

Manager's Notes

The return to investors for the quarter ending 30 November 2005 was equivalent to 7.80% p.a. before tax but after the deduction of all fees and expenses.

The Fund has continued to grow over the past quarter, with unit holder funds now totalling more than \$150 million. While some sectors of the property market are slowing we believe the Fund will continue to source quality mortgage opportunities as even in a slowing property market people have mortgages and require borrowings to own properties.



Peter Hutchison - General Manager
Fund Managers Otago Ltd



On 5 August 2005 the Fund registered a new Prospectus. In line with that registration a new investment statement has been printed. There are few changes to the wording in the Investment Statement, but if you would like a copy of the new version please feel free to contact Carli by phoning 0800 800 212 during office hours.

With the end of the year looming it's important to note that the last day in 2005 for requesting a withdrawal or for depositing new funds will be Wednesday the 21st of December.

On behalf of the Directors, Management and Staff of Fund Managers Otago, I would like to wish you a Merry Christmas and a Prosperous New Year.

Best wishes,

Peter Hutchison

Our office will be closed from lunchtime on 22 December and will be reopening Monday 9 of January.

RETURNS AT A GLANCE

Return for Quarter ending
30 November 2005

7.80% p.a.

Average Return for the past
4 Quarters(1 year period)

7.80% p.a.

Estimated range of return for the
quarter ending 28 February 2006

7.7 - 7.95% p.a.

PLEASE NOTE: these returns are before tax but after all fees and expenses have been deducted and are expressed as a per annum equivalent. The range estimated by the Fund Manager for the next quarterly return is based on predictions of future performance. Unforeseen factors may influence future returns and the actual return may vary from this estimate. This estimated return is not guaranteed.

PROFILE

Lending Manager of Fund Managers Otago Ken Hall

Ken Hall has worked in the banking and financial services industry for most of his career. Straight from school Ken worked as an office junior for the Bank of New South Wales in Christchurch before progressing through to an Assistant Manager's position at their Lower Hutt branch. He then went on to work for Marac Finance, initially as the Advances Manager based in Christchurch and then as the Branch Manager in Dunedin for the Otago operations.



Ken has been working at Fund Managers Otago as the Lending Manager for the past six years. His role for the Fund involves analysing current and potential loans, and working closely with Peter Hutchison, the General Manager, to ensure the Fund is well secured through its lending decisions.

Ken is married to Glenyce, and has three adult children and a number of grandchildren. In his spare time Ken is an active rugby supporter and enjoys spending time at his crib in Otematata.

Staff Support Women's Walk for Victim Support.

On Sunday November 13th the female staff of Fund Managers Otago, together with some friends, walked in the 5km Fun-Run/Walk charity event called "Champagne in the Park". This event was part of a series of walks nationwide to promote health and wellness in women. Funds raised will be donated to Victim Support, helping ensure that the 24 hours a day, 7 days a week, Victim Support service will be ready to help victims of crime and trauma.

Despite the wet weather the team had a great deal of fun, more importantly being able to contribute time and money towards a worthy cause. Well done team!



BY COMPARISON

What is the security of a mortgage backed fund compared to that of a finance company's debenture stock?

With a large number of finance company investment products on the market we increasingly being asked what the difference is between the security offered by this Fund and that offered by finance companies.

To begin it is important to explain what the differences are and how they may potentially suffer losses that would alter your investment.

Both a mortgage backed fund and a finance company lend money to borrowers and usually take security over the borrower's property to protect the investors' capital and Finance Company shareholders. Should a borrower default on a loan the lender can seize the security and sell it to obtain repayment of the loan. In the case of this Mortgage Fund the security is always a **registered first mortgage** over land and buildings.

In the case of the mortgage fund, holding a registered first mortgage over land and buildings means that under a forced sale we have the first rights to seize and sell the security to recoup the funds lent to the borrower. We believe we have a conservative lending policy and we believe we can regain full payment of our loans in such circumstances.

Indeed, over the latest financial year the Fund to date has suffered no losses on any of its loans which total over \$100 million.

In the case of a finance company the security may be first, second or third mortgages, vehicles, electronic equipment, household goods and the list goes on, almost anything you can think of. A finance company must seize the property from bad loans where and when it can, and then hope to sell the property at no loss. In the case of second mortgages where the finance company doesn't have the first priority to the security, it does not have the full control over the sale that this Fund has with its registered first mortgages. It is not uncommon for finance companies to run losses on the sale of repossessed or seized goods.

