



Fundsourc 5-star rating

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

The year is now well underway and winter is upon us. For those who enjoy out-door pursuits this can be a chilly and frustrating time. It must be comforting to know that both Funds have completed another successful year and that the return remains competitive and stable. The table below highlights the Funds results and has a new addition for those who have chosen to reinvest their income.

It is now 14 years since the Main P.I.E. Fund was first formed. That's over 50 successful quarterly distributions to investors, on time and at competitive returns. During this period Fund Managers Otago has continued to keep faith with existing and new unitholders by ensuring the preservation of investor's funds.

We confirm that the financial report for the NZ Mortgage Income Trust P.I.E. Fund, year ending 31/03/08, has been fully audited. The audited financial statements for the No.2 Fund are due any day. The results for both funds to 31/03/08 are very positive considering the market turmoil, testament to the skill and commitment of Fund Managers Otago to its role as Manager.

Fund Managers Otago continues to support local community projects and events wherever our unitholders reside such as the new Chinese Garden in Dunedin and the local reparatory theatre in Gore. We are also committed to creating more opportunities for you, our investors, to meet with members of the board, management and staff who look after your Funds. I encourage you to take advantage of these opportunities as they arise.

The Fund is in good shape, and indications are that the return will be stable going forward.

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 : 30/06/2008

9.00% p.a.¹

Compounded return - past 12 months:

9.00% p.a.²

Average return for the past 12 Months

8.78% p.a.³



RETURNS AT A GLANCE

Return for quarter ending: 30/06/2008

9.00% p.a.¹

Compounded return - past 6 months:

9.06% p.a.²

Average return for the past 6 Months

8.99% p.a.³

Notes:

1 the above return is based on an investor being in the Fund for the entire quarter ended 30/06/2008. 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 is based on an investor being in the Fund for the entire quarter ended 30/06/2008. Any investor who joined the Fund or withdrew from the Fund during the quarter would not necessarily earn the same return.

All the above returns achieved are before tax but after all fees and expenses have been deducted and are expressed as a per annum equivalent. Unforeseen factors may influence future returns and the actual return may fluctuate. Future returns are not guaranteed.

INTRODUCING OUR BOARD

This quarter we are profiling our Board Members. The board has changed a few times over our history and the policies and practices of the Board are what you would expect to see for a fund manager and issuer:



John Edward Farry LLB (Chairman)

John Farry is a Dunedin Solicitor and Company Director. He was a founder of the legal firm of Webb Farry and remains a consultant to that firm. John is Chairman of Fund Managers Otago Limited, Fund Managers Holdings Limited, St Kilda Finance and a number of other companies. For services to business, community and church he has been honoured with the New Zealand Order of Merit and a Papal Gold Medal.



Bruce Desmond Smail

Bruce Smail had 36 years experience in the trustee industry. He was General Manager of AMP Perpetual Trustee Company Limited for 14 years during which time he was responsible for all mortgage lending done by that company. Bruce is also Chairman of the Board of Trustees of the Ashburn Hall Charitable Trust and Managing Trustee of the Moray Foundation Trust.



David Joseph Ehlers BCom, LLB

David Ehlers is qualified as a lawyer and has a BCom in accounting. He is a partner in the Dunedin law firm of Webb Farry, practising in the commercial/corporate and conveyancing areas. He specialises in commercial development and financing projects. He holds directorships in building investment and forestry companies.



John Francis Gallaher BCom, Member NZSE, ACA, ANZIM

John Gallaher is a principal of Forsyth Barr Limited, a New Zealand-wide investment management and sharebroking organisation. He specialises in funds and investment management and manages the Dunedin operations for Forsyth Barr. John is also a director of national and local community and sporting organisations.

Unique Heritage gets a Boost

You may have noticed our current advertisement featuring keen gardener (and NZMIT Investor) Stewart Harvey. For his involvement in the advertising Stewart asked that NZMIT donate \$500 to the Historic Cemeteries Conservation Trust of NZ. This is a New Zealand wide organisation (founded and chaired by Stewart) which works tirelessly to preserve and promote the rich heritage values in our historic cemeteries. Well done Stewart and good luck with your fantastic efforts.



The \$500 donation will go towards the restoration of this gravestone.

For those who may be interested in helping Stewart or for more information visit the website www.cemeteries.org.nz



Stewart Harvey and Business Development Manager, Kirk Tarr, in front of an elaborate historic gravesite at Dunedin's Southern Cemetery.

