

## Manager insight – 30 April 2009

The Dividend Yield Trust returned 3.28%<sup>1</sup> for the month of April. This lagged the performance of the NZX50 Index which was up 5.80%<sup>2</sup>. Since inception (28 February 2008), the Trust has returned -11.86%<sup>1</sup> versus the NZX50 Index which has returned -23.44%<sup>2</sup>.

April saw several New Zealand companies begin the process of deleveraging in earnest. Fletcher Building was the largest player, but smaller capital raisings were made by Kiwi Income Property, Freightways and SkyCity. The total amount of new equity raised in the month exceeded \$800m.

Without exception these capital raisings were conducted to reduce gearing and were characterised by reasonable discounts and solid underlying earnings. Moreover, none of the companies had severely stressed balance sheets to begin with. Consequently, all the April placements were well supported.

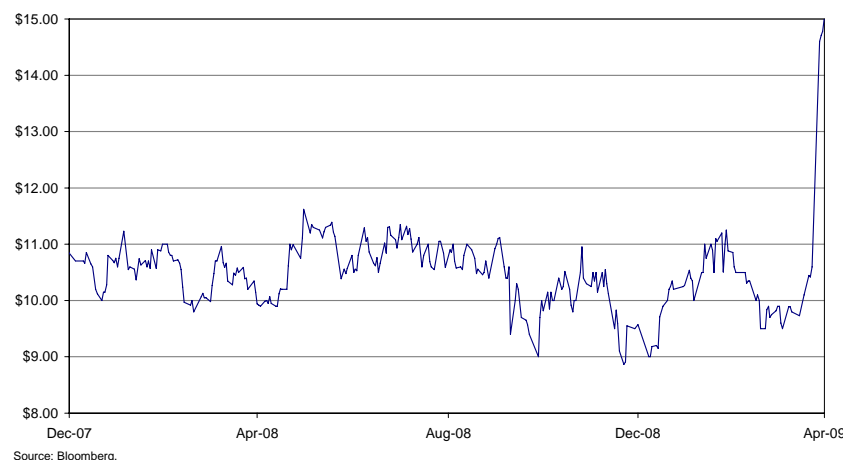
### Share insight: Lion Nathan

The manager's response to the capital raisings varied. The Freightways and Kiwi Income Property raisings offered the opportunity to increase substantial holdings at a significant discount. Moreover, for both these shares the risk associated with debt levels has now been materially mitigated. SkyCity and Fletcher Building are shares the manager views less favourably and therefore involvement in these raisings was limited to the opportunity to realise some value.

The biggest positive contributor to the Trust's performance over the past month was Lion Nathan. Its major shareholder, Kirin, moved to take out the balance of shares it doesn't already hold at a premium of 39%.

The size of the premium to the current share price suggests that Kirin sees value that has eluded the market as a whole. What could that be? Lion Nathan is a brewery with strong market shares in both Australia and New Zealand. It has very well known brands and is able to generate consistent revenue growth at a low incremental cost – the perfect money making recipe. Where the market said that it would pay 11.2x Lion's operating earnings Kirin's offer said they were worth 14x. To Kirin, a pre-tax yield to the firm of 7% was a price worth paying for such reliable earnings.

Lion Nathan share price

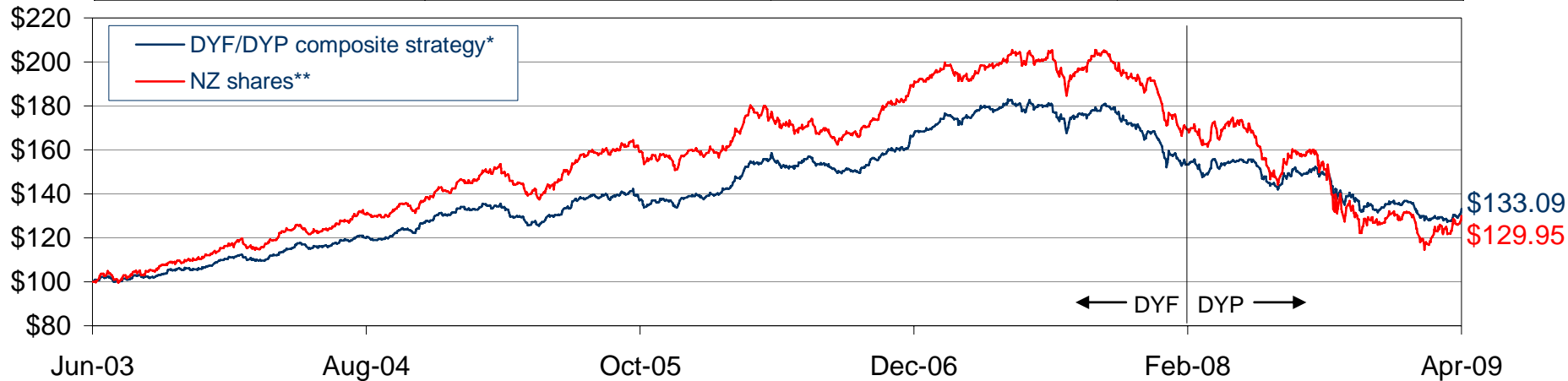


<sup>1</sup> Returns are stated after fund fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns. <sup>2</sup> Source: Bloomberg.

