



Manager's Notes

Welcome to our first edition of "Lending News". We intend to distribute this twice yearly to keep you informed with developments in the Fund, and our views on the mortgage market in general. In this edition you'll find information on the interest rate cycle, pictures of our team, a look at our lending statistics, and a brief look at reverse mortgages.

With this investment fund now one of New Zealand's fastest growing and with over \$150 million of investors' funds, we have funds available to cater for quality borrowing propositions. We'll do our best to tailor a package to suit each proposition.

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. Alternatively, if you have a query about a current loan please feel free to call any of our lending team on that same number.

Regards,

Peter Hutchison

General Manager, Fund Managers Otago Ltd



Interest Rates

Most borrowers are aware of the increases to mortgage interest rates over the past two years. The good news is that it would appear interest rates have neared the top of their cycle and whilst nothing is certain, most analysts are picking rates to begin reducing sometime in the second half of 2006. The Fund's interest rates have increased over the past two years but we've done our best to limit the increases to our borrowers. For example, in the two years starting on 1 November 2003 and ending 31 October 2005, the Official Cash Rate (OCR) rose by 2.00% p.a. and the Fund's benchmark home lending rate increased by just 1.55% p.a. In comparison, the average home loan floating rate charged by the four main banks, ANZ, BNZ, National, and Westpac, increased by 1.99% p.a during the same period. Further increases in the short term are likely but rest assured we will keep these to a minimum wherever possible.



PROFILE

General Manager of Fund Managers Otago

Peter Hutchison

Peter has worked in the banking and financial services industry for most of his career. He was commissioned to bring the NZ Mortgage Income Trust to market in 1994, and has been instrumental in building the Fund to be one of the best performing in New Zealand.



Peter's wide range of business skills has resulted in him being a director of a number of other companies and enterprises including being Chairman of the Cancer Society's Daffodil Enterprises Limited and director of their National Finance Advisory Committee. The Cancer Society is his way of putting something back into the community.

Peter was born in Christchurch and has lived in Dunedin since the early 1980s. He is married to Sue and has three teenage children, Kate, Thomas and Sophie, and one very busy West Highland Terrier "Indie". What is left of the week Peter devotes to family and golf.

Meet the Team



Peter Hutchison
General Manager



Ken Hall
Lending Manager



Paula Taylor
Senior Lending Officer



Kelly Senkus
Lending Officer



David Frame
Marketing Manager



Annette Marshall
Office Manager



Carli Robinson
Administration Officer

Reverse Mortgages

This form of lending has created a lot of publicity in the past year, and we are often asked if we provide reverse mortgages. We have looked at these loans and while we don't officially lend on a reverse mortgage basis we do have other options available to borrowers.

We refer to these loans as "home equity loans". It's essentially the reverse of a traditional home loan. In a traditional home loan you borrow money from the lender and then make interest and/or principle payments on the loan. With a reverse mortgage you borrow the money but instead of paying back the interest costs these accumulate, with the loan increasing in size until it's repaid in full from the sale of the property. Due to the increasing size of the loan the loans are generally approved based on a ratio of the amount loaned, against the age of the borrower(s). This is to ensure the lender has enough value in the property to cover the loan when it is repaid, potentially years down the track. The loan is usually repaid when the house is sold, or when the last of the borrowers pass away.

This type of loan is aimed at retired people looking to borrow money on their homes to pay for their lifestyles or major projects. While we don't currently actively lend in this sector we can assist borrowers with much the same requirements. For example, where someone may want to borrow something like \$20,000 for maintenance to their house, we can lend the money at competitive rates – potentially the borrower could make interest-only payments on the \$20,000 of just under \$40 per week. In some circumstances we won't even require a valuation of the house, with the ability to lend up to 50% of a property's worth based on government valuation alone.

If you'd like further information on what kind of lending we can provide, feel free to contact Ken Hall or Peter Hutchison during office hours on 0800 800 212.

Did you know?

- *The Fund currently has a good source of funds and will consider all quality lending opportunities presented.*
- *We aim to give you an indication of loan application success within one working day of receiving the application.*
- *To increase the amount of your loan may be as easy as a phone call.*
- *The Fund lends on a wide range of properties from homes, rental houses and flats, farms, lifestyle blocks, right through to commercial buildings, retail and wholesale premises.*
- *The Fund has loans spread the length of the country from the Bay of Islands to Invercargill.*
- *Loans vary from in size, with the majority being under \$100,000 but with some into the millions of dollars.*
- *The majority of the Fund's loans are on interest-only terms for three year terms, with a good range of other options available.*

Fund Facts

(Figures current at 7 November 2005)

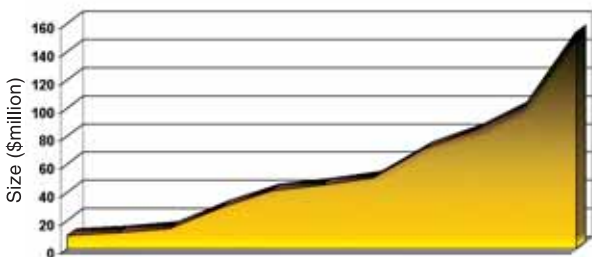
Number of Mortgages: 393

(All registered first mortgage securities)

Value of Mortgages: \$125.16 million

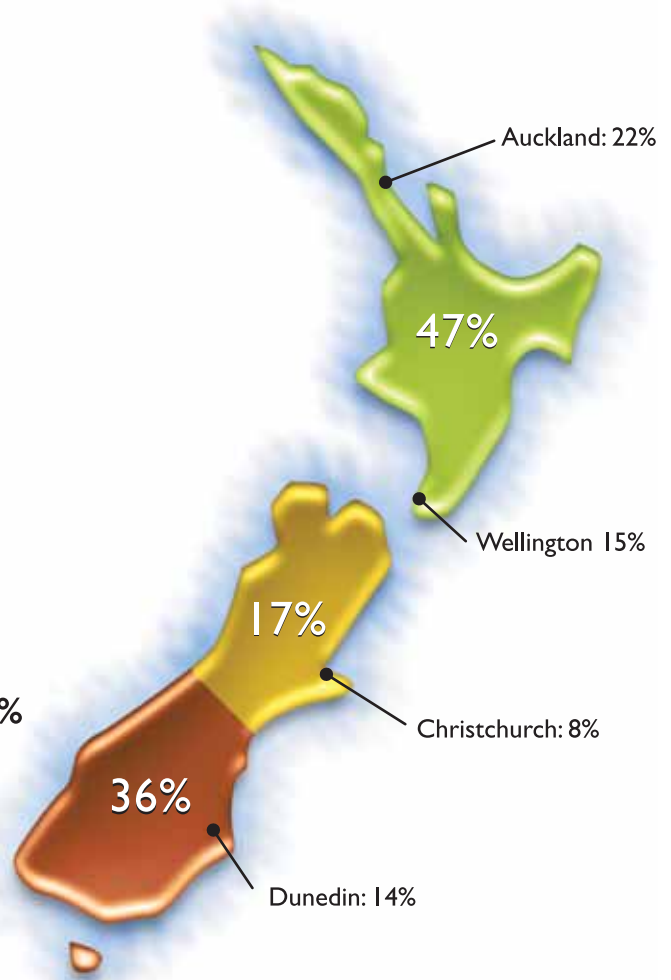
Average Mortgage Size: \$318,464.35

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	75%
Residential/Rental	75%

Sector Allocation:

