



**NZ MORTGAGE
INCOME TRUST**

THE FACTS

Summer Newsletter

2008



Manager's Christmas Greeting



The security offered by registered first mortgages has continued to underpin your investment in the Fund.

We are pleased to report that for the quarter ending 31 December 2008 the quarterly return was equivalent to 8.10% p.a. before tax but after all fees and expenses have been deducted.¹

This is a very competitive return against the backdrop of a declining official cash rate and the inevitable fall in bank term deposit interest rates. The Fund will not be immune as we will need to offer competitive interest rates to our mortgagors in order to maintain a healthy mortgage portfolio. What we do know is that our investors return will remain competitive when compared to that offered by the traditional registered banks advertised term deposit rates. "Returns at a

Glance" below and the table on the inside pages clearly show the advantage we have created for you, our investors.

During the past year investor confidence in New Zealand was adversely affected and NZ Mortgage Income Trust experienced shrinkage in funds under management. However, it is pleasing to note that as the year draws to a close we are starting to see resurgence in new investment funds flow, an excellent note upon which to finish a challenging year.

Enjoy the festive season with family and friends.

Yours sincerely,
Peter Hutchison
General Manager



*Merry Christmas
and a
Happy New Year to all*

Proud Supporter of
Otago/Southland Division
of the Cancer Society



RETURNS AT A GLANCE



Return for quarter
ending: 31/12/2008

8.10% p.a.¹

Compounded return
past 12 months

9.07% p.a.²

P.I.E Pre-Tax Return
(Applies to those changing
from a 39% to 30% tax rate)

9.30% p.a.³

RETURNS AT A GLANCE



No. 2 Fund

Return for quarter
ending: 31/12/2008

8.10% p.a.¹

Compounded return
past 12 months

9.06% p.a.²

9.30% p.a.³

"I'm currently being taxed
at 39% but with
NZMIT's PIE Fund
their latest pre-tax return
of 8.10% p.a. (to 31/12/08)
effectively jumps to a pre-tax
return of 9.30% p.a."

If your tax rate is at 33% or 39% we may be able
to help you pay a lot less tax on your investment income.

Notes: 1. the above return is based on an investor being in the Fund for the entire quarter ended 31/12/2008. 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 calculation illustrates the per annum equivalent if an investor changes from a tax rate of 39% to the maximum P.I.E. tax rate of 30% which is before tax but after expenses and is based on an investor being in the Fund for the entire quarter. See general note on back page.

Farewell to Ken Hall & Rachel Spinney



Ken Hall joined Fund Managers Otago Limited as Lending Manager 8 years ago. Ken was responsible for assisting NZ Mortgage Income Trust to grow its mortgage portfolio and will be well known to many of our borrowers, investors and brokers. With retirement, Ken will have more time to spend with his family and to enjoy his batch at Otematata. Ken's contribution to Fund Managers Otago Limited and NZ Mortgage Income Trust was significant and he will be missed.



Rachel Spinney who joined Fund Managers Otago as an Administration Assistant nearly two years ago is heading off to the adventure capital of New Zealand, Queenstown, with her partner. We wish Rachel and her partner every success in their new venture and career paths. We are confident that they will make the most of the skiing activities.

The Benefits of Compounding your Quarterly Investment Income

The long term benefits of compounding (re-investing) your quarterly income payment has been updated. Based on the example below we illustrate how your investment may have performed if you had invested in the Fund over the past 12 month period based on the NZ Mortgage Income Trust P.I.E. Fund's past four quarterly returns:

Quarter Ending	Return Paid	Average Return last 4 Quarters	Compounded Return based on last 4 quarters
30 Mar 08	9.00% p.a.	8.78% p.a.	9.07% p.a.²
30 Jun 08	9.00% p.a.		
30 Sep 08	9.00% p.a.		
31 Dec 08	8.10% p.a.		

The compounding of interest can make a substantial difference to the actual interest earned, particularly for longer terms and larger deposits. If you would prefer to have your investment income compounded (re-invested back into your investment) please feel free to call and ask for one of our Senior Managers for an investment statement during business hours on **Freephone 0800 800 212** or email kirk@mortgagetrust.co.nz

Note: 2. See footnote 2 on front page and general note on back page.

Investor Function on 4th December at Dunedin Public Art Gallery

An Investor Function was held at the Dunedin Public Art Gallery and 170 investors attended. This was a record attendance to date and on behalf of the board members, management and staff we would like to thank the investors who attended. All those who attended received a free pass to enjoy the Dunedin Chinese Garden.



