

NZ Mortgage Income Trust Fund Facts



Fund Size	\$140,715,184.98
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a stable and planned approach to investment, the Manager has discretion to charge a fee of up to 2% on any money withdrawn 12 months after investment and up to 1% on any money withdrawn more than 12 months but less than 24 months after investment.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	9.00% p.a.¹

Note: 1. See footnote 1 on front page.



Fund Size	\$6,222,290.17
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a stable and planned approach to investment, the Manager has discretion to charge a fee of up to 2% on any money withdrawn 12 months after investment and up to 1% on any money withdrawn more than 12 months but less than 24 months after investment.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	
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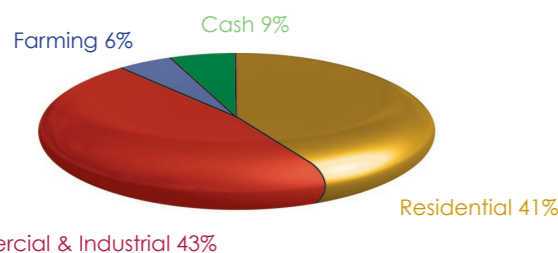
Where the Fund is Invested - the Mortgage Portfolio

	PIE Fund	No.2 Fund
Number of Mortgages: (All registered First Mortgage Securities)	214	33
Value of Mortgages:	\$130,500,311.54	\$5,814,592.09
Average Mortgage Size:	\$609,814.54	\$176,199.76
Average Loan to Valuation Ratio:	47.30%	36.66%

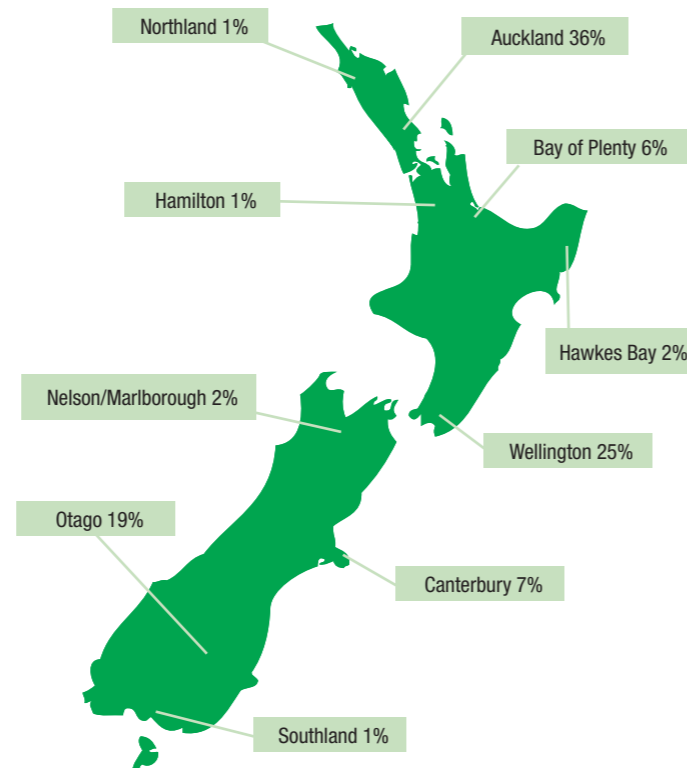
National spread of Mortgage Securities

North Island: 71%
(Auckland City: 14% & Wellington: 25%)

South Island: 29%
(Nelson & Marlborough 2%, Christchurch 6%, Dunedin 3%)



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 30/9/2008, 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. Past returns do not guarantee future performance. All information is current to 15 September 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.

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THE FACTS

Spring Newsletter

2008



Manager's Letter

On behalf of the Board of Directors, Management and Staff we would like to take this opportunity to thank you for your continued support. **Your loyalty has been rewarded by another quarterly return equivalent to 9.00% p.a. after all fees and expenses for the quarter ending 30 September 2008.** That's another quarter of performing on time and we expect to produce a similar return for the quarter ending 31 December 2008. The only challenge to this will be any further downward pressure on mortgage interest rates due to the recent reduction in the official cash rate and the projected cuts to come. Regardless of what transpires, we expect the December return to be superior to that offered by the banks and similar financial institutions for comparable types of investments.

