

# Performance monitoring

31 October 2009

NZFUNDŠ

<b>Contents</b>	<b>Page</b>
<b>Indicative client outcome</b> – compares combined portfolio returns (represented by three indicative client allocations) with returns generated from bank deposits .....	<b>3</b>
<b>Comparison analysis</b> – compares Portfolio risk and return with risk and return of comparative underlying asset classes .....	<b>9</b>
<b>Peer analysis</b> – compares Portfolio risk and return with risk and return of selected competitors .....	<b>26</b>

## Indicative client outcome

## Overview

In the slides that follow, the investment outcomes are shown for three indicative clients. We have used indicative client types categorised by their age, risk profile and any need to draw a regular cash flow from their investment portfolio to fund their lifestyle.

The allocation to each needs category and weightings to the GIS Portfolios for each indicative client follows the standard GIS portfolio construction guidelines.

### 1) The retired client

In developing the indicative portfolio for our retired client we have assumed the client is 80 years of age and has a risk profile that is classified as 'conservative'. The client requires regular drawings from their GIS portfolio totalling \$40,000 per annum to fund everyday living costs and has allowed for a contingency sum of \$10,000 to be available in case of an emergency. The client has \$500,000 invested in the GIS Portfolios.

### 2) The just-retired client

In developing the indicative portfolio for our just-retired client we have assumed the client is 65 years of age and has a risk profile that is classified as 'moderate'. The client requires regular drawings from their GIS portfolio totalling \$30,000 per annum to fund everyday living

costs and has allowed for a contingency sum of \$10,000 to be available in case of an emergency. The client has \$500,000 invested in the GIS Portfolios.

### 3) The working client

In developing the indicative portfolio for our working client we have assumed an age of 40 years and a risk profile that is classified as 'aggressive'. As the client is still working, they do not require any drawings from their investment portfolio, but have allowed for a contingency sum of \$10,000 in case of an emergency. The client has \$500,000 invested in the GIS Portfolios.

# Indicative client outcome



## Assumptions

Factor / Needs category	Retired	Just retired	Working
Current age	80	65	40
Retirement age	65	65	65
Risk tolerance	Conservative	Moderate	Aggressive
Income required (per annum)	\$40,000	\$30,000	-
<b>Cash Needs</b>	<b>18%</b>	<b>14%</b>	<b>2%</b>
Contingency funds	\$10,000	\$10,000	\$10,000
2 years x income required	\$80,000	\$60,000	-
<b>Near Term Spending Needs</b>	<b>24%</b>	<b>18%</b>	<b>0%</b>
3 years x income required	\$120,000	\$90,000	-
<b>Maintaining Capital</b>	<b>38%</b>	<b>33%</b>	<b>38%</b>
Remainder	\$190,000	\$165,000	\$190,000
<b>Future Growth</b>	<b>20%</b>	<b>35%</b>	<b>60%</b>
100 minus age	\$100,000	\$175,000	\$300,000
<b>Total invested</b>	<b>\$500,000</b>	<b>\$500,000</b>	<b>\$500,000</b>

# Indicative client outcome



Retired – Performance to 31 October 2009

Needs category / Portfolio	Proportion of strategy	1 month	3 month	6 month	1 year
<b>Cash Needs</b>					
Money Market Portfolio	18.00%	0.19%	0.56%	1.11%	3.34%
<b>Near Term Spending Needs</b>					
Core Income Portfolio	24.00%	-0.23%	1.02%	1.67%	4.51%
<b>Maintaining Capital</b>					
Mid Term Growth Portfolio	38.00%	0.31%	0.87%	1.26%	3.17%
<b>Future Growth</b>					
Balanced Growth Portfolio	20.00%	-1.82%	0.46%	1.71%	-0.62%
<b>Total</b>	<b>100.00%</b>	<b>-0.27%</b>	<b>0.77%</b>	<b>1.42%</b>	<b>2.76%</b>
<b>90-day bank bill rate<sup>1</sup></b>	<b>-</b>	<b>0.22%</b>	<b>0.65%</b>	<b>1.32%</b>	<b>3.94%</b>

Returns are stated after Portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns. <sup>1</sup> Source: Bloomberg, 90-day bank bill rate adjusted for assumed portfolio management fee of 0.20% pa.

# Indicative client outcome



Just retired – Performance to 31 October 2009

Needs category / Portfolio	Proportion of strategy	1 month	3 month	6 month	1 year
<b>Cash Needs</b>					
Money Market Portfolio	14.00%	0.19%	0.56%	1.11%	3.34%
<b>Near Term Spending Needs</b>					
Core Income Portfolio	18.00%	-0.23%	1.02%	1.67%	4.51%
<b>Maintaining Capital</b>					
Mid Term Growth Portfolio	33.00%	0.31%	0.87%	1.26%	3.17%
<b>Future Growth</b>					
Diversified Growth Portfolio	35.00%	-2.36%	1.47%	3.52%	0.16%
<b>Total</b>	<b>100.00%</b>	<b>-0.74%</b>	<b>1.06%</b>	<b>2.10%</b>	<b>2.38%</b>
<b>90-day bank bill rate<sup>1</sup></b>	<b>-</b>	<b>0.22%</b>	<b>0.65%</b>	<b>1.32%</b>	<b>3.94%</b>

Returns are stated after Portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns. <sup>1</sup> Source: Bloomberg, 90-day bank bill rate adjusted for assumed portfolio management fee of 0.20% pa.

# Indicative client outcome



Working – Performance to 31 October 2009

Needs category / Portfolio	Proportion of strategy	1 month	3 month	6 month	1 year
<b>Cash Needs</b>					
Money Market Portfolio	2.00%	0.19%	0.56%	1.11%	3.34%
<b>Near Term Spending Needs</b>					
Core Income Portfolio	0.00%	-0.23%	1.02%	1.67%	4.51%
<b>Maintaining Capital</b>					
Mid Term Growth Portfolio	38.00%	0.31%	0.87%	1.26%	3.17%
<b>Future Growth</b>					
Wealth Appreciation Portfolio	60.00%	-2.59%	1.94%	4.00%	-1.04%
<b>Total</b>	<b>100.00%</b>	<b>-1.43%</b>	<b>1.51%</b>	<b>2.90%</b>	<b>0.65%</b>
<b>90-day bank bill rate<sup>1</sup></b>	<b>-</b>	<b>0.22%</b>	<b>0.65%</b>	<b>1.32%</b>	<b>3.94%</b>

Returns are stated after Portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns. <sup>1</sup> Source: Bloomberg, 90-day bank bill rate adjusted for assumed portfolio management fee of 0.20% pa.

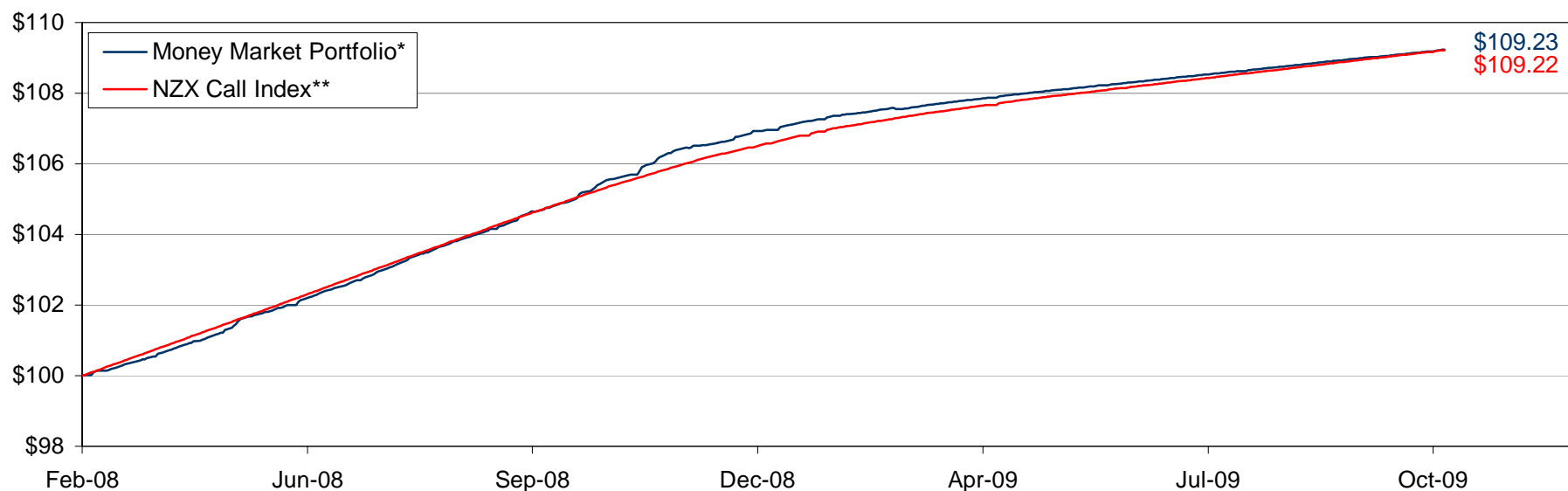
# Comparison analysis

# Money Market Portfolio



Performance since inception (28 February 2008) to 31 October 2009 (Part 1)