How our Rate of Return compares to the Banks

NZ Mortgage Income Trust has paid an average of return of 8.78% p.a. for the past four quarters ending March, June, September and December 2008 respectively. The tables below reflect the returns paid by NZ Mortgage Income Trust compared to the advertised 12 month term deposits offerings from five banks. The advertised term deposits being a minimum of \$5,000 and \$10,000 reflect the respective rates of return.

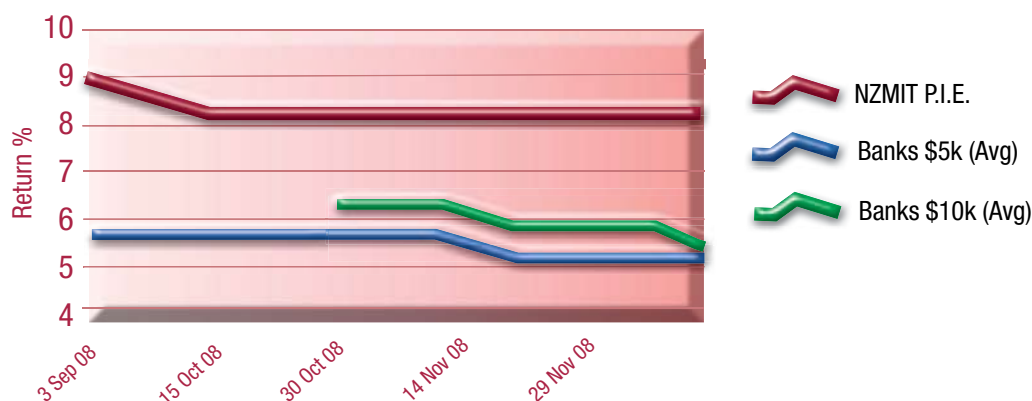
At NZ Mortgage Income Trust you earn the same return irrespective of the amount you choose to invest, starting with a minimum deposit of \$500 as detailed in the investment statement. The results below have been tracked over the past four months. Note the banks' \$10,000 deposit rate (below), as opposed to their respective minimum deposit of \$5,000 on the date recorded. The banks reduce the interest rate if you break your term deposit before maturity.

RATE OF RETURN COMPARISON CHART

Date	NZMIT Return on investment paid (% p.a.)	Banks Return on \$5,000 minimum 12 month Term Deposit (% p.a.)					Banks Return on \$10,000 minimum 12 month Term Deposit (% p.a.)						
		Banks average return on \$5,000	Bank A	Bank B	Bank C	Bank D	Bank E	Banks average return on \$10,000	Bank A	Bank B	Bank C	Bank D	Bank E
30-Sep-08	9.00 ¹	5.77	6.10	5.00	5.60	6.15	6.00						
13-Oct-08	8.10 ¹	5.77	6.10	5.00	5.60	6.15	6.00						
31-Oct-08	8.10 ¹	5.74	6.10	5.00	5.60	6.00	6.00	6.28	6.50	5.90	6.25	6.00	6.75
10-Nov-08	8.10 ¹	5.74	6.10	5.00	5.60	6.00	6.00	6.23	6.50	5.90	6.25	6.00	6.50
17-Nov-08	8.10 ¹	5.24	5.00	5.00	5.20	5.00	6.00	5.82	5.80	5.90	5.90	5.50	6.00
21-Nov-08	8.10 ¹	5.14	5.00	5.00	5.20	5.00	5.50	5.62	5.80	5.40	5.90	5.50	5.50
24-Nov-08	8.10 ¹	5.14	5.00	5.00	5.20	5.00	5.50	5.58	5.80	5.40	5.70	5.50	5.50
1-Dec-08	8.10 ¹	5.14	5.00	5.00	5.20	5.00	5.50	5.50	5.50	5.40	5.60	5.50	5.50
8-Dec-08	8.10 ¹	5.14	5.00	5.00	5.20	5.00	5.50	5.32	5.50	4.90	5.20	5.50	5.50

Note: 1. See footnote 1 on front page and general note on back page.

NZMIT vs Banks 12 Month Term Deposits



Note: Source of information and banks returns are from www.interest.co.nz, www.stuff.co.nz, www.depositrates.co.nz and www.goodreturns.co.nz. Tracked and recorded on specific dates as illustrated.

Please feel free to call and ask for one of our senior managers for an investment statement during business hours on:

Freephone 0800 800 212
or email
kirk@mortgageitrust.co.nz



Peter Greenfield with Bruce Smail, Board Member and Kirk Tarr



Annette Marshall on the registration desk with Kirk Tarr and Peter Smith



Craig Ross, Senior Lending Manager, with Jimmie Loan

NZ Mortgage Income Trust Fund Facts



Fund Size	\$116,971,188.06
Minimum Investment	\$500.00
Income Payments	Quarterly, floating rate of Return Income can be compounded
Term of Investment	Medium to long term

Fees

- ▶ No entry fees.
- ▶ In the interest of encouraging a stable and planned approach to investment, the Manager has discretion to charge a fee of up to 2% on any money withdrawn 12 months after investment and up to 1% on any money withdrawn more than 12 months but less than 24 months after investment.

