



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

I hope you and your family had a pleasant and peaceful festive season. We appreciate the support and patience of our investors and clearly you understand that we are not a finance company and that you, our investors, together own 100% of the Fund assets.

The P.I.E. Fund return this quarter is equivalent to 8.60% p.a. before tax but after all expenses. We expect the return to continue to rise over the coming quarter to between 8.75% and 9.00% p.a. We have taken a measured approach to mortgage interest rates increases to ensure we retain an appropriate risk profile. This approach means that, as always, the Fund has a stable mortgage portfolio.

The No. 2 Fund has also performed well with a return equivalent to 8.55% p.a. before tax but after all expenses. This Fund has a healthy spread of mortgages within its portfolio.

There has been significant regulatory change this year. This inevitably leads to increases in costs. This was foreseen by the management company and we have moved to streamline costs in other areas to ensure that the increased legislation burden is reduced for investors. You should be aware that the new regulations brought in by the government surrounding the financial services sector had little impact on the Fund as we always strive to exceed regulatory requirements and still exceed the disclosure requirements of the new legislation. We have done this since inception in 1994.

You will see a new face on Page 3 with the addition of Kirk Tarr to our management team. Kirk comes to us from a banking career in South Africa settling here with his wife and two children. If you are in our offices please make yourself known to Kirk.

Next year we will be hosting more investor functions and offering more opportunities for investors to meet with management and staff. We trust you will take advantage of these opportunities when they arise.

We would like to wish you a prosperous new year.

Peter Hutchison
General Manager



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



RETURNS AT A GLANCE

Return for quarter ending 31 December 2007

8.60% p.a.

Average return for the past 12 Months

8.23% p.a.



No. 2 Fund

RETURNS AT A GLANCE

Return for quarter ending
31 December 2007

8.55% p.a.