MMP performance attribution	1 month	3 month	6 month
Positive	Running yield	Running yield	Running yield
Neutral	Int. rates unchanged	Int. rates unchanged	Int. rates unchanged
Negative	n/a	n/a	n/a



Comparison	1 month	3 month	6 month	1 year	2 year pa	5 year pa	7 year pa	Since inception pa	Maximum drawdownx
<b>Portfolio*</b>	0.19%	0.56%	1.11%	3.34%	-	-	-	5.42%	-0.04%
<b>NZX Call Index**</b>	0.21%	0.63%	1.27%	3.49%	-	-	-	5.41%	0.00%

**IMPORTANT:** Please refer to the slide that follows for the footnotes relating to this slide.

# Money Market Portfolio



Performance since inception (28 February 2008) to 31 October 2009 (Part 2)

## **Money Market Portfolio**

- \* Returns are stated after portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns.

## **Comparative index**

- \*\* The comparative index is the NZX Call Index. Source: Bloomberg.

## **Maximum drawdown**

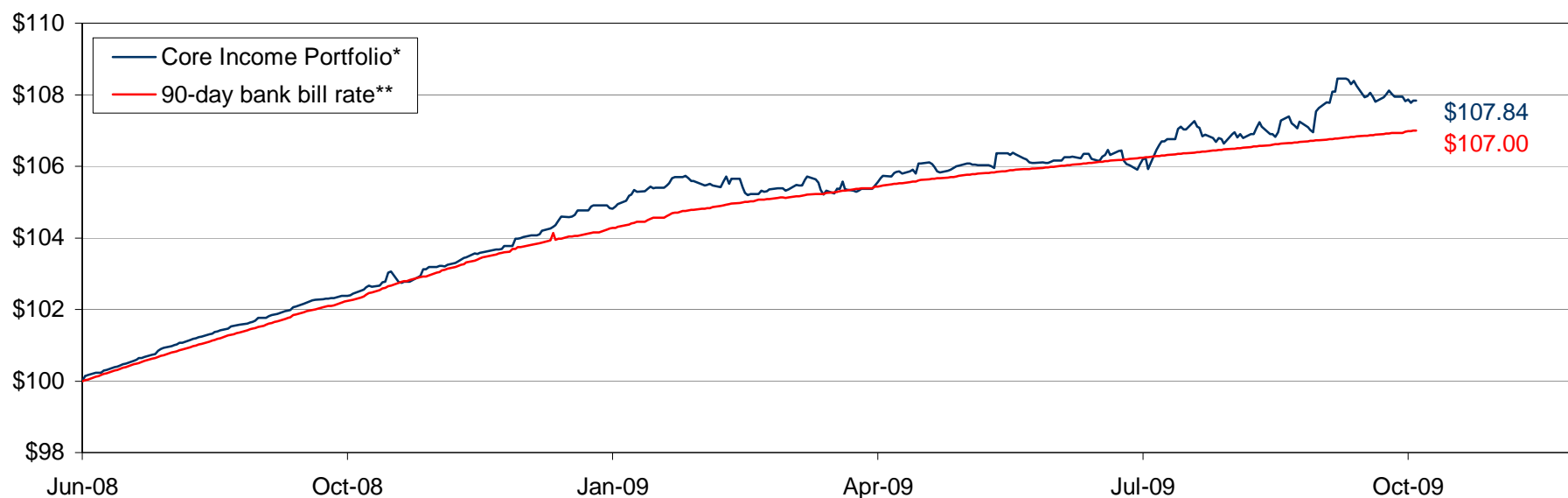
- x Returns should be looked at in conjunction with the level of risk associated with an investment. For this reason, we have included the 'maximum drawdown' for both the Portfolio and the comparison. Maximum drawdown is a measure of volatility and represents the largest cumulative decline experienced during the reporting period.

# Core Income Portfolio



Performance since 25 June 2008 to 31 October 2009 (Part 1)

CIP performance attribution	1 month	3 month	6 month
Positive	NZ/Australian credit	Credit; interest rate hedge	Credit
Neutral	US credits; NZ rates	Cash	Cash
Negative	US interest rates	Medium-term interest rates	NZ interest rate hedging



Comparison	1 month	3 month	6 month	1 year	2 year pa	5 year pa	7 year pa	Since strategy inception pa	Maximum drawdownx
Portfolio*	-0.23%	1.02%	1.67%	4.51%	-	-	-	5.75%	-0.64%
90-day bank bill rate**	0.22%	0.65%	1.32%	3.94%	-	-	-	5.14%	-0.18%

**IMPORTANT:** Please refer to the slide that follows for the footnotes relating to this slide.

## Performance since 25 June 2008 to 31 October 2009 (Part 2)

### **Core Income Portfolio**

- \* Returns are stated after portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns.

### **Comparative index**

- \*\* The comparative index is based on the 90-day bank bill rate (sourced from Bloomberg). A fee of 0.20% pa has been deducted from the published rate to reflect the fact that bank bills are usually accessed by retail investors through a managed fund. The returns from this index should be higher than the returns from the NZX Call Index over longer periods of time.

### **Maximum drawdown**

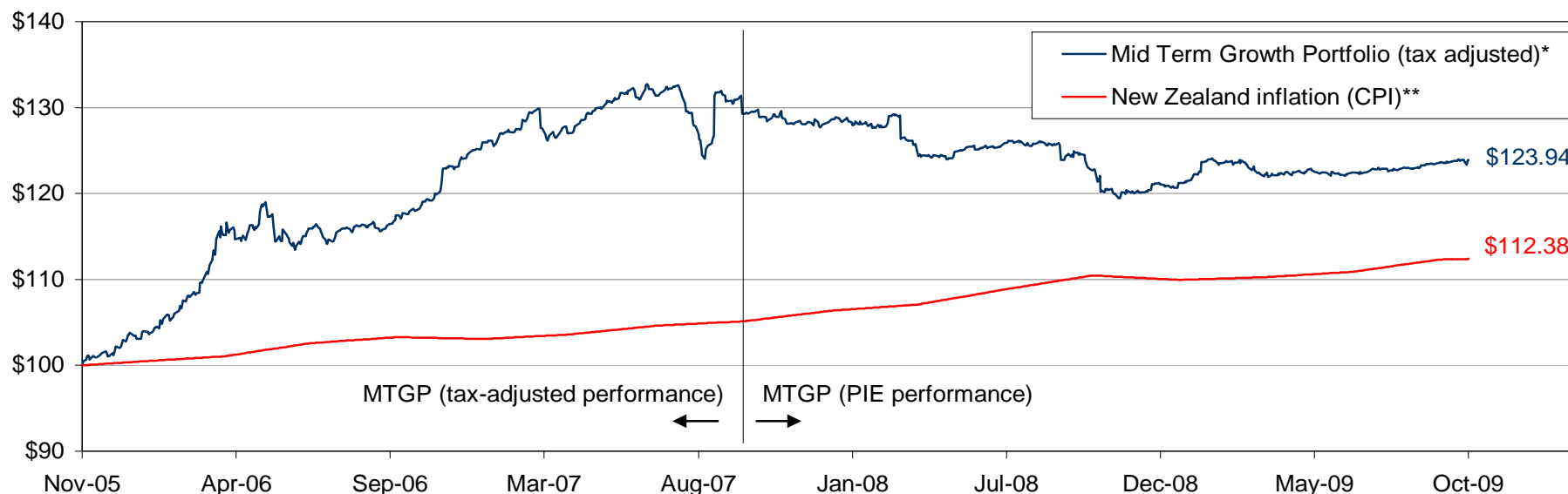
- x Returns should be looked at in conjunction with the level of risk associated with an investment. For this reason, we have included the 'maximum drawdown' for both the Portfolio and the comparison. Maximum drawdown is a measure of volatility and represents the largest cumulative decline experienced during the reporting period.

