



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.

## FROM THE CHAIRMAN

Dear Investor

In view of the current turmoil in the finance sector we thought it advisable to explain very clearly that NZ Mortgage Income Trust is not a finance company. Rather it is a specialised mortgage investment fund managed by Fund Managers Otago Ltd.

We wish to emphasise a number of important facts relating to NZ Mortgage Income Trust in order to illustrate how the management company goes about protecting investor's capital funds. Some key points are as follows:

- Investor's funds are protected by way of first mortgage securities registered against real estate assets.
- All mortgages are secured against properties throughout New Zealand and only in New Zealand.
- All mortgages must comply with the margins set out in the Investment Statement of NZ Mortgage Income Trust which is always readily available. The Investment Statement requires that loans must be a mixture of rural, residential and commercial securities with minimum and maximum levels shown for each category. The Investment Statement sets conservative limits that can be advanced on any first mortgage in each category.
- A reserve fund is maintained at all times in order to cover any losses which may be incurred as a result of bad debts.
- NZ Mortgage Income Trust is straightforward and uncomplicated. It looks for acceptable first mortgage securities and builds its first mortgage portfolio under the guidance of Fund Managers Otago Ltd.
- Now in its thirteenth year of operation, NZ Mortgage Income Trust maintains a strong connection with leading law firms in the South. The board of Fund Managers Otago Ltd, which manages NZ Mortgage Income Trust, is made up of five experienced directors including two independent directors.

We trust that this information will be of assistance to you and look forward to your continuing support in the years ahead.

Kind regards

John Farry  
Chairman

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



### RETURNS AT A GLANCE

Return for month ending  
30 September 2007

**8.30% p.a.**

Average Return for  
the past 12 months

**8.08% p.a.**

Estimated range of return for the  
period ending 31 December 2007

**8.2-8.6% 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.

# Manager's Notes

Its business as usual here at NZ Mortgage Income Trust. By the time you receive this newsletter the fund will have adopted the P.I.E. tax regime. If you haven't already checked that you have nominated the correct taxation rate under the new regime then please ensure you address this as soon as possible. We would be happy to assist so just call us toll free on 0800 800 212.



The return to you our unitholders has continued to improve and for the month of September 2007 was equivalent to 8.30% p.a. before taxation but after all fees and expenses have been deducted. We expect the return for the next quarter ending 31 December 2007 to be higher again.

With the change in the quarterly distribution dates the next distribution falls right on New Years Eve. Because of this and the statutory holidays just prior to this date we will be closing the fund earlier this year on Friday 21 December 2007. This is always a busy time of year and we would like to ensure that you receive your income on the first business day of the New Year.

There will be a new face around the office this coming month. Kirk Tarr and his family are emigrating from South Africa. Kirk is taking over from David Frame who left us recently to take up a position with the National Bank of New Zealand. Kirk's role will be as Business Development Manager looking after you, our unitholders and all our financial advisers and brokers throughout New Zealand. The next newsletter will feature Kirk and I hope many of you make yourself known to him.

Jessie Peat has joined the team at Fund Managers Otago as Receptionist/Administration Assistant. Her profile appears on the opposite page.

Well that's all from me for now. Thank you and be assured that we continue to manage NZ Mortgage Income Trust to your best advantage.

Peter Hutchison  
General Manager  
Fund Managers Otago Ltd

P.I.E.  
Registered

## Our Team



**Peter Hutchison**  
General Manager



**Craig Ross**  
Senior Lending Manager



**Annette Marshall**  
Office Manager/Accountant



**Ken Hall**  
Lending Manager

## A New Face

Jessie Peat has joined the team at Fund Managers Otago as Receptionist/Administration Assistant.

Jessie was born in Dunedin and was educated at Taieri College where she was a keen sports person and prefect. She has two brothers and a dog called 'Pip' who helps keep her fit. Her interests include music, dancing and a variety of sports. Family and friends are important to her and she is looking forward to pursuing a career in banking and finance.

*Say hello next time you call the office.*



## 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.



## Say Goodbye to Unitholder Certificates

We have listened to your concerns about the environment and agree that we need to move towards a more sustainable future. Therefore, we have taken the opportunity to reduce the amount of paper you receive by discontinuing the use of paper Unitholder Certificates as of 1 September 2007. Instead, the quarterly distribution statement will include more information about your investment and a withdrawal form will be printed on the reverse side.