THE DUNEDIN CHINESE GARDEN – LANYUAN

Supported by Fund Managers Otago



The Chinese name of Lan Yuan (Yuan = garden), given to the garden by the Trust's Shanghai advisers, shows the depth and strength of the relationship which has evolved over ten years. Lan is taken from the last character in Chinese for New Zealand (Xin Xi Lan) and also from the last character for the civic flower of Shanghai, the Magnolia (Yu Lan). Dunedin is also well known for its Magnolias. These connections symbolise the relationship between the Garden both on a national and city level and, as the first authentic Chinese Scholar's Garden in New Zealand, this too has deep significance.

The concept was first proposed 1998 with the intention of creating a fitting and permanent, recognition of the Chinese who first came to

Otago during the 1880's Gold rush, who stayed to establish some of the city's businesses which contributed to making Dunedin New Zealand's leading commercial centre. And, of course, whose descendants still play a major role in Dunedin's everyday life. The Dunedin Chinese Garden uses authentic Chinese materials that have all been shipped from Shanghai. The theme replicates the Scholar's Garden, a part of the compound where the Scholar himself (a highly regarded member of Chinese society) received and entertained guests and important visitors.

Already, the Dunedin Chinese Garden has been used by some schools in Dunedin as an inspirational exemplar broadening children's understanding on the different cultures that have made up this country. The Dunedin Chinese Garden project is an outstanding example of how the sister-city relationship has been used to develop a tangible asset for the benefit of all New Zealanders borne out of trust and friendship. The garden opens to the public in July.

Fund Managers Otago is proud to be a 'Platinum' sponsor of the garden. This will be an outstanding tourist attraction for Dunedin City. Congratulations to Malcolm Wong and committee members on this achievement.

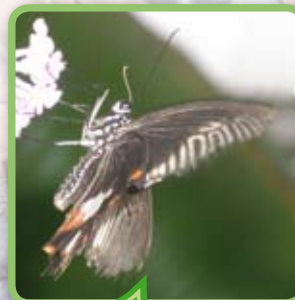


INVESTORS FUNCTION HELD ON THE 19 JUNE 2008

A second successful investors' function was held at the Otago Museum.





Our special thanks to all investors who attended and enjoyed the "Tropical Forest" experience that Dunedin has to offer to residents and tourists alike. Photos were taken on the day and we have taken the liberty of displaying a few which captured some of the enjoyable moments on the day.

Another investor function is planned for December at a new and exciting Dunedin venue so ensure that you look out for this invitation in our September Newsletter.



NZ MORTGAGE INCOME TRUST GROUP INVESTMENT FUND

How we stack up

Organisation		Security	Term	Minimum Deposit	Rate of Return	Interest Paid	Other Terms / Comments
 		Registered 1st Mortgages	On call	\$500	9.00% p.a. Notes: (1) (3)	Regular income paid quarterly & compounding option available	1.00% Exit fee if withdrawn within 1st year
 		Registered 1st Mortgages	On call	\$500	9.00% p.a. Notes: (2) (3)	Regular income paid quarterly & compounding option available	1.00% Exit fee if withdrawn within 1st year
Registered Banks Note: Information sourced from respective websites as at 12/06/2008	Bank A	Unsecured	12 Months	\$5,000	6.15% p.a.	Interest is paid on maturity. No regular cashflow.	Downward interest rate adjustments will be made if the term deposit is broken prior to maturity.
	Bank B	Unsecured	12 Months	\$5,000	6.00% p.a.	For Fixed term less than 12 months or Special term deposits, interest is only paid on maturity. No regular cashflow.	Downward interest rate adjustments will be made if compounded.
		Unsecured	12 Months	\$10,000	8.30% p.a.		
	Bank C	Unsecured	12 Months	\$5,000	8.00% p.a.	At maturity & No compounding option	Downward interest rate adjustments will be made if the term deposit is broken prior to maturity.
Bank D	Unsecured	12 Months	\$5,000	6.10% p.a.	At maturity & No compounding option	Penalties apply for early withdrawals.	
Building Societies	Building Society E	Unsecured	12 Months	\$1,000	7.00% p.a.	Interest paid / compounded quarterly	Share and deposit rates from 7.00%

Notes:

- On the 1st of October 2001 all assets of the NZ Mortgage Income Trust Unit Trust were transferred into the NZ Mortgage Income Trust Group Investment Fund. All information is current to 11 June 2008, unless stated otherwise.
- 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 June 2008, unless stated otherwise.
- 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 advertised average return for \$5,000.00 with four banks - ANZ, BNZ, National and Westpac.

For further information please contact our office on 0800 800 212 to obtain a copy of our current Investment Statement and/or Prospectus.


