated otherwise. For further information please contact your adviser or our office to obtain a copy of our current Investment Statement and/or Prospectus.

4. The return to investors is calculated quarterly, after all fees and expenses have been deducted, and is expressed as a per annum equivalent before tax. Details on the return calculation are set out in the Registered Prospectus that is available on request. Past returns do not guarantee future performance. Average quarterly returns are the mean average return and have not been compounded. The 1 year bank term-deposit rate as advertised is calculated on the average return for \$5,000 with four banks-ANZ, BNZ, National and Westpac.

5. Investments are pooled and invested across the entire mortgage portfolio. The portfolio breakdowns are calculated on dollar values. Averages are the mean average. The "Loan Max %" is the maximum loan amount against registered valuation or purchase price, whichever is lower.