# Dividend Yield Portfolio

## Performance to 30 April 2009 for DYF/DYP composite strategy\*

| Performance attribution | One month       | Three month | Six month |
|-------------------------|-----------------|-------------|-----------|
| Positive                | Freightways     | -           | -         |
| Neutral                 | n/a             | -           | -         |
| Negative                | Methven; Vector | -           | -         |



| DYP return One-month | DYP return Three-month | DYP return Six-month | DYP return One-year | Composite strategy return Since inception pa |
|----------------------|------------------------|----------------------|---------------------|--|
| 3.28%                | -2.77%                 | -4.23%               | -13.73%             | 4.96%  |

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. \*Dividend Yield Fund (DYF) data from 6 Jun 03 to 28 Feb 08. Dividend Yield Portfolio (DYP) data from 28 Feb 08 to 30 Apr 09. \*\*Source: Bloomberg. NZ shares represented by NZX50 Index. The asset class index in the chart (NZX50 Index) is not for benchmarking purposes but rather to demonstrate the performance of the largest asset class allocation in the Portfolio.

# Dividend Yield Portfolio

## Portfolio summary as at 30 April 2009

| Portfolio summary                              |                         |                  |             |              |
|--|-------------------------|------------------|-------------|--------------|
| Number of securities                           |                         | 24               |             |              |
| Cash, capital notes & other                    |                         | 49%              |             |              |
| Shares   |                         | 51%              |             |              |
| Weighted average yield                         |                         | 9.1%             |             |              |
| Average market capitalisation (share holdings) |                         | \$2.032b         |             |              |
| Sector / Security                              | Proportion of portfolio | Market cap (\$m) | Yield*      | Payout ratio |
| <b>Cash</b>                                    | <b>46%</b>              |                  |             |              |
| Cash   |                         | -                |             | -            |
| <b>Cyclicals</b>                               | <b>11%</b>              |                  |             |              |
| Fletcher Building                              |                         | \$3,999          | 8.7%        | 70%          |
| Freightways                                    |                         | \$464            | 8.4%        | 67%          |
| Methven  |                         | \$81             | 17.2%       | 80%          |
| Restaurant Brands                              |                         | \$91             | 11.1%       | 59%          |
| <b>Non Cyclicals</b>                           | <b>40%</b>              |                  |             |              |
| AMP NZ Office Trust                            |                         | \$571            | 13.6%       | 98%          |
| Contact Energy                                 |                         | \$3,600          | 7.1%        | 93%          |
| Fisher & Paykel Healthcare                     |                         | \$1,585          | 6.0%        | 102%         |
| Goodman Fielder                                |                         | \$2,100          | 7.9%        | 77%          |
| Goodman Property Trust                         |                         | \$719            | 18.1%       | 100%         |
| Infratil                                       |                         | \$869            | 5.8%        | 160%         |
| Kiwi Income Property                           |                         | \$727            | 12.7%       | 100%         |
| Lion Nathan                                    |                         | \$7,766          | 3.9%        | 79%          |
| Port of Tauranga                               |                         | \$756            | 6.4%        | 79%          |
| Sky City                                       |                         | \$1,564          | 7.9%        | 71%          |
| Telecom  |                         | \$5,177          | 9.1%        | 96%          |
| Trustpower                                     |                         | \$2,287          | 8.4%        | 114%         |
| Vector   |                         | \$2,181          | 8.8%        | 82%          |
| <b>Capital Notes &amp; Other</b>               | <b>4%</b>               |                  |             |              |
| Kiwi Income Property MCN                       |                         | -                | 8.6%        | -            |
| Fletcher Building 7.5% 15 Mar 2012             |                         | -                | 9.5%        | -            |
| GPG Finance 9% 15 Dec 2013                     |                         | -                | 13.0%       | -            |
| Infratil 8.5% 15 Sep 2013                      |                         | -                | 10.6%       | -            |
| Sky City 8% 15 May 2010                        |                         | -                | 9.6%        | -            |
| TrustPower 8.5% 15 Mar 2014                    |                         | -                | 8.0%        | -            |
| <b>Total</b>                                   | <b>100%</b>             |                  | <b>9.1%</b> |              |

\*Yields forecast by NZ Funds for each company's current financial year. Where applicable, the security's yield reflects the benefit derived from imputation credits received.  
Note: Rounding may affect the subtotals and totals.

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.

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