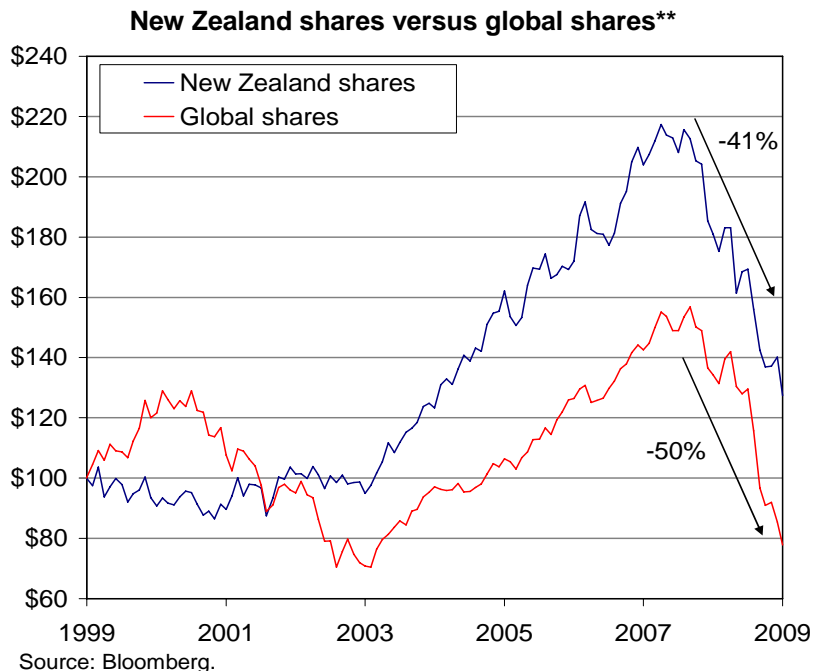


## Manager insight – 28 February 2009

Share markets and risky assets in general declined sharply in February, with most of the global share indices falling to levels last seen 10 years ago. In the first two months of 2009, global share markets have declined by around 15%<sup>1</sup> and the New Zealand share market has declined by around 7%<sup>2</sup>. Despite these substantial declines, the Growth Portfolios' performance over the same period is positive.



The Portfolios' share exposure was protected over the review period through the implementation of the 'equity protection strategy'. As the market was in a downward trend over the month, the full equity hedge was implemented throughout the month. The currency exposure was, however, a small detractor from performance.

Over the month, the exposure to investment-grade corporate bonds was reduced. This reflected a view that the prices of corporate bonds had improved despite a continuation of the negative economic news. It was therefore appropriate to take profits on half the position.

The Portfolios currently has a holding in New Zealand and US government bonds. In a slowing economic environment, the prices of bonds tend to appreciate as investors seek 'safe haven' assets.

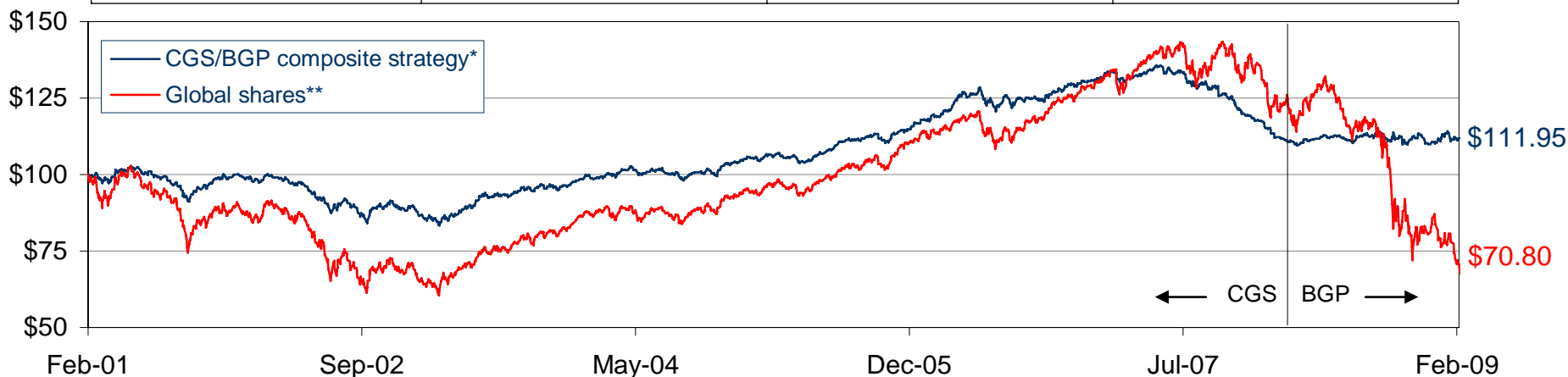
The primary objective of the Portfolios remains to preserve clients' capital until global markets recover. By preserving capital, the client is able to more fully participate in the recovery, whenever that may occur. Preserving capital does not mean not having losses, but that any losses that do occur are relatively small and can be quickly recovered. It is important to note that it only takes an 11% appreciation to recover your capital after a 10% decline, but after a 50% decline it takes a 100% appreciation to recover your original capital.

<sup>1</sup> Source: Bloomberg. Global shares represented by MSCI World Index (local currency). New Zealand shares represented by NZX50 Index. <sup>2</sup> NZX40 Index data from 28 February 1999 to 28 February 2001. NZX50 Index data from 28 February 2001 to 28 February 2009. Note: The NZX50 Index was introduced in February 2001. Global shares represented by MSCI World Index (local currency).

# Balanced Growth Portfolio

Performance to 28 February 2009 for CGS/BGP composite strategy\*

BGP performance attribution	One month	Three month	Six month
Positive	Equity protection strategy	-	-
Neutral	n/a	-	-
Negative	Currency	-	-



BGP return One-month	BGP return Three-month	BGP return Six-month	BGP return One-year	Composite strategy return Since inception pa
-1.36%	0.07%	-0.54%	1.17%	1.42%

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.  
 \*Conservative Growth Strategy (CGS) data from 20 Feb 01 to 28 Feb 08. Balanced Growth Portfolio (BGP) data from 28 Feb 08 to 28 Feb 09. \*\*Source: Bloomberg. Global shares represented by MSCI World Index in local currency. The asset class index in the chart (MSCI World Index) is not for benchmarking purposes but rather to demonstrate the performance of the largest asset class allocation in the Portfolio.

# Balanced Growth Portfolio

Portfolio summary as at 28 February 2009

## Portfolio summary

Income strategies (before equity hedge)	82%
Growth strategies (before equity hedge)	18%

