



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 years.

Manager's Notes

This year continues to provide positive growth for the fund and the return has increased from the equivalent of 7.95% per annum to 8.05% per annum over the last two quarters (before taxation but after all fees and expenses have been deducted). We expect the return to investors to continue to improve over the coming quarters.

Interest rates have risen quickly over the past couple of months as the recent Reserve Bank OCR interest rate rises flow through to the marketplace. During these times of rapid interest rates rises, it is important to note that as a mortgage backed fund we must first move the Fund's mortgage interest rates before we can influence the return from the Fund. As the majority of our mortgages are on quarterly payment terms, the increased revenue only starts to be reflected in our returns to unitholders some three to six months later. Be rest assured that we have the mortgage interest rate review process well in hand and we expect the return to investors to increase further this year. It is also pleasing to note that the fund is enjoying strong demand for funds from quality borrowers despite the increasing interest rates. I believe this is in part because of the professional manner with which we conduct our lending activities.

It is perhaps timely to reflect that we are not involved in 90% plus gearing of mortgages for home buyers that appears to be commonplace amongst many of the banks and other financial institutions. We only invest in registered first ranking mortgages of up to a maximum of 66.67% against commercial property, 65% against farming properties and 80% against residential properties. A healthy margin for investors is maintained and I urge you to take time to look over the key statistics that appear on the back page of this newsletter that reinforce the strength of our registered first ranking mortgage portfolio.

We are pleased to announce the appointment of two new staff members, Ann Burton and Rachel Spinney. We welcome both to our team and are confident they will provide you with continued good service. Photos of both new staff members appear on the inside page of this newsletter and their personal profiles will be published in later editions of the quarterly newsletter.

In closing, I would encourage you to telephone me at anytime toll free on 0800 800 212 should you wish to discuss any aspect of the fund. The team at Fund Managers Otago is skilled and dedicated to NZ Mortgage Income Trust and its unitholders, so rest easy this Winter.

Peter Hutchison

General Manager
Fund Managers Otago Ltd



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

RETURNS AT A GLANCE

**Return for Quarter ending
31 May 2007**

8.05% p.a.

**Average Return for the past
four Quarters (one year period)**

7.99% p.a.

**Estimated range of return for the
quarter ending 31 August 2007**

7.9 - 8.1% 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

Craig Ross

Senior Lending Manager



Craig joined NZ Mortgage Income Trust on the 22nd January 2007, after completing 22 years of service for the National Bank. He started his banking career in Oamaru in 1984. During his time with the Bank he has worked in Wanaka, Alexandra and Dunedin Branches and has undertaken a number of job roles. For the past 13 years he was employed as a Business Lending Manager, managing a diverse portfolio of Commercial clients.

Craig is married to Raewyn and has two children, Bailey (10) and Connor (8).

His interests outside of his family include golf, tennis, junior rugby coaching and water-skiing (when his torn hamstring repairs itself!).

Craig heads up our Lending Team and is committed to ensuring NZ Mortgage Income Trust continues to deliver a high level of service to its clients. He is also focused on ensuring that the Trust continues to enjoy positive lending growth whilst maintaining a satisfactory risk profile in respect of the loans ledger.

WE'VE MOVED!

Our offices are now located on the 5th floor of Forsyth Barr House at the top of the Octagon. Our postal address has changed and is now PO Box 5741, Dunedin 9058. All of our other contact details remain the same.



Cancer Society's Relay for Life

Thank you to all of those who supported the Cancer Society's recent Relay for Life in Dunedin. The event was once again an outstanding success, with total funds raised being \$320,000, up from \$266,000 two years earlier. We appreciate the support provided to our team, and would like to thank those investors that sent donations to the Cancer Society.



Royal Dunedin Male Choir Subscription Offer

As a sponsor of the Choir we would like to encourage you to become a subscriber of the Choirs'. Instead of paying the \$28 annual subscription fee, Fund Managers Otago Ltd will subsidise your first year by \$10 so that you pay just \$18. A subscription normally provides you with four tickets per year, two tickets to each of the June and December concerts. As an additional incentive we will provide you with an additional two tickets to the June concert making 4 tickets to that concert and two to the end of year performance, all for a reduced first year's subscription of just \$18. If you would like further information to be mailed to you please contact Rachel by phoning 0800 800 212 during office hours. **Be quick - next concert Monday 25th June, Dunedin Town Hall.**



Nikolai Demidenko - 25th August

As part of our sponsorship of the Southern Sinfonia we a number of tickets to provide five investors and their partners to attend their performance of Nikolai Demidenko.

The performance is on Saturday August 25th in the Dunedin Town Hall. If you'd like to enter the draw to win these tickets simply contact Rachel during office hours on 0800 800 212. Please note that this offer is only available to current investors. Everyone entered will be contacted whether they've been successful or not.