# Mid Term Growth Portfolio



Tax-adjusted performance since mandate change (3 November 2005) to 31 October 2009\* (Part 1)

MTGP performance attribution	1 month	3 month	6 month
Positive	Equity manager alpha	Bonds; global shares	Bonds
Neutral	Bonds; cash	Cash	Global shares; cash
Negative	Global shares; property	Equity manager alpha	Equity manager alpha



Comparison	1 month	3 month	6 month	1 year	2 year pa	5 year pa	7 year pa	Since inception pa	Maximum drawdownx
Portfolio (tax adjusted)*	0.31%	0.87%	1.26%	3.17%	-2.06%	-	-	3.32%	-10.03%
New Zealand inflation**	0.07%	0.92%	1.74%	1.90%	3.19%	-	-	2.97%	-0.46%

**IMPORTANT:** Please refer to the slide that follows for the footnotes relating to this slide.

## Tax-adjusted performance since mandate change (3 November 2005) to 31 October 2009\* (Part 2)

### Tax-adjusted performance

\* Tax-adjusted performance for the Mid Term Growth Portfolio (MTGP) is stated after portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns. The Portfolio was launched with its current mandate on 3 November 2005.

MTGP was established as a New Zealand Unit Trust (NZUT). In calculating the tax-adjusted performance for MTGP the return prior to 30 September 2007 has been 'grossed up' at 33% (being the tax rate applicable to a NZUT) to reflect that previously tax was paid within the trust. The tax-adjusted performance is designed to remove, as much as possible, the impact of the tax paid by the Portfolio during the calculation period. By doing so it enables the returns from MTGP to be represented in a substantially consistent manner throughout the measurement period.

The tax-adjusted performance covers two different tax regimes, and accordingly two different calculation methods are applied. The two calculation periods are:

- i) the period pre 30 September 2007 (being the period prior to the introduction of the PIE regime);
- ii) the period post 1 October 2007 (being the date from which MTGP was subject to the PIE regime).

This calculation is undertaken for comparative purposes only, and should not be confused with the return generated from the Mid Term Growth Portfolio.

More details on these calculations, together with the formulae used, are available on request from NZ Funds.

### Comparative index

\*\* The comparative index is New Zealand's inflation rate as measured by the Consumers Price Index. Source: Bloomberg.

### Maximum drawdown

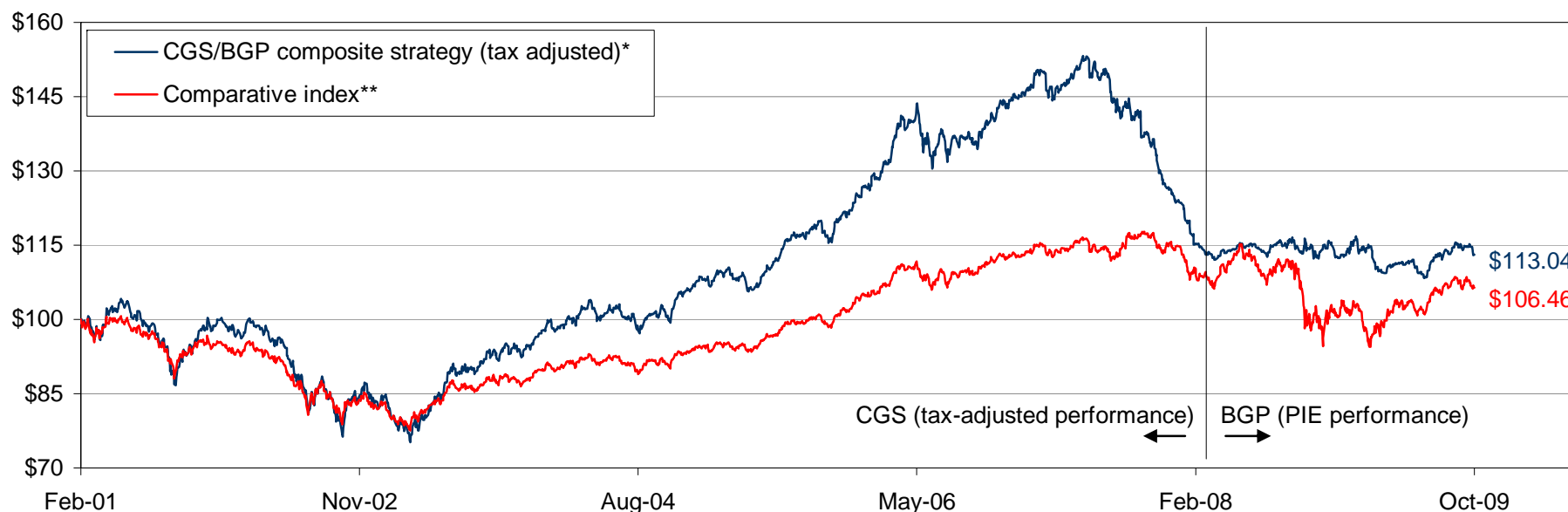
- × Returns should be looked at in conjunction with the level of risk associated with an investment. For this reason, we have included the 'maximum drawdown' for both the Portfolio and the comparison. Maximum drawdown is a measure of volatility and represents the largest cumulative decline experienced during the reporting period.

# Balanced Growth Portfolio



Tax-adjusted performance to 31 October 2009 for CGS/BGP composite strategy\* (Part 1)

BGP performance attribution	1 month	3 month	6 month
Positive	NZ shares; Currency	Global shares; currency	Cash; bonds; global shares
Neutral	Cash	Cash	Bonds
Negative	Global shares; bonds	Bonds; equity options	Currency



Comparison	BGP				Composite				Composite maximum drawdown*
	1 month	3 month	6 month	1 year	2 year pa	5 year pa	7 year pa	since inception pa	
<b>CGS/BGP (tax adjusted)*</b>	-1.82%	0.46%	1.71%	-0.62%	-8.95%	2.05%	4.28%	1.42%	-29.24%
<b>Comparative index**</b>	-0.98%	0.59%	3.65%	5.11%	-4.80%	2.98%	3.56%	0.72%	-22.91%

**IMPORTANT:** Please refer to the slide that follows for the footnotes relating to this slide.

## Tax-adjusted performance to 31 October 2009 for CGS/BGP composite strategy\* (Part 2)

### Tax-adjusted composite strategy

\* Tax-adjusted composite strategy is stated after portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns. The composite covers Conservative Growth Strategy (CGS) data from 20 February 2001 to 27 February 2008, and Balanced Growth Portfolio (BGP) data from 28 February 2008 to 31 October 2009.

CGS was established as an Australian Unit Trust (AUT). In calculating the tax-adjusted composite strategy, for CGS the return has been 'grossed up' at 33% (being the tax rate applicable to New Zealand Unit Trusts) to reflect the fact that the return was generally not taxable to an investor. The tax-adjusted composite strategy is designed to remove, as much as possible, the impact of the different tax regimes that applied during the calculation period. By doing so it enables the returns from CGS and BGP to be represented in a substantially consistent manner.

The tax-adjusted composite strategy covers three different tax regimes, and accordingly three different calculation methods are applied over the course of the strategy. The three calculation periods are:

- i) the period pre 31 March 2007 (being the period prior to the introduction of the FDR regime);
- ii) the period from 1 April 2007 to 28 February 2008 (being the period that a New Zealand investor in CGS was subject to the FDR regime);

iii) the period post 1 March 2008 (establishment date of BGP under the PIE regime).

This calculation is undertaken for comparative purposes only, and should not be confused with the portfolio return generated from CGS or BGP.

More details on these calculations, together with the formulae used, are available on request from NZ Funds.

### Comparative index

\*\* The comparative index is made up of 25% MSCI World Index (hedged), 25% MSCI World Index (unhedged) and 50% New Zealand Government Bond Index. All index figures are sourced from Bloomberg. A fee of 1.75% pa has been deducted to reflect the cost of obtaining a passive global share market exposure using an Exchange Traded Fund, the brokerage associated with purchasing it, the cost of hedging part of this exposure, and the spread on government bonds. The comparative index is stated on a pre-tax basis.