Portfolio Investment Entity

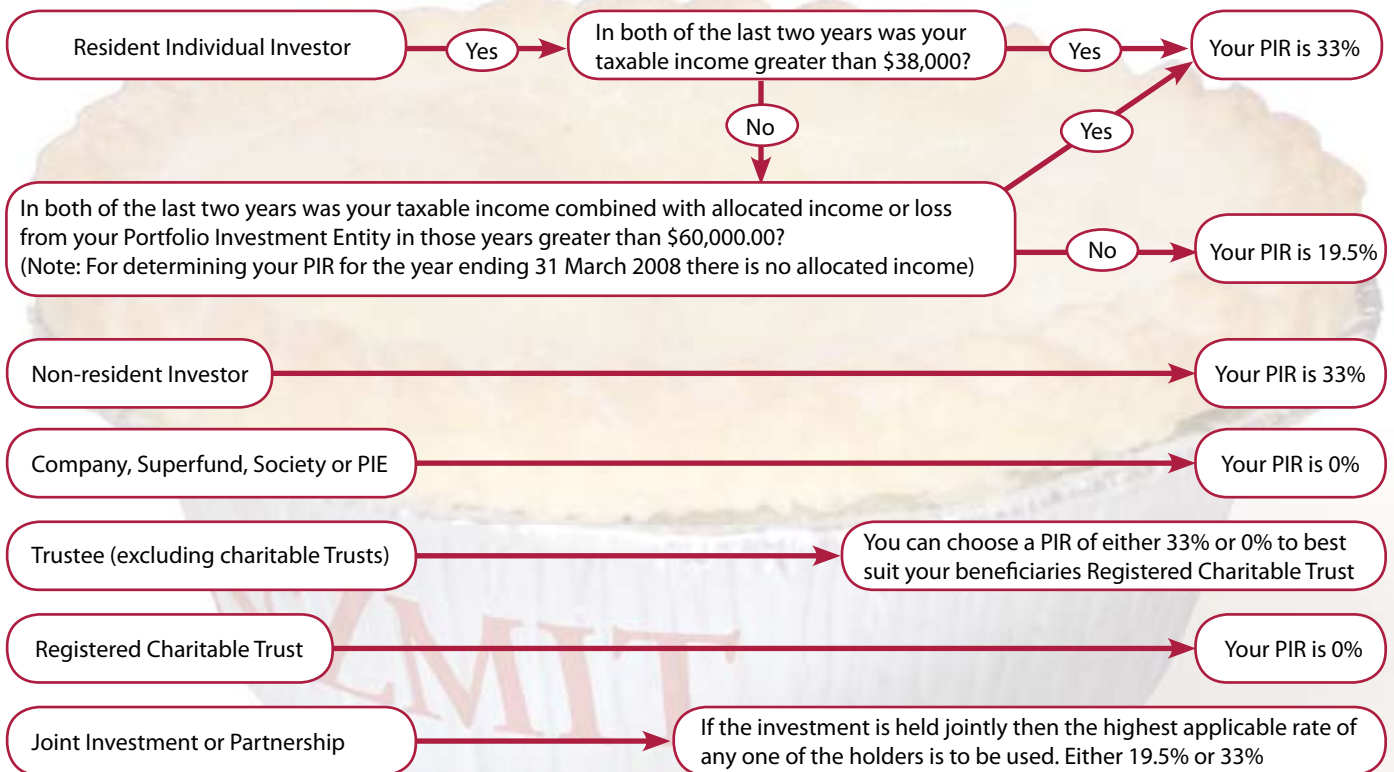


HAVE YOU RESPONDED YET?

All investors must nominate a Prescribed Investor Rate otherwise we are obliged to use the default rate of 33%. This rate could be higher than your applicable Prescribed Investor Rate.

What you need to do is supply your IRD number to NZMIT, your Portfolio Investment Entity, along with your Prescribed Investor Rate. We do encourage you to seek advice from a qualified professional if your portfolio is more complicated than the guide illustrates below.

To help you choose your Prescribed Investor Rate we have printed below the Inland Revenue Departments chart. Simply follow the pointers in the flow chart to establish what your Prescribed Investor is:



THANK YOU! For all of our investors who have taken the time to complete their Prescribed Investor Rate form we extend a Big Thank You.

There are three rates: 0%, 19.5% & 33%. Note that the 33% rate reduces to 30% from 1 April 2008. Source of Information – Inland Revenue.

Investor Function

Dunedin Public Art Gallery, Tuesday 11 December

A Great turn-out of more than 100 investors heard Peter Hutchison, the General Manager of NZMIT and John Farry, Board Chairman of NZMIT presented highlights of the Fund over 13 years. Mayor of Dunedin Peter Chin gave an interesting speech on "Dunedin A Progressive City".




Jo Dodd, an investor since 2000 with Annette Marshall, the Office Manager.

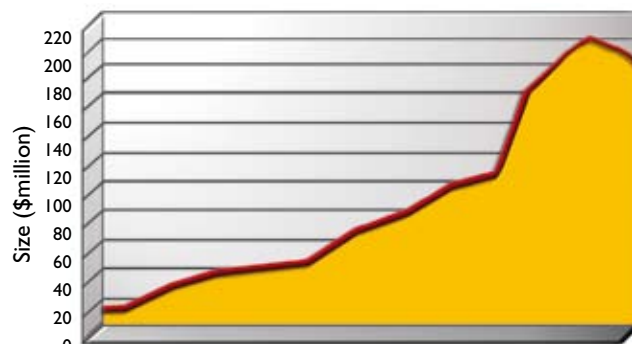


Board Director Bruce Smail discussing the merits of the fund with investor Peter Greenfield.



Key Investment Points

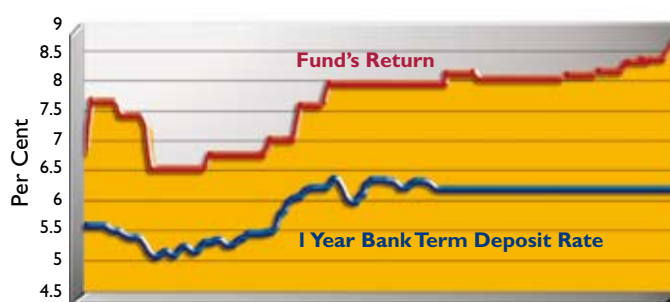
Fund size:	\$181.4 million (unaudited figure)
Minimum Investment:	\$500
Income Payments:	Quarterly, floating rate of return Income can be compounded
Term of Investment:	No fixed term
Fees:	No application fees, no entry fees. An exit fee of 1% may apply for withdrawals in the first year.
Fund Rating:	 5 Stars from FundsSource Research Ltd. ¹



Growth since inception in 1994

Return to Investors²

Average quarterly return for the past 1 year:	8.24% p.a.
Average quarterly return for the past 2 years:	8.10% p.a.
Average quarterly return for the past 5 years:	7.52% p.a.
Return for quarter ending 28 February 2007:	8.00% 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.