The difference of the risks to investors from this fund and from some finance companies may be significant. Certainly the risk of some investments may be not easily identified through their advertising or through the image portrayed by some companies. **We are proud of the 11 years of this Fund's history, and proud of the fact that with prudent measures no investor has ever lost money on this investment.** To adequately understand the risks of various investments we recommend you seek independent advice to ensure you invest in the right investment to suit your needs and risk profile.

Our Team



Peter Hutchison
General Manager



Paula Taylor
Senior Lending Officer



David Frame
Marketing Manager



Kelly Senkus
Lending Officer



Annette Marshall
Office Manager



Carli Robinson
Administration Officer



Ken Hall
Lending Manager

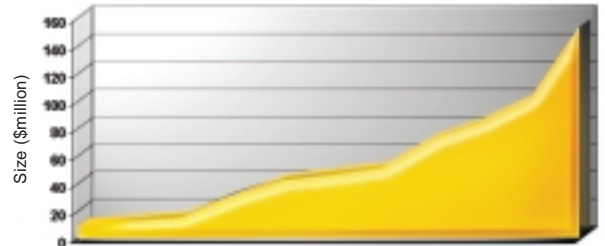


NZ MORTGAGE INCOME TRUST

Registered Office of the Manager: Fund Managers Otago Ltd
Level 2 Consultancy House, 7 Bond Street, PO Box 481, Dunedin.
Phone (03) 471 6500 Tollfree 0800 800 212 Fax (03) 479 0598
Website: www.mortgagetrust.co.nz

Key investment points

Fund size: \$158.7 Million (Unaudited figure)
Minimum Investment: \$500
Interest Payments: Quarterly, floating rate of return
Interest 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.
Independently Researched¹: Rated with both FundSource Research Limited and Morningstar Research Limited.



Growth since inception in 1994

Return to investors²

Average quarterly return for the past 1 year: 7.80%p.a.
Average quarterly return for the past 2 years: 7.30%p.a.
Average quarterly return for the past 5 years: 6.99%p.a.
Return for quarter ending 28 February 2005: 7.80%p.a.
Return for quarter ending 31 May 2005: 7.80%p.a.
Return for quarter ending 31 August 2005: 7.80%p.a.
Return for quarter ending 30 November 2005: 7.80%p.a.



Quarterly returns for the past five years

Where the Fund is invested - the mortgage portfolio³

Number of Mortgages: 394
(All registered first mortgage securities)
Value of Mortgages: \$130.6 million
Average Mortgage Size: \$331,497.57
Average Loan to Valuation Ratio: 51.5%

Prime Mortgage Interest Rates:		Max. Loan%
Commercial/Industrial	10.25%p.a.	66.67%
Farming	9.50%p.a.	60%
Home	9.75%p.a.	80%
Residential/Rental	9.95%p.a.	80%

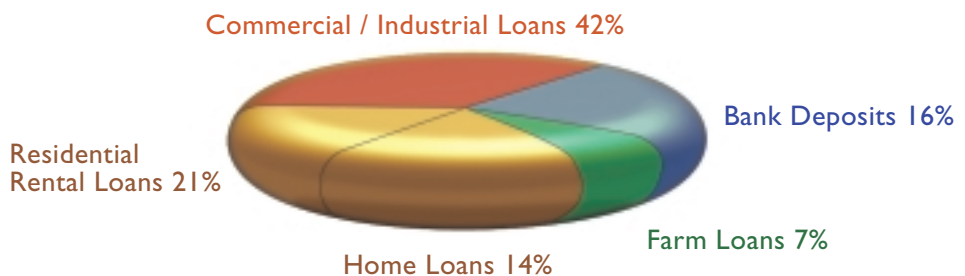
National spread of mortgage securities:

North Island: 48%
(Auckland: 23% Wellington 16%)

Nelson, Marlborough & Canterbury: 16%
(Christchurch: 8%)

Otago & Southland: 36%
(Dunedin: 13%)

Sector Allocation:



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 21 November 2005, unless stated otherwise. For further information please contact your advisor or our office to obtain a copy of our current Investment Statement and/or Prospectus.

- Fundsource and Morningstar ratings are calculated from risk adjusted historical fund returns. Past performance analysis is not necessarily a guide to future performance.
- 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. 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 is calculated on the average return for \$10,000 with four banks- ANZ, BNZ, National and Westpac.
- 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.