Return to Investors

Current Rate of Return **8.10% p.a.¹**

Note: 1. See footnote 1 on front page and general note on this page.



No. 2 Fund

Fund Size	\$6,054,565.07
Minimum Investment	\$500.00
Income Payments	Quarterly, floating rate of Return Income can be compounded
Term of Investment	Medium to long term

Fees

- ▶ No entry fees.
- ▶ In the interest of encouraging a stable and planned approach to investment, the Manager has discretion to charge a fee of up to 2% on any money withdrawn 12 months after investment and up to 1% on any money withdrawn more than 12 months but less than 24 months after investment.

Return to Investors

Current Rate of Return **8.10% p.a.¹**

Note: 1. See footnote 1 on front page and general note on this page.

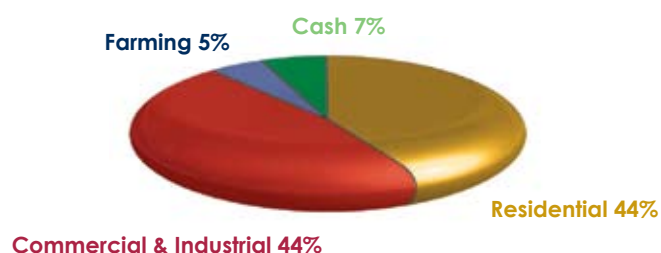
Where the Fund is Invested - the Mortgage Portfolio

	PIE Fund	No.2 Fund
Number of Mortgages: (All registered First Mortgage Securities)	189	30
Value of Mortgages:	\$109,999,260.56	\$4,964,799.67
Average Mortgage Size:	\$582,006.67	\$165,493.32
Average Loan to Valuation Ratio:	49.02%	40.62%

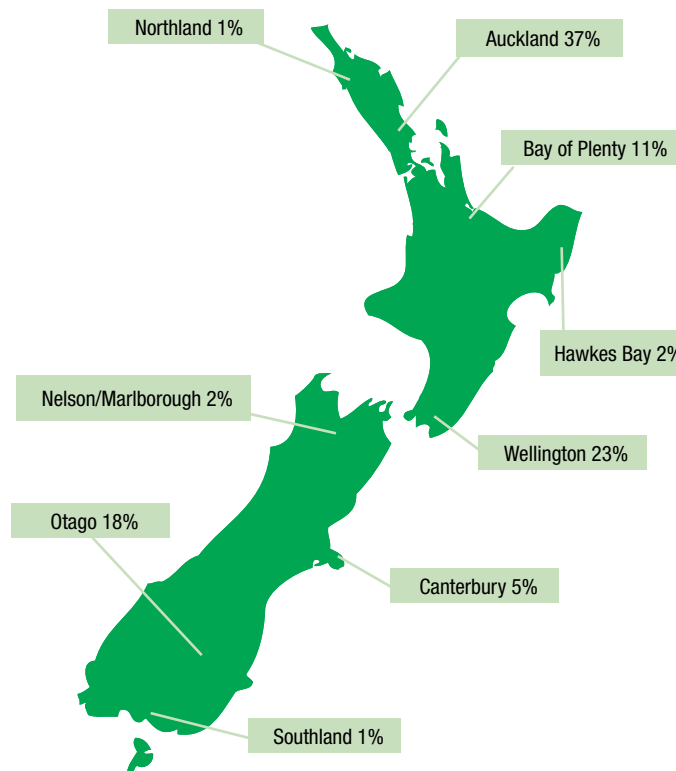
National spread of Mortgage Securities

North Island: 74%
(Auckland City: 17% & Wellington: 23%)

South Island: 26%
(Nelson & Marlborough 2%, Christchurch 4%, Dunedin 2%)



Loans by Region



General Notes: On the 1st of October 2007 NZ Mortgage Income Trust No.2 Fund was formed. All the returns in this Newsletter are calculated quarterly up to 31/12/2008, unless stated otherwise, after all fees and expenses have been deducted, and are expressed as a per annum equivalent before tax. From 01/10/2007 returns are calculated daily but paid out quarterly. 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. All information is current to 12 December 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.

Registered Office of The Manager: Fund Managers Otago Limited

Level 5, 165 Stuart Street, Dunedin PO Box 5741, Dunedin 9058

Free Phone: 0800 800 212

Tel: (03) 471 6500

Fax: (03) 479 0598

www.nzmit.co.nz