Funds under management currently stand at \$140 million at the time of publication. While we are not forecasting growth we continue to receive new investments and there are indications that investors are renewing their support for investment products that continue to perform in the current climate as can be evidenced by another law firm recommending to their nominee company investors that they transfer their investment to the NZ Mortgage Income Trust P.I.E. Fund.

Liquidity remains sound at 10% and our mortgage portfolio while showing elevated arrears due to the current economic climate continues to perform well. We continue to receive mortgage repayments and we are ensuring that all new lending is conservative and targeted at maintaining a sound portfolio of registered first ranking mortgages with more than 60% of the portfolio having a loan to valuation ratio of 50% or less.

We look forward to seeing many of you at the end of year Investor Function.

Yours sincerely,
 Peter Hutchison
 General Manager

Proud Supporter of
 Otago/Southland Division
 of the Cancer Society



RETURNS AT A GLANCE



Return for quarter ending: 30/09/2008

9.00% p.a.¹

Compounded return past 12 months

9.20% p.a.²

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

10.16% p.a.³

RETURNS AT A GLANCE



Return for quarter ending: 30/09/2008

9.00% p.a.¹

Compounded return past 11 months

9.08% p.a.²

Notes: 1. the above return is based on an investor being in the Fund for the entire quarter ended 30/09/2008. 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.

10.16% p.a.³

"I'm currently being taxed at 39% but with NZMIT's PIE Fund their latest pre-tax return of 9% p.a. (to 30/09/08) effectively jumps to a pre-tax return of 10.16% p.a."

If your tax rate is at 33% or 39% we may be able to help you pay a lot less tax on your investment income.



Just as Charles Dickens so appropriately said in 'Hard-Times'... 'Now what I want is, Facts... Stick to the Facts Sir!'

The Benefits of Compounding your Quarterly Income

If you would prefer to have your investment income compounded (re-invested back into your investment) please feel free to call and ask for one of our senior managers for an investment statement during business hours on Freephone 0800 800 212 or email kirk@mortgagetrust.co.nz

In previous editions we covered the long term benefits of compounding (re-investing) your quarterly income payment. The example below illustrates how your investment may have performed if you invested in the Fund over a 12 month period based on the P.I.E. Fund's past four quarterly returns.

Quarter Ending	Return Paid	Average Return last 4 Quarters	Compounded Return based on last 4 quarters
31 Dec 07	8.60% p.a.	8.90% p.a.	9.20% p.a.²
30 Mar 08	9.00% p.a.		
30 June 08	9.00% p.a.		
30 Sept 08	9.00% p.a.		

Note: 2. See footnote 2 on front page.

Prospectus and Investment Statement Amendments

The prospectus and investment statement for the P.I.E. Fund has been updated effective 27 June 2008. The No.2 Fund updates are in the process of being registered. Many of the changes were simply to update financial information and statistics but some were driven by the events of the last eighteen months. One such change was that applying to redemptions as we moved to process withdrawals in line with the provisions as outlined in the Investment Statement rather than on demand. This decision, while not necessarily popular, is

testament to the commitment of Fund Managers Otago to manage the Fund for the benefit of all unitholders. Another change was that relating to exit fees.

The two specific clauses that represent the two most material changes in the investment statements are:

Entry and Exit 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."

Withdrawal Provisions - "Unitholders have the right at any time to give notice to the Manager withdrawing their investment in the Fund. The withdrawal notice will specify the amount of money or number of units the unitholder wishes to withdraw. The withdrawal notice will not be able to be revoked. Subject to the right to suspend withdrawals referred to in the final paragraph of this section j, the Manager is obliged under the Trust Deed to ensure that the amount of the unitholders investment is paid within 90 business days after the Manager receives their withdrawal notice. The Manager may agree with any unitholder who has issued a withdrawal, to transfer authorised investments to the unitholder which have an aggregate market value not exceeding the withdrawal amount stated in the withdrawal notice."