Quarterly returns for the past five years

Where the Fund is Invested - the Mortgage Portfolio³

Number of Mortgages: 319
 (All registered first mortgage securities)
 Value of Mortgages: \$170.9 million
 Average Mortgage Size: \$535,900
 Average Loan to Valuation Ratio: 48.88%

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: 34%
 (Auckland: 11% Wellington: 25%)

South Island: 66%
 Nelson, Marlborough & Canterbury: 9%
 (Christchurch: 8%)

Otago & Southland: 25%
 (Dunedin: 5%)

Residential Loans 42%



Farm Loans 6%

Bank Deposits 6%

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 11 December 2007, 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. FundsSource Fund ratings are calculated from risk adjusted fund returns over the past three years to 30 November 2007. 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 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.

A New Face

Kirk Tarr joined Fund Managers Otago as Business Development Manager on the 5th of November 2007, having emigrated from South Africa. He has 5 years of banking management experience, formerly employed as Branch Manager, Diners Club International and was then transferred to the Provincial Home Loans Office as Assessors Manager at the Standard Bank of South Africa.

During his time with the bank his responsibilities included staff, sales, customer retention, merchants, building and development loans, property valuations and operations management.

Prior to his banking experience, he studied Building Surveying in South Africa while being employed by a Quantity Surveying firm. Kirk is a family man, married to Chantal and has two children, Duane and Courtney. He has a close support network of family and friends in Auckland, Christchurch, Dunedin and Balclutha.

His interests are mainly outdoors, four wheel drive events, motocross, rally sports and he also enjoys cooking. He is a keen Rugby supporter and is looking forward to the outcome of events in the next "World Cup" given that it will be hosted in NZ and he now lives here!

Kirk is looking forward to meeting NZ Mortgage Income Trust supporters and investors in 2008 while travelling and seeing the Country!



Kirk Tarr
Business Development Manager

- 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
Administration Officer



Jessie Peat
Receptionist/Admin. Assistant

OUR NEW FUND!

If a Portfolio Investment Entity Fund is not suitable for you then our new Fund, NZ Mortgage Income Trust No.2 Fund is worthy of your attention.

This Fund is not registered as a “Portfolio Investment Entity” for taxation purposes, nor does the Manager intend to register the Fund as a “PIE” for taxation purposes.

Taxation of this Fund is under the “Resident Withholding Tax” rules as with other investments today we need your IRD number. It is important to note that:

- ◆ Investors that are natural persons or trustees can elect to have resident withholding tax deducted at the 19.5% , 33% or 39% tax rates if a valid IRD number is supplied
- ◆ Investors that are companies can elect to have resident withholding tax deducted at either 33% or 39% rates.
- ◆ Where no IRD number is supplied resident withholding tax is deducted at 39%.
- ◆ Investors who supply withholding tax exemption certificates will receive their income with no tax deducted.
- ◆ Non-residents will have non-resident withholding tax deducted at the applicable rate to their country of residence or “approved issuer levy” deducted at the current rate of 2%.

Investors should be aware that the Fund is a designated group investment fund for taxation purposes. As such, income distributed to investors is treated for tax purposes as beneficiary income under the trust regime. As investors are receiving beneficiary income, all the investors in the fund will be required to file an annual income return.

Note: If you are an overseas investor please contact your adviser to discuss the requirements relating to your tax position.

Investor Function



One of the original investors, Gavin Middlemass (centre) with John Farry (left) and Peter Hutchison (right).



Mayor of Dunedin, Peter Chin makes a humorous point.



Afternoon tea was enjoyed by all.



Rachel, Jessie and Natasha ready to meet and greet.

Key Investment Points

Fund size:	\$4.35 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 Investors²

Return for quarter ending
31 December 2007:

8.55% p.a.

Where the Fund is Invested - the Mortgage Portfolio³

Number of Mortgages: 14
 (All registered first mortgage securities)
 Value of Mortgages: \$3.77 million
 Average Mortgage Size: \$73,131
 Average Loan to Valuation Ratio: 46.65%

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: 35%
 (Auckland: 12% Wellington: 5%)

South Island: 65%
 Nelson, Marlborough & Canterbury: 17%

Otago & Southland: 48%
 (Dunedin: 10%)

Residential Loans 37%



Commercial / Industrial
Loans 34%

Farm Loans 16%

Bank Deposits 13%

*Thank you for your continuing support.
 We wish you all a safe, happy and prosperous New Year.*

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 11 December 2007, 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. 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 is calculated on the average return for \$5,000 with four banks- ANZ, BNZ, National and Westpac.

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