### Maximum drawdown

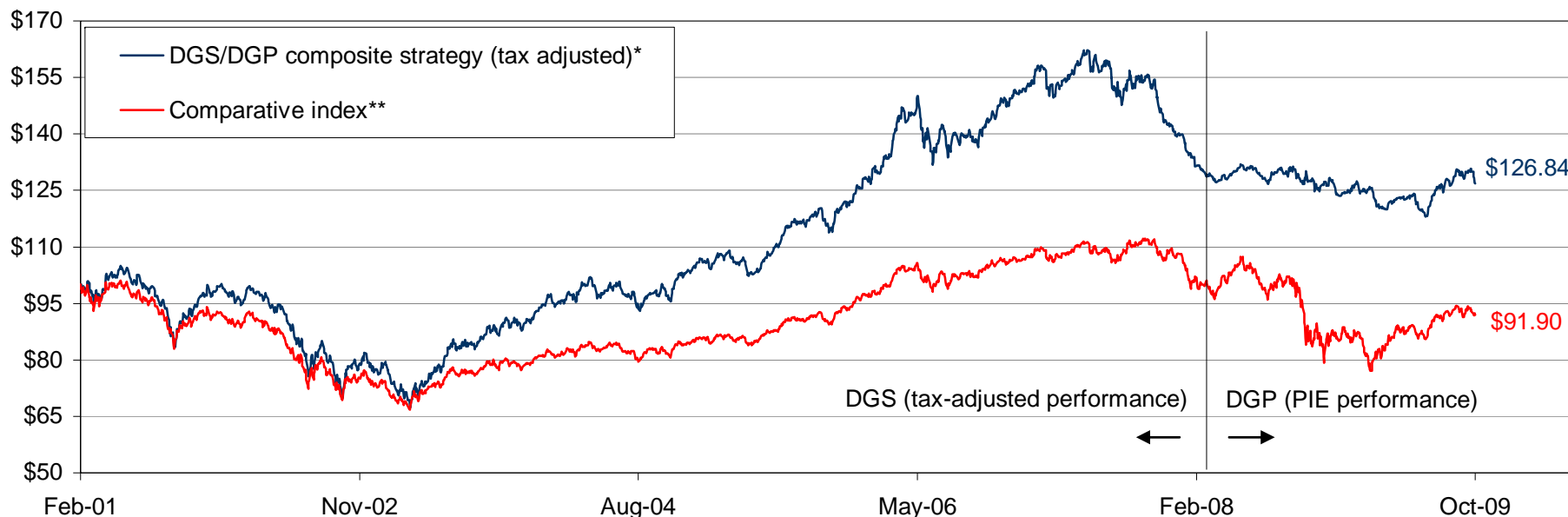
x Returns should be looked at in conjunction with the level of risk associated with an investment. For this reason, we have included the 'maximum drawdown' for both the strategy and the comparison. Maximum drawdown is a measure of volatility and represents the largest cumulative decline experienced during the reporting period.

# Diversified Growth Portfolio



Tax-adjusted performance to 31 October 2009 for DGS/DGP composite strategy\* (Part 1)

DGP performance attribution	1 month	3 month	6 month
Positive	NZ shares; Currency	Global shares; currency	Cash; bonds; global shares
Neutral	Cash	Cash	Bonds
Negative	Global shares; bonds	Bonds; equity options	Currency



Comparison	DGP 1 month	DGP 3 month	DGP 6 month	DGP 1 year
<b>DGS/DGP (tax adjusted)*</b>	-2.36%	1.47%	3.52%	0.16%
<b>Comparative index**</b>	-1.29%	0.66%	5.29%	4.45%

Composite 2 year pa	Composite 5 year pa	Composite 7 year pa	Composite since inception pa	Composite maximum drawdown*
-9.37%	5.10%	7.03%	2.77%	-35.81%
-9.41%	2.12%	2.97%	-0.97%	-34.02%

**IMPORTANT:** Please refer to the slide that follows for the footnotes relating to this slide.

## Tax-adjusted performance to 31 October 2009 for DGS/DGP composite strategy\* (Part 2)

### Tax-adjusted composite strategy

\* Tax-adjusted composite strategy is stated after portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns. The composite covers Diversified Growth Strategy (DGS) data from 20 February 2001 to 27 February 2008, and Diversified Growth Portfolio (DGP) data from 28 February 2008 to 31 October 2009.

DGS was established as an Australian Unit Trust (AUT). In calculating the tax-adjusted composite strategy, for DGS the return has been 'grossed up' at 33% (being the tax rate applicable to New Zealand Unit Trusts) to reflect the fact that the return was generally not taxable to an investor. The tax-adjusted composite strategy is designed to remove, as much as possible, the impact of the different tax regimes that applied during the calculation period. By doing so it enables the returns from DGS and DGP to be represented in a substantially consistent manner.

The tax-adjusted composite strategy covers three different tax regimes, and accordingly three different calculation methods are applied over the course of the strategy. The three calculation periods are:

- i) the period pre 31 March 2007 (being the period prior to the introduction of the FDR regime);
- ii) the period from 1 April 2007 to 28 February 2008 (being the period that a New Zealand investor in DGS was subject to the FDR regime);

iii) the period post 1 March 2008 (establishment date of DGP under the PIE regime).

This calculation is undertaken for comparative purposes only, and should not be confused with the portfolio return generated from DGS or DGP.

More details on these calculations, together with the formulae used, are available on request from NZ Funds.

### Comparative index

\*\* The comparative index is made up of 35% MSCI World Index (hedged), 35% MSCI World Index (unhedged) and 30% New Zealand Government Bond Index. All index figures are sourced from Bloomberg. A fee of 1.75% pa has been deducted to reflect the cost of obtaining a passive global share market exposure using an Exchange Traded Fund, the brokerage associated with purchasing it, the cost of hedging part of this exposure, and the spread on government bonds. The comparative index is stated on a pre-tax basis.

### Maximum drawdown

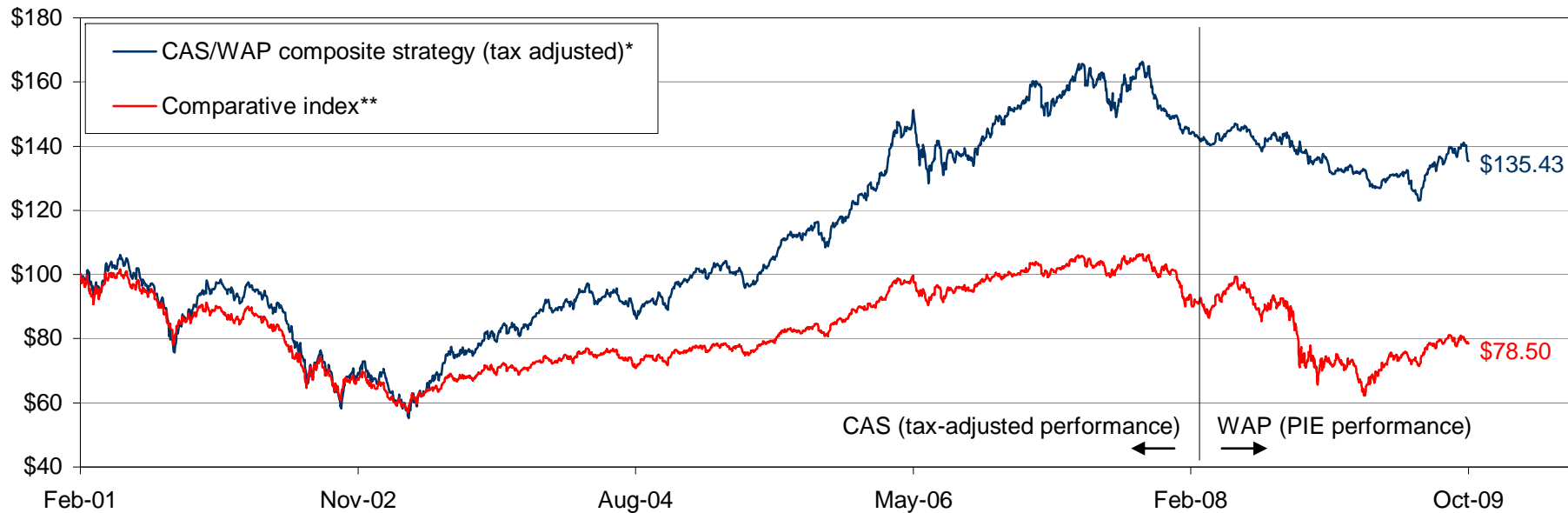
x Returns should be looked at in conjunction with the level of risk associated with an investment. For this reason, we have included the 'maximum drawdown' for both the strategy and the comparison. Maximum drawdown is a measure of volatility and represents the largest cumulative decline experienced during the reporting period.

# Wealth Appreciation Portfolio



Tax-adjusted performance to 31 October 2009 for CAS/WAP composite strategy\* (Part 1)

WAP performance attribution	1 month	3 month	6 month
Positive	NZ shares; Currency	Global shares; currency	Cash; bonds; global shares
Neutral	Cash	Cash	Bonds
Negative	Global shares; bonds	Bonds; equity options	Currency



Comparison	WAP 1 month	WAP 3 month	WAP 6 month	WAP 1 year
CAS/WAP (tax adjusted)*	-2.59%	1.95%	4.01%	-1.03%
Comparative index**	-1.59%	0.71%	6.91%	3.57%

Composite 2 year pa	Composite 5 year pa	Composite 7 year pa	Composite since inception pa	Composite maximum drawdown*
-9.37%	7.83%	10.12%	3.55%	-47.91%
-14.01%	1.14%	2.27%	-2.74%	-43.70%

**IMPORTANT:** Please refer to the slide that follows for the footnotes relating to this slide.

## Tax-adjusted performance to 31 October 2009 for CAS/WAP composite strategy\* (Part 2)

### Tax-adjusted composite strategy

- \* Tax-adjusted composite strategy is stated after portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns. The composite covers Capital Appreciation Strategy (CAS) data from 20 February 2001 to 27 February 2008, and Wealth Appreciation Portfolio (WAP) data from 28 February 2008 to 31 October 2009.