**Ann Burton**  
Senior Lending Officer



**Carli Robinson**  
Lending Officer



**Natasha Spek**  
Investment Officer




**Rachel Spinney**  
Accounting Assistant

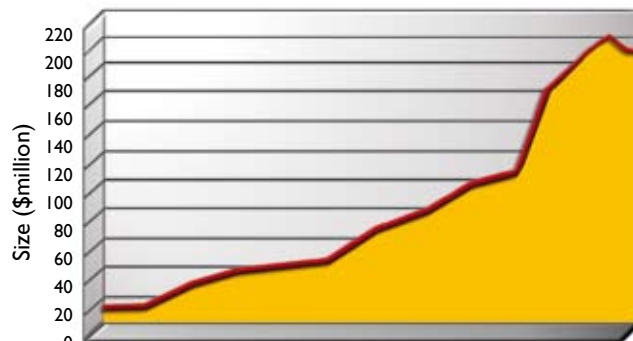


**Jessie Peat**  
Receptionist/Admin. Assistant

## Key investment points

(Figures current at 18 September 2007)

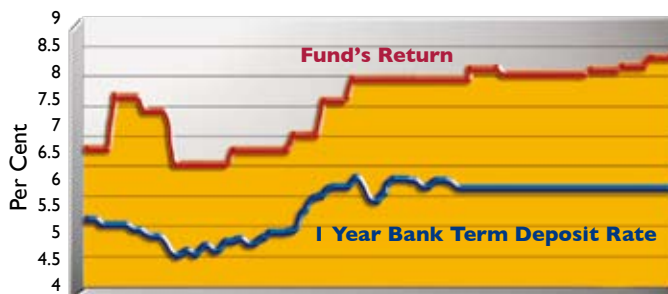
Fund size:	\$195.4 Million (unaudited figure)
Minimum Investment:	\$500
Income Payments:	Quarterly, floating rate of return Income can be compounded
Term of Investment:	No fixed term
Fees:	No application fees, no entry fees. An exit fee of 1% may apply for withdrawals in the first year.
Fund Rating:	 5 Stars from Funds Research Ltd. <sup>1</sup>



Growth since inception in 1994

## Return to investors<sup>2</sup>

Average quarterly return for the past 1 year:	8.05% p.a.
Average quarterly return for the past 2 years:	7.99% p.a.
Average quarterly return for the past 5 years:	7.41% 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.
Return for quarter ending 31 August 2007:	8.20% p.a.
Return for month ending 30 September 2007:	8.30% p.a.



Quarterly returns for the past five years

## Where the Fund is invested - the mortgage portfolio<sup>3</sup>

(Figures current at 18 September 2007)

Number of Mortgages: 339  
 (All registered first mortgage securities)  
 Value of Mortgages: \$183 million  
 Average Mortgage Size: \$539,192  
 Average Loan to Valuation Ratio: 49.44%

Prime Mortgage Interest Rates:	Max. Loan%
Commercial/Industrial	10.95% p.a. 66.67%
Farming	10.45% p.a. 60%
Home	10.45% p.a. 80%
Residential/Rental	10.65% p.a. 80%

National spread of mortgage securities:

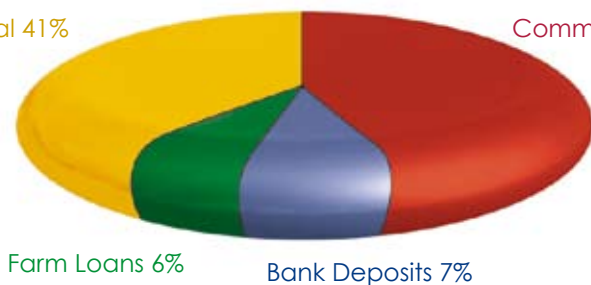
North Island: 63%  
 (Auckland: 17% Wellington: 22%)

Nelson, Marlborough & Canterbury: 14%  
 (Christchurch: 10%)

Otago & Southland: 23%  
 (Dunedin: 7%)

Residential 41%

Commercial / Industrial  
Loans 46%



**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 18 September 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.

- Funds Research Fund ratings are calculated from risk adjusted fund returns over the past three years to 31 August 2007. The top achieving 15% of funds attain five stars. 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. 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.
- 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.