FMO Golf Tournament April 2008

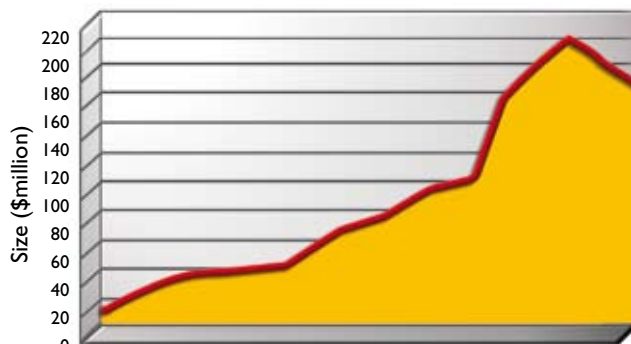
Financial advisers, legal firms and accountants participated in the annual Fund Managers Otago Golf Tournament played at the Otago Golf Club. The Trustees Executors Limited team were the winners pictured below receiving the floating trophy. A special thanks to all the staff at the Otago Golf Club for the overall success of the event.



Names from left: Kirk Tarr, Craig McAuliffe, Ray Monson and Mark Hendry (Not present Mark Rosevear)

Key Investment Points

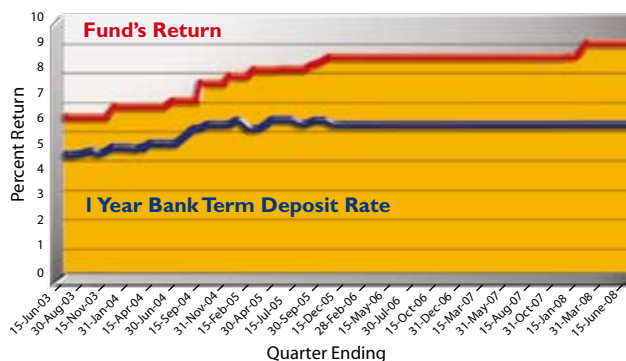
Fund size:	\$157.3 million (unaudited figure)
Minimum Investment:	\$500
Income Payments:	Quarterly, floating rate of return Income can be compounded
Term of Investment:	No fixed term
Fees:	No application fees, no entry fees. An exit fee of 1% may apply for withdrawals in the first year.
Fund Rating:	 5 Stars from FundsSource Research Ltd. ⁴



Growth since inception in 1994

Return to Investors⁵

Average quarterly return for the past 1 year:	8.78% p.a.
Average quarterly return for the past 2 years:	8.64% p.a.
Average quarterly return for the past 5 years:	8.32% 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.
Return for quarter ending 31 March 2008:	9.00% p.a.
Return for quarter ending 30 June 2008:	9.00% p.a.



Quarterly returns for the past five years

Where the Fund is Invested - the Mortgage Portfolio⁶

Number of Mortgages: 247
 (All registered first mortgage securities)
 Value of Mortgages: \$149 million
 Average Mortgage Size: \$603,000
 Average Loan to Valuation Ratio: 47.38%

Prime Mortgage Interest Rates:	Max. Loan%
Commercial/Industrial	12.00% p.a. 66.67%
Farming	11.25% p.a. 60%
Home	11.25% p.a. 80%
Residential/Rental	12.00% p.a. 80%

National spread of mortgage securities:

North Island: 69%
 (Auckland: 13% Wellington: 25%)

South Island: 31%
 Nelson, Marlborough & Canterbury: 10%
 (Christchurch: 7%)

Otago & Southland: 21%
 (Dunedin: 5%)



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 June 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.

4. FundsSource Fund ratings are calculated from risk adjusted fund returns over the past three years to 30 April 2008. The top achieving 15% of funds attain five stars. Past performance analysis is not necessarily a guide to future performance.

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

6. 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.

Key Investment Points

Fund size:	\$6 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 Investors⁷

Return for quarter
ending 31 December 2007: **8.55% p.a.**

Return for quarter
ending 31 March 2008: **8.98% p.a.**

Return for quarter
ending 30 June 2008: **9.00% p.a.**

Where the Fund is Invested - the Mortgage Portfolio⁸

Number of Mortgages: 27
 (All registered first mortgage securities)
 Value of Mortgages: \$5.3 million
 Average Mortgage Size: \$196,000
 Average Loan to Valuation Ratio: 43.74%

Prime Mortgage Interest Rates:		Max. Loan%
Commercial/Industrial	12.00% p.a.	66.67%
Farming	11.25% p.a.	60%
Home	11.25% p.a.	80%
Residential/Rental	12.00% p.a.	80%

National spread of mortgage securities:

North Island: 25%
 (Auckland: 9% Wellington: 3%)

South Island: 75%
 Nelson, Marlborough & Canterbury: 10%

Otago & Southland: 51%
 (Dunedin: 16%)



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 June 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.

7. 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 as advertised is calculated on the average return for \$5,000 with four banks- ANZ, BNZ, National and Westpac.

8. 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.

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
Accounting Assistant



Jessie Peat
Receptionist/Admin. Assistant