CAS was established as an Australian Unit Trust (AUT). In calculating the tax-adjusted composite strategy, for CAS the return has been 'grossed up' at 33% (being the tax rate applicable to New Zealand Unit Trusts) to reflect the fact that the return was generally not taxable to an investor. The tax-adjusted composite strategy is designed to remove, as much as possible, the impact of the different tax regimes that applied during the calculation period. By doing so it enables the returns from CAS and WAP to be represented in a substantially consistent manner.

The tax-adjusted composite strategy covers three different tax regimes, and accordingly three different calculation methods are applied over the course of the strategy. The three calculation periods are:

- i) the period pre 31 March 2007 (being the period prior to the introduction of the FDR regime);
- ii) the period from 1 April 2007 to 28 February 2008 (being the period that a New Zealand investor in CAS was subject to the FDR regime);

- iii) the period post 1 March 2008 (establishment date of WAP under the PIE regime).

This calculation is undertaken for comparative purposes only, and should not be confused with the portfolio return generated from CAS or WAP.

More details on these calculations, together with the formulae used, are available on request from NZ Funds.

### Comparative index

- \*\* The comparative index is made up of 45% MSCI World Index (hedged), 45% MSCI World Index (unhedged) and 10% New Zealand Government Bond Index. All index figures are sourced from Bloomberg. A fee of 1.75% pa has been deducted to reflect the cost of obtaining a passive global share market exposure using an Exchange Traded Fund, the brokerage associated with purchasing it, the cost of hedging part of this exposure, and the spread on government bonds. The comparative index is stated on a pre-tax basis.

### Maximum drawdown

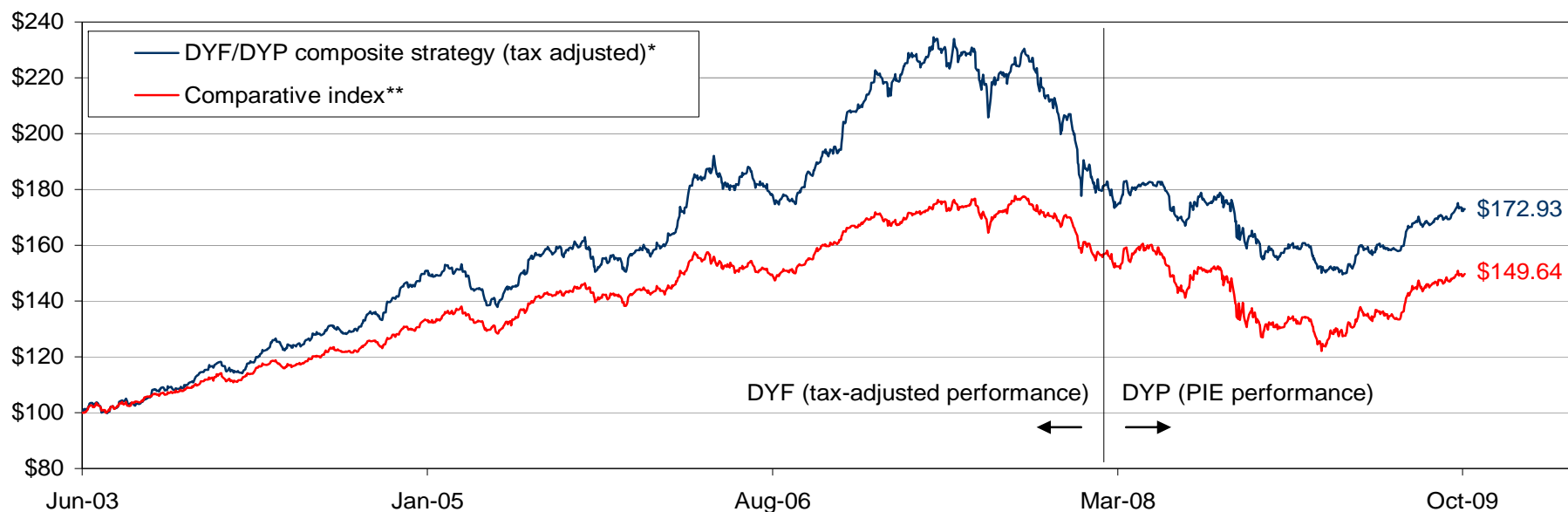
- x Returns should be looked at in conjunction with the level of risk associated with an investment. For this reason, we have included the 'maximum drawdown' for both the strategy and the comparison. Maximum drawdown is a measure of volatility and represents the largest cumulative decline experienced during the reporting period.

# Dividend Yield Portfolio



Tax-adjusted performance to 31 October 2009 for DYF/DYP composite strategy\* (Part 1)

DYP performance attribution	1 month	3 month	6 month
Positive	The Warehouse	Mainfreight	Restaurant Brands
Neutral	Trustpower	AMP NZ Property Trust	Kiwi Income Property
Negative	Fisher & Paykel Healthcare	Telecom	Vector



Comparison	DYF/DYP (tax adjusted)*				Comparative index**				Composite maximum drawdown*
	DYP 1 month	DYP 3 month	DYP 6 month	DYP 1 year	Composite 2 year pa	Composite 5 year pa	Composite 7 year pa	Composite since inception pa	
DYF/DYP (tax adjusted)*	1.53%	3.75%	10.59%	5.92%	-12.72%	4.93%	-	8.92%	-36.26%
Comparative index**	1.27%	4.73%	12.16%	10.71%	-7.36%	3.75%	-	6.49%	-31.29%

**IMPORTANT:** Please refer to the slide that follows for the footnotes relating to this slide.

## Tax-adjusted performance to 31 October 2009 for DYF/DYP composite strategy\* (Part 2)

### Tax-adjusted composite strategy

\* Tax-adjusted composite strategy is stated after portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns. The composite covers Dividend Yield Fund (DYF) data from 6 June 2003 to 27 February 2008, and Dividend Yield Portfolio (DYP) data from 28 February 2008 to 31 October 2009.

DYF was established as an Australian Unit Trust (AUT). In calculating the tax-adjusted composite strategy, for DYF the return has been 'grossed up' at 33% (being the tax rate applicable to New Zealand Unit Trusts) to reflect the fact that the return was generally not taxable to an investor. The tax-adjusted composite strategy is designed to remove, as much as possible, the impact of the different tax regimes that applied during the calculation period. By doing so it enables the returns from DYF and DYP to be represented in a substantially consistent manner.

The tax-adjusted composite strategy covers three different tax regimes, and accordingly three different calculation methods are applied over the course of the strategy. The three calculation periods are:

- i) the period pre 31 March 2007 (being the period prior to the introduction of the FDR regime);
- ii) the period from 1 April 2007 to 28 February 2008 (being the period that a New Zealand investor in DYF was subject to the FDR regime);
- iii) the period post 1 March 2008 (establishment date of DYP under the PIE regime).

This calculation is undertaken for comparative purposes only, and should not be confused with the portfolio return generated from DYF or DYP.

More details on these calculations, together with the formulae used, are available on request from NZ Funds.

### Comparative index

\*\* The comparative index is made up of 70% NZX50 Index and 30% 90-day bank bill rate. All index figures are sourced from Bloomberg. A fee of 0.60% pa has been deducted from the NZX50 Index to reflect the cost of obtaining a passive New Zealand share market exposure using an Exchange Traded Fund and the brokerage associated with purchasing it. A fee of 0.20% pa has been deducted from the 90-day bank bill rate as bank bills are usually accessed by retail investors through a managed fund. The 90-day bank bill rate has been included in the comparison because the mandate allows the manager to invest up to 30% of the Portfolio in cash and capital notes. The comparative index is stated on a pre-tax basis.