“Demidenko was greeted with rapturous applause by the Dunedin audience in 2005. This Russian pianist is one of the finest performers in the world today. Demidenko studied at the Moscow Conservatoire with Dmitri Bashkirov. Since 1990 he has been resident in the UK where he holds a visiting professorship at the University of Surrey and in 1995 was proud to be granted British citizenship. Ongoing highlights for Nikolai Demidenko are his performances with the St Petersburg Philharmonic and Yuri Temirkanov at the Philharmonic Hall Berlin, Teatro Colon Buenos Aires, Glasgow Royal Concert Hall, Barbican Concert Hall London, Bridgewater Hall Manchester and the Great Hall of St Petersburg.”

Our Team



Peter Hutchison
General Manager



David Frame
Marketing Manager



Craig Ross
Senior Lending Manager



Annette Marshall
Office Manager



Ken Hall
Lending Manager



Ann Burton
Senior Lending Officer



Carli Robinson
Lending Officer




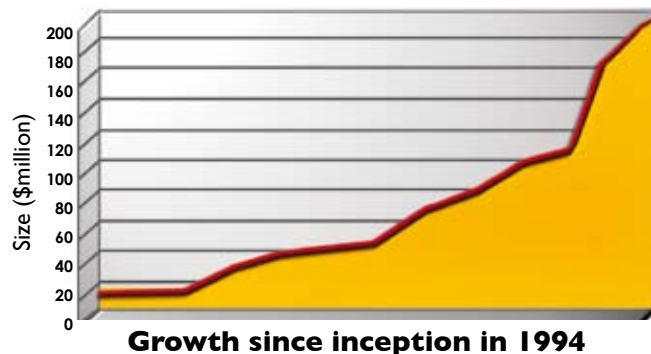
Natasha Spek
Investment Officer



Rachel Spinney
Receptionist/Admin. Officer

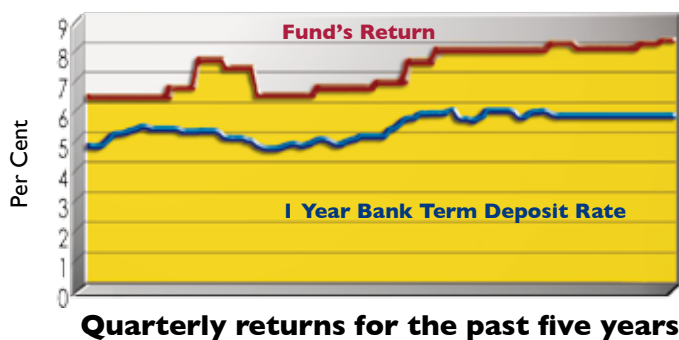
Key investment points

Fund size:	\$197.1 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



Return to investors²

Average quarterly return for the past 1 year:	7.99% p.a.
Average quarterly return for the past 2 years:	7.94% p.a.
Average quarterly return for the past 5 years:	7.39% p.a.
Return for quarter ending 31 August 2006:	7.95% p.a.
Return for quarter ending 30 November 2006:	7.95% p.a.
Return for quarter ending 28 February 2007:	8.00% p.a.
Return for quarter ending 31 May 2007:	8.05% p.a.



Where the Fund is invested - the mortgage portfolio³

Number of Mortgages: 330
 (All registered first mortgage securities)
 Value of Mortgages: \$177 million
 Average Mortgage Size: \$537,427
 Average Loan to Valuation Ratio: 51.7%

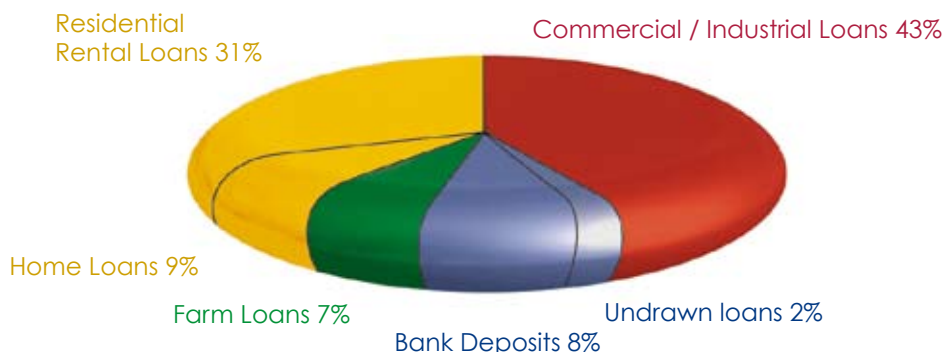
Prime Mortgage Interest Rates:	Max. Loan%
Commercial/Industrial	10.20% p.a. 66.67%
Farming	9.75% p.a. 60%
Home	9.75% p.a. 80%
Residential/Rental	9.95% p.a. 80%

National spread of mortgage securities:

North Island: 61%
 (Auckland: 16% Wellington: 22%)

Nelson, Marlborough & Canterbury: 12%
 (Christchurch: 9%)

Otago & Southland: 27%
 (Dunedin: 7%)



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 16 May 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 April 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.