Please feel free to call and ask for one of our senior managers for an investment statement during business hours on Freephone 0800 800 212 or email kirk@mortgagetrust.co.nz

How Our Rate of Return Compares to the Banks

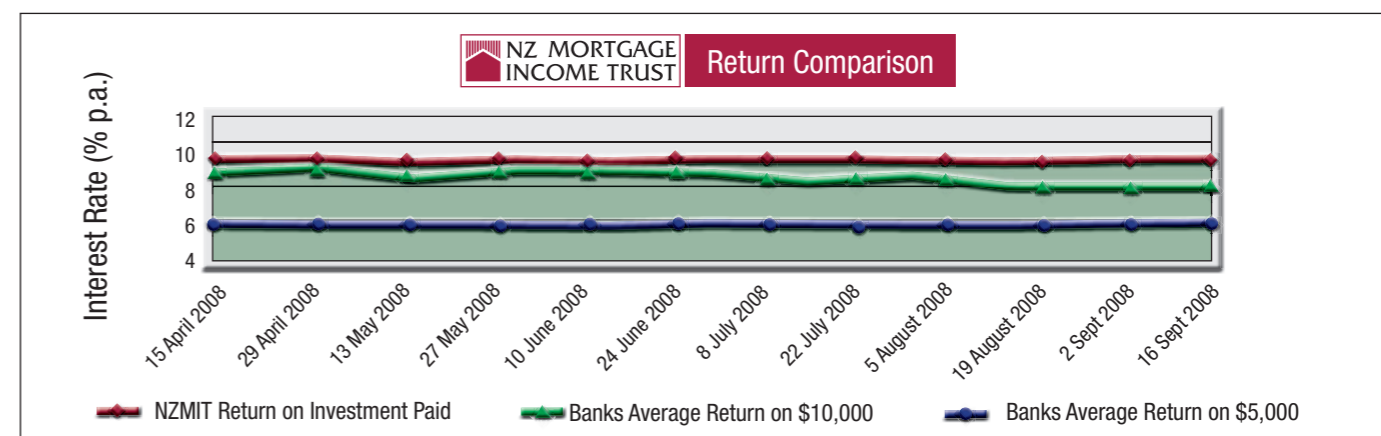
NZ Mortgage Income Trust has paid a return of 9.00% p.a. over the past three consecutive quarters ending March, June and September 2008 respectively. The tables below reflect the returns paid by NZ Mortgage Income Trust compared to the advertised 12 month term deposits offerings from four banks. The advertised term deposits being a minimum of \$5,000 and \$10,000 dollars reflect the respective rates of return.

At NZ Mortgage Income Trust you earn the same return irrespective of the amount you choose to invest starting with a minimum deposit of \$500 as contained in the investment statement. The results below have been tracked over the past six months. Note that with the banks \$10,000 deposit the rate reflected below is their best offer as advertised against the respective minimum deposit on the date recorded. The banks reduce the interest rate if you break your term deposit before maturity.