### Maximum drawdown

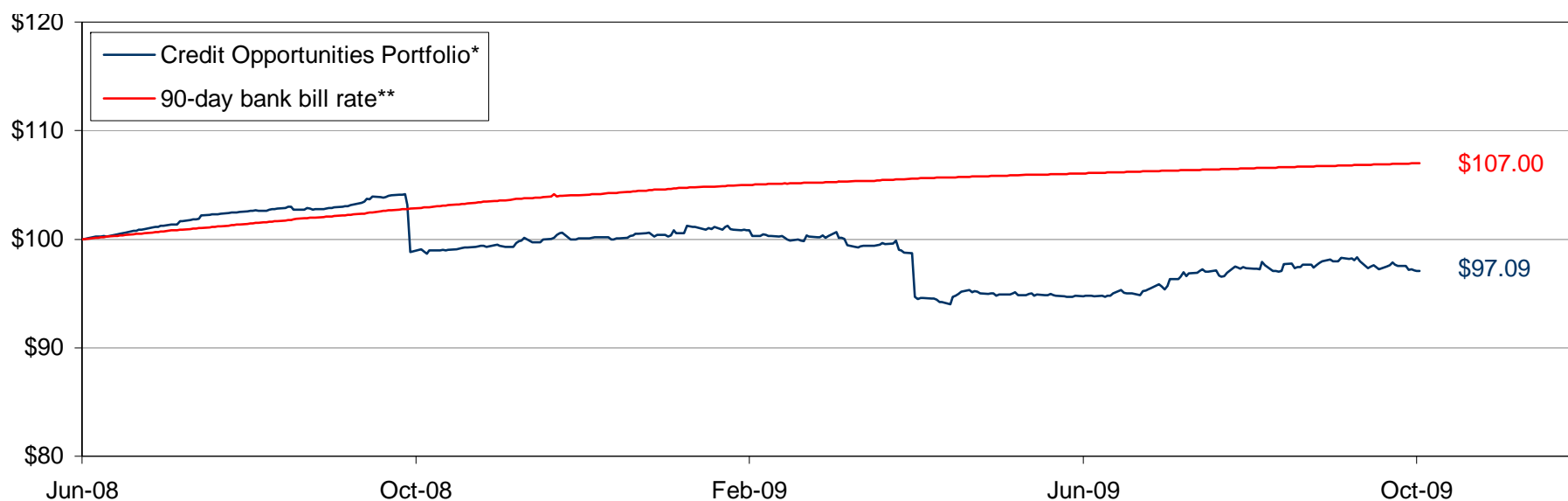
× Returns should be looked at in conjunction with the level of risk associated with an investment. For this reason, we have included the 'maximum drawdown' for both the strategy and the comparison. Maximum drawdown is a measure of volatility and represents the largest cumulative decline experienced during the reporting period.

# Credit Opportunities Portfolio



Performance since 25 June 2008 to 31 October 2009 (Part 1)

COP performance attribution	1 month	3 month	6 month
Positive	Opportunity positions	Cash; inv. grade credit	Cash
Neutral	Credit	Opportunity positions	Interest rates
Negative	Interest rates	Credit hedging	Opportunity positions



Comparison	1 month	3 month	6 month	1 year	2 year pa	5 year pa	7 year pa	Since strategy inception pa	Maximum drawdownx
<b>Portfolio*</b>	-0.90%	0.77%	2.63%	-1.90%	-	-	-	-2.16%	-9.76%
<b>90-day bank bill rate**</b>	0.22%	0.65%	1.32%	3.94%	-	-	-	5.14%	-0.18%

**IMPORTANT:** Please refer to the slide that follows for the footnotes relating to this slide.

### **Credit Opportunities Portfolio**

- \* Returns are stated after portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns.

### **Comparative index**

- \*\* The comparative index is based on the 90-day bank bill rate (sourced from Bloomberg). A fee of 0.20% pa has been deducted from the published rate to reflect the fact that bank bills are usually accessed by retail investors through a managed fund. Due to the 'absolute return' nature of this Portfolio, cash is the most appropriate comparison.

### **Maximum drawdown**

- x Returns should be looked at in conjunction with the level of risk associated with an investment. For this reason, we have included the 'maximum drawdown' for both the Portfolio and the comparison. Maximum drawdown is a measure of volatility and represents the largest cumulative decline experienced during the reporting period.

# Peer analysis

# Cash portfolios



Performance to 30 September 2009

Portfolio name	Manager	Return source	3 month return	6 month return	9 month return	1 year return	Drawdown <sup>x</sup>					
<b>NZ Funds Management</b>												
Money Market Portfolio	NZ Funds Management	NZ Funds Management	0.55%	7	1.14%	7	1.94%	8	3.95%	7	0.00%	1
<b>Peer analysis</b>												
AMP Capital Cash Advantage Fund	AMP Capital Investors (NZ)	Morningstar	0.80%	3	1.60%	3	2.76%	3	4.61%	3	0.00%	1
ASB Cash Trust	ASB Group Investments	Morningstar	0.80%	4	1.59%	4	2.59%	4	4.18%	4	0.00%	1
AXA Kiwisaver Cash	AXA Asia Pacific	Morningstar	1.25%	1	2.46%	1	3.20%	2	4.90%	2	-0.02%	8
Westpac Cash Plus Trust	BT Funds Management (NZ)	Morningstar	0.71%	5	1.42%	5	2.41%	5	4.08%	6	0.00%	1
ING Kiwisaver SIL Cash Plus Fund	ING (NZ)	Morningstar	0.54%	8	1.07%	8	2.01%	7	3.68%	8	0.00%	1
NZ Guardian Trust GIF Cash Plus	Guardian Trust Company	Morningstar	0.86%	2	1.85%	2	3.27%	1	5.28%	1	0.00%	1
Tower Cash Fund	Tower Managed Funds	Morningstar	0.55%	6	1.26%	6	2.32%	6	4.17%	5	0.00%	1
<b>Average (including NZ Funds Management)</b>			<b>0.76%</b>		<b>1.55%</b>		<b>2.56%</b>		<b>4.35%</b>		<b>0.00%</b>	
<b>Number of funds surveyed (including NZ Funds Management)</b>			<b>8</b>		<b>8</b>		<b>8</b>		<b>8</b>		<b>8</b>	
<b>Proxy for term deposits (90 day bank bill index)</b>					<b>1.50%</b>		<b>2.67%</b>		<b>4.66%</b>		<b>0.00%</b>	

# Income portfolios



Performance to 30 September 2009

Portfolio name	Manager	Return source	3 month return		6 month return		9 month return		1 year return		Drawdown <sup>x</sup>	
<b>NZ Funds Management</b>												
Core Income Portfolio	NZ Funds Management	NZ Funds Management	1.62%	7	2.58%	7	3.02%	4	5.57%	7	-0.45%	1
<b>Peer analysis</b>												
AMP Capital NZ Fixed Interest Fund	AMP Capital Investors (NZ)	Morningstar	2.42%	5	3.30%	5	3.20%	3	11.76%	1	-2.88%	5
ASB NZ Fixed Interest Trust	ASB Group Investments	Morningstar	2.08%	6	2.51%	8	1.82%	5	7.49%	2	-2.48%	4
AXA Diversified Bonds	AXA Asia Pacific	AXA Website	2.91%	4	4.60%	3			6.90%	3	Unavailable	
BT Fixed Interest Fund (AUD performance)	BT Funds Management	Fundsourc	-0.07%	9	1.93%	9	1.68%	6	5.63%	6	-1.68%	2
Craigs Fixed Interest Fund	Craigs Investment Partners	Unavailable										
ING Secure Income Fund	ING (NZ)	Morningstar	1.53%	8	2.74%	6	0.76%	7	0.79%	8	-4.01%	7
Tower Bond Plus Fund	Tower Managed Funds	Morningstar	5.83%	1	10.94%	1	9.77%	2	6.84%	4	-8.00%	8
Tyndall Income Fund	Tyndall Investment Management	Morningstar	4.93%	2	7.76%	2	10.49%	1	6.54%	5	-3.89%	6
First NZ - NZ Bond Fund	First NZ Capital	Morningstar	4.27%	3	3.44%	4					-2.23%	3
<b>Average (including NZ Funds Management)</b>			<b>2.84%</b>		<b>4.42%</b>		<b>4.39%</b>		<b>6.44%</b>		<b>-3.20%</b>	
<b>Number of funds surveyed (including NZ Funds Management)</b>			<b>9</b>		<b>9</b>		<b>7</b>		<b>8</b>		<b>8</b>	
<b>Proxy for term deposits (90 day bank bill index)</b>		Bloomberg	<b>0.70%</b>		<b>1.50%</b>		<b>2.67%</b>		<b>4.66%</b>		<b>0.00%</b>	