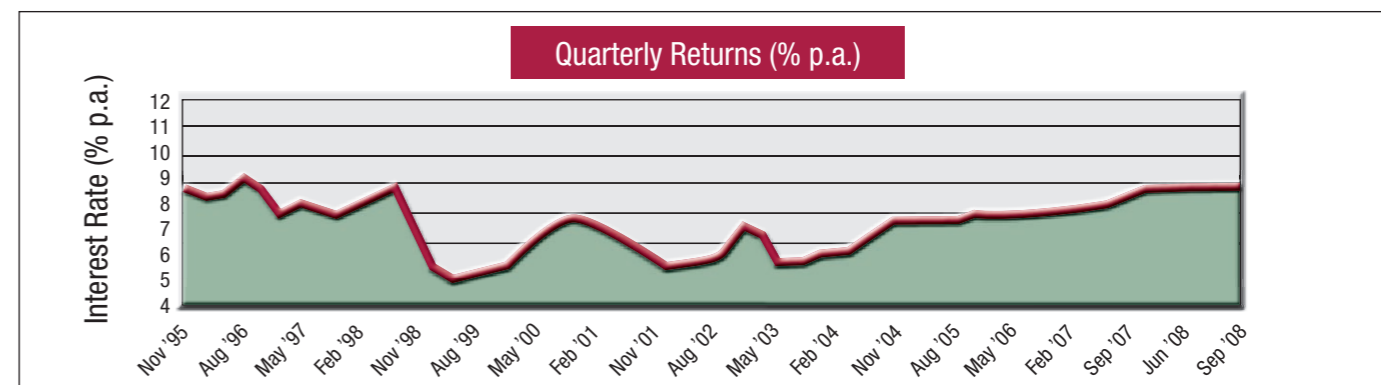
RATE OF RETURN COMPARISON CHART

Date	NZMIT Return on investment paid (% p.a.)	Banks Return on \$5,000 minimum 12 month Term Deposit (% p.a.)					Banks Return on \$10,000 minimum 12 month Term Deposit (% p.a.)				
		Banks average return on \$5,000	Bank X	Bank Y	Bank Z	Bank A	Banks average return on \$10,000	Bank X	Bank Y	Bank Z	Bank A
15-May-08	9.00 ¹	5.81	6.10	5.00	6.15	6.00	8.18	8.40	7.90	8.20	8.20
31-May-08	9.00 ¹	5.81	6.10	5.00	6.15	6.00	8.43	8.50	8.50	8.50	8.20
15-Jun-08	9.00 ¹	5.81	6.10	5.00	6.15	6.00	8.45	8.50	8.50	8.50	8.30
30-Jun-08	9.00 ¹	5.81	6.10	5.00	6.15	6.00	8.45	8.50	8.50	8.50	8.30
15-Jul-08	9.00 ¹	5.81	6.10	5.00	6.15	6.00	7.99	8.30	7.40	8.25	8.00
31-Jul-08	9.00 ¹	5.81	6.10	5.00	6.15	6.00	8.05	8.10	8.30	8.00	7.80
15-Aug-08	9.00 ¹	5.81	6.10	5.00	6.15	6.00	7.85	7.80	8.10	7.80	7.70
31-Aug-08	9.00 ¹	5.81	6.10	5.00	6.15	6.00	7.80	7.80	8.00	7.70	7.70
15-Sep-08	9.00 ¹	5.81	6.10	5.00	6.15	6.00	7.63	7.80	7.75	7.70	7.70

Notes: 1. See footnote 1 on front page. Source of other banks returns information are from www.interest.co.nz tracked and recorded on specific dates as illustrated.



The graph below illustrates the Fund's rate of return paid quarterly since the Fund was established:



Investor Function Invitation

4th December Dunedin Public Art Gallery

The Board of Directors, Management and Staff invite you to our Investor Function at the **Dunedin Public Art Gallery** on the **4th of December 2008** at **2:30pm** for light refreshments followed by a presentation at 3pm.

Numbers for this function are limited So Be Quick!! You might remember reading about our last function at a Dunedin venue in our Winter Newsletter. Unfortunately the new venue being the "The Dunedin Chinese Garden" cannot accommodate the number of investors who normally attend our Investor Function so we have decided to offer one complimentary ticket per investor who attends the function at the Dunedin Public Art Gallery on the December 4th.

If you would like to attend this event please contact **Kirk Tarr** or **Natasha Spek** on **0800 800 212** to reserve your seat and the complimentary ticket to the "Dunedin Chinese Garden". Please note that this opportunity is only extended to current investors.

Look forward to seeing you there!