# Inflation-protection portfolios



Performance to 30 September 2009

Portfolio name	Manager	Return source	3 month return		6 month return		9 month return		1 year return		2 year return pa		3 year return pa		Drawdown*	
<b>NZ Funds Management</b>																
Mid Term Growth Portfolio	NZ Funds Management	NZ Funds Management	0.91%	3	1.07%	4	1.90%	4	0.73%	1	-2.24%	1	1.71%	1	-8.94%	2
<b>Peer analysis</b>																
Infrastructure Income Fund	Brook Asset Management	Morningstar	8.69%	1	12.76%	3	5.30%	2	-11.86%	2	-21.31%	2			-46.92%	3
Fisher Morrison Infrastructure Fund	Fisher Funds Management	Fundsourc	7.91%	2	19.22%	1	20.42%	1							-0.79%	1
Infratil Shares	Morrison & Co Infrastructure	Bloomberg	-3.45%	4	15.07%	2	3.07%	3	-16.42%	3	-24.79%	3	-4.88%	2	-52.23%	4
<b>Average (including NZ Funds Management)</b>			<b>3.52%</b>		<b>12.03%</b>		<b>7.67%</b>		<b>-9.18%</b>		<b>-16.11%</b>		<b>-1.58%</b>		<b>-27.22%</b>	
<b>Number of funds surveyed (including NZ Funds Management)</b>			<b>4</b>		<b>4</b>		<b>4</b>		<b>3</b>		<b>3</b>		<b>2</b>		<b>4</b>	
<b>Proxy for term deposits (90 day bank bill index)</b>		Bloomberg	<b>0.70%</b>		<b>1.50%</b>		<b>2.67%</b>		<b>4.66%</b>		<b>6.83%</b>		<b>6.83%</b>		<b>0.00%</b>	

# Medium-growth portfolios



Performance to 30 September 2009

Portfolio name	Manager	Return source	3 month return	6 month return	1 year return	2 year return pa	3 year return pa	5 year return pa	7 year return pa	Drawdown*								
<b>NZ Funds Management</b>																		
BGP / CGS Composite	NZ Funds Management	NZ Funds Management	5.12%	11	4.91%	12	1.32%	7	-9.57%	11	-5.84%	9	2.62%	9	5.42%	8	-28.45%	12
DGP / DGS Composite	NZ Funds Management	NZ Funds Management	8.27%	5	8.04%	10	2.08%	4	-8.10%	10	-2.71%	8	5.83%	3	8.38%	2	-26.04%	11
<b>Peer analysis</b>																		
AMP Capital Balanced Fund	AMP Capital Investors (NZ)	Morningstar	6.03%	8	11.30%	7	1.87%	6	-4.11%	5	1.53%	1	6.97%	2	7.72%	3	-18.39%	6
ASB EasyFund Balanced	ASB Group Investments	Morningstar	8.96%	2	16.69%	2	0.27%	9									-24.57%	10
Asteron Managed Fund	Tyndall Investment Management	Fundsource	8.52%	4	12.87%	6	-0.36%	12	-6.24%	8	-1.12%	6	4.51%	7	6.45%	4	-22.89%	9
AXA Balanced Portfolio	AXA Asia Pacific	AXA Website	7.19%	6	13.14%	4	4.40%	2	-3.80%	4	0.40%	4	4.80%	5			Unavailable	
Brook Professional Kiwisaver Balanced Fund	Brook Asset Management	Morningstar	4.86%	12	7.57%	11	4.58%	1	4.97%	1							-6.90%	2
BT Balanced Returns Fund (AUD performance)	BT Funds Management (NZ)	Fundsource	10.01%	1	17.34%	1	-0.53%	13	-7.91%	9	-2.04%	7	4.24%	8	5.64%	7	-29.41%	13
Craigs Investment Partners Balanced	Craigs Investment Partners	Fundsource	5.14%	10	9.04%	8	3.21%	3									-7.62%	4
Fisher Funds Conservative Kiwisaver Fund	Fisher Funds Management	Fundsource	0.00%	14													-0.22%	1
Gareth Morgan Kiwisaver Balanced	Gareth Morgan Kiwisaver	Morningstar	2.80%	13	3.88%	13	-0.21%	11	-0.65%	2							-6.94%	3
Guardian Balanced Fund	Guardian Trust Company	Fundsource	5.22%	9	8.51%	9	1.89%	5	-1.67%	3	1.09%	2	4.71%	6	5.95%	5	-12.62%	5
ING Balanced Fund	ING (NZ)	Fundsource	8.73%	3	14.59%	3	0.86%	8	-4.58%	7	0.24%	5	7.95%	1	8.97%	1	-21.07%	7
Tower FreedomPlan Balanced	Tower Managed Funds	Fundsource	6.62%	7	12.93%	5	0.27%	10	-4.17%	6	0.60%	3	5.09%	4	5.80%	6	-22.34%	8
<b>Average (including NZ Funds Management)</b>			<b>6.25%</b>		<b>10.83%</b>		<b>1.51%</b>		<b>-4.17%</b>		<b>-0.87%</b>		<b>5.19%</b>		<b>6.79%</b>		<b>-17.50%</b>	
<b>Number of funds surveyed (including NZ Funds Management)</b>			<b>14</b>		<b>13</b>		<b>13</b>		<b>11</b>		<b>9</b>		<b>9</b>		<b>8</b>		<b>13</b>	
<b>Proxy for term deposits (90 day bank bill index)</b>		Bloomberg	<b>0.70%</b>		<b>1.50%</b>		<b>4.66%</b>		<b>6.83%</b>		<b>7.27%</b>		<b>7.30%</b>		<b>6.85%</b>		<b>0.00%</b>	

# High-growth portfolios



Performance to 30 September 2009

Portfolio name	Manager	Return source	3 month return		6 month return		1 year return		2 year return pa		3 year return pa		5 year return pa		7 year return pa		Drawdown*				
<b>NZ Funds Management</b>																					
WAP / CAS Composite	NZ Funds Management	NZ Funds Management	10.13%	4	9.49%	12	0.47%	4	-7.11%	4	-0.07%	1	8.67%	1	11.91%	1	-23.79%	4			
<b>Peer analysis</b>																					
AMP Capital Growth Fund	AMP Capital Investors (NZ)	Morningstar	8.65%	9	17.36%	7	-3.86%	12	-11.76%	8	-2.84%	3	6.34%	2	7.97%	2	-35.65%	10			
ANZ Retirement Plan Growth	ING (NZ)	Fundsource	9.92%	5	17.40%	5	0.48%	3	-6.29%	3	-1.32%	2	5.67%	3	6.81%	3	-26.34%	5			
ASB EasyFund Growth	ASB Group Investments	Morningstar	10.78%	2	20.89%	2	-2.78%	11									-33.52%	8			
Asteron RSP Managed Growth	Tyndall Investment Management	Fundsource	9.56%	7	15.43%	8	-1.07%	8	-9.69%	6	-2.85%	4	3.84%	6	5.87%	5	-29.92%	6			
AXA High Growth Portfolio	AXA Asia Pacific	AXA Website	10.26%	3	20.63%	3	-0.30%	6	-11.90%	9	-4.10%	7	3.80%	7			Unavailable				
Brook Professional Kiwisaver Growth Fund	Brook Asset Management	Morningstar	8.49%	10	12.84%	10	6.47%	1	4.38%	1							-13.09%	3			
BT Future Goals Fund (AUD performance)	BT Funds Management (NZ)	Fundsource	12.75%	1	22.03%	1	-1.62%	9	-11.40%	7	-3.75%	6	4.44%	4	6.25%	4	-37.56%	11			
Craigs Investment Partners Growth	Craigs Investment Partners	Fundsource	5.72%	12	10.40%	11	3.19%	2									-8.79%	2			
First NZ Capital Kiwisaver Scheme	First NZ Capital	Morningstar	5.99%	11	12.84%	9	-8.66%	13									-33.70%	9			
Gareth Morgan Kiwisaver Growth	Gareth Morgan Kiwisaver	Morningstar	2.80%	13	3.88%	13	-0.21%	5	-0.65%	2							-6.94%	1			
Guardian EquityPlus Fund	Guardian Trust Company	Fundsource	8.68%	8	17.40%	6	-0.36%	7	-9.06%	5	-3.41%	5	3.99%	5			-30.70%	7			
Tower FreedomPlan Growth Fund	Tower Managed Funds	Fundsource	9.83%	6	19.80%	4	-2.43%	10	-12.07%	10	-4.43%	8	3.44%	8	5.03%	6	-38.19%	12			
<b>Average (including NZ Funds Management)</b>			<b>8.74%</b>		<b>15.42%</b>		<b>-0.82%</b>		<b>-7.55%</b>		<b>-2.85%</b>		<b>5.02%</b>		<b>7.31%</b>		<b>-26.52%</b>				
<b>Number of funds surveyed (including NZ Funds Management)</b>			<b>13</b>		<b>13</b>		<b>13</b>		<b>10</b>		<b>8</b>		<b>8</b>		<b>6</b>		<b>12</b>				
<b>Proxy for term deposits (90 day bank bill index)</b>					<b>Bloomberg</b>		<b>0.70%</b>		<b>1.50%</b>		<b>4.66%</b>		<b>6.83%</b>		<b>7.27%</b>		<b>7.30%</b>		<b>6.85%</b>		<b>0.00%</b>

# Equity portfolios



Performance to 30 September 2009

Portfolio name	Manager	Return source	3 month return		6 month return		1 year return		2 year return pa		3 year return pa		5 year return pa		Drawdown <sup>x</sup>
<b>NZ Funds Management</b>															
DYP / DYF Composite	NZ Funds Management	NZ Funds Management	7.35%	11	12.50%	11	-1.12%	10	-12.93%	8	-1.60%	4	4.73%	2	-34.16%
<b>Peer analysis</b>															
AMPCI NZ Shares Fund	AMP Capital Investors (NZ)	Fundsource	13.00%	9	21.40%	8	2.26%	7	-10.79%	5	-1.26%	3			-37.84%
ASB NZ Shares Trust	ASB Group Investments	Fundsource	8.53%	10	14.14%	10	1.42%	8	-9.71%	4	-1.87%	5	2.06%	7	-31.15%
Asteron RSP NZ Equity	Tyndall Investment Management	Fundsource	15.14%	5	28.95%	2	9.73%	3	-13.29%	9	-2.49%	6	4.14%	3	-43.69%
AXA Australasian Growth Equities	AXA Asia Pacific	Morningstar	16.90%	3	26.20%	4	12.24%	2	-5.86%	2	0.38%	2	6.30%	1	-32.16%
Brook Tasman Fund	Brook Asset Management	Morningstar	17.97%	1	24.48%	5	13.11%	1	1.67%	1	5.25%	1			-21.88%
First NZ Capital Abacus Equity Income Fund	First NZ Capital	Morningstar	13.84%	8	17.09%	9	-2.97%	11	-11.25%	6					-34.47%
Fisher Funds Fledgling Fund	Fisher Funds Management	Morningstar	14.54%	6	27.23%	3	-0.84%	9	-15.97%	11	-8.01%	9	3.20%	5	-52.50%
ING NZ Share Fund	ING (NZ)	Fundsource	15.28%	4	23.20%	6	3.52%	6	-14.85%	10	-5.82%	8	2.25%	6	-45.34%
Mint Australia NZ Active Equity Trust	Mint Asset Management	Fundsource	14.18%	7	22.72%	7	7.16%	4	-7.38%	3					-32.99%
Tower NZ Equity Trust	Tower Managed Funds	Fundsource	17.10%	2	29.18%	1	6.15%	5	-12.78%	7	-3.33%	7	3.88%	4	-44.69%
<b>Average (including NZ Funds Management)</b>			<b>13.98%</b>		<b>22.46%</b>		<b>4.60%</b>		<b>-10.29%</b>		<b>-2.08%</b>		<b>3.79%</b>		<b>-37.35%</b>
<b>Number of funds surveyed (including NZ Funds Management)</b>			<b>11</b>		<b>11</b>		<b>11</b>		<b>11</b>		<b>9</b>		<b>7</b>		<b>11</b>
<b>Proxy for term deposits (90 day bank bill index)</b>		Bloomberg	<b>0.70%</b>		<b>1.50%</b>		<b>4.66%</b>		<b>6.83%</b>		<b>7.27%</b>		<b>7.30%</b>		<b>0.00%</b>

# Alternative strategies



Performance to 30 September 2009

Portfolio name	Manager	Return source	3 month return		6 month return		9 month return		1 year return		Drawdown <sup>x</sup>	
<b>NZ Funds Management</b>												
Credit Opportunities Portfolio	NZ Funds Management	NZ Funds Management	3.34%	3	-2.17%	3	-2.19%	3	-4.91%	4	-8.18%	1
<b>Peer analysis</b>												
Fidelity Kiwisaver - Options Kiwi Fund	Fidelity Life	Morningstar	10.13%	2	18.03%	2	33.33%	1	2.07%	3	-24.25%	4
ING Diversified Trading Fund	ING (NZ)	Morningstar	-2.33%	5	-3.06%	4	-4.89%	5	-16.52%	5	-21.71%	3
ING PPS Global Opportunities Fund	ING (NZ)	Morningstar	18.91%	1	47.13%	1	33.21%	2	3.79%	1	-52.96%	5
Tower Global Hedge Fund	Tower Managed Funds	Morningstar	-0.34%	4	-4.00%	5	-3.07%	4	3.44%	2	-9.92%	2
<b>Average (including NZ Funds Management)</b>			<b>5.94%</b>		<b>11.19%</b>		<b>11.28%</b>		<b>-2.42%</b>		<b>-23.40%</b>	
<b>Number of funds surveyed (including NZ Funds Management)</b>			<b>5</b>		<b>5</b>		<b>5</b>		<b>5</b>		<b>5</b>	
<b>Proxy for term deposits (90 day bank bill index)</b>		Bloomberg	<b>0.70%</b>		<b>1.50%</b>		<b>2.67%</b>		<b>4.66%</b>		<b>0.00%</b>	

## Drawdown

- × Returns should be looked at in conjunction with the level of risk associated with an investment. For this reason, we have included the 'drawdown' which is a measure of volatility. Drawdown represents the historical decline in value (calculated using month-end prices) that an investor experienced over the reporting period. As the drawdown is calculated using month-end prices, it may not represent the maximum potential decline that an investor may have experienced during this period. All drawdown figures are calculated by NZ Funds. Further details on the drawdown calculations can be obtained on request from NZ Funds.

## NZ Funds

Returns are stated after Portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns.

### *Mid Term Growth Portfolio (MTGP)*

The performance of this Portfolio is stated on a tax-adjusted basis. MTGP was established as a New Zealand Unit Trust (NZUT). In calculating the tax-adjusted performance for MTGP the return prior to 30 September 2007 has been 'grossed up' at 33% (being the tax rate applicable to a NZUT) to reflect that previously tax was paid within the trust. The tax-adjusted performance is designed to remove, as much as possible, the impact of the tax paid by the Portfolio during

the calculation period. By doing so it enables the returns from MTGP to be represented in a substantially consistent manner throughout the measurement period, thereby making them comparable to those of our peers.

### *Composite strategies*

The performance of the composite strategies is stated on a tax-adjusted basis. CGS, DGS, CAS and DYF were established as Australian Unit Trusts (AUTs). In calculating the tax-adjusted performance for the composite strategies the returns for CGS, DGS, CAS and DYF have been 'grossed up' at 33% (being the tax rate applicable to New Zealand Unit Trusts) to reflect the fact that the returns were generally not taxable to an investor. The tax-adjusted performance is designed to remove, as much as possible, the impact of different tax regimes that applied during the calculation period. By doing so it enables the returns from the composite strategies to be represented in a substantially consistent manner throughout the measurement period, thereby making them comparable to those of our peers.

For MTGP and the composite strategies, the tax-adjusted calculation is undertaken for comparative purposes only, and should not be confused with the returns generated from the portfolios. More details on these calculations, together with the formulae used, are available on request from NZ Funds.

### FundSource

FundSource Disclaimer: PIE fund returns are measured pre-tax. Returns for funds that have become PIEs (e.g. from 30/09/07) are shown "grossed-up" (pre-tax) to transition date. These indicative returns are approved by fund managers and are for fund comparative purposes, and are not suitable for calculating an investor's investment return. Non-PIE NZ fund returns are reported post-tax assuming a marginal tax rate of 30%. All returns are measured post management fees but before upfront fees. All distributions are assumed to be reinvested. Australian fund returns are in Australian dollar terms and are measured pre-tax.

### Morningstar

© 2009 Morningstar, Inc. All rights reserved. The data and content contained herein are not guaranteed to be accurate, complete or timely. Neither Morningstar, nor its affiliates nor their content providers will have any liability for use or distribution of any of this information. To the extent that any of the content above constitutes advice, it is general advice that has been prepared by Morningstar Australasia Pty Ltd ABN: 95 090 665 544, AFSL: 240892 (a subsidiary of Morningstar, Inc.), without reference to your objectives, financial situation or needs. Before acting on any advice, you should consider the appropriateness of the advice and we recommend you obtain financial, legal and taxation advice before making any financial

investment decision. If applicable investors should obtain the relevant product disclosure statement and consider it before making any decision to invest. Please refer to our Financial Services Guide (FSG) for more information at [www.morningstar.com.au/fsg.pdf](http://www.morningstar.com.au/fsg.pdf).

For further information or to request a copy of the relevant Investment Statement, please contact New Zealand Funds Management Limited.

Past performance is not necessarily an indication of future returns.

**DISCLAIMER:** This document has been provided for information purposes only. The content of this document is not intended as a substitute for specific professional advice on investments, financial planning or any other matter.

While the information provided in this document is stated accurately to the best of our knowledge and belief, New Zealand Funds Management Limited, its directors, employees and related parties accept no liability or responsibility for any loss, damage, claim or expense suffered or incurred by any party as a result of reliance on the information provided and opinions expressed in this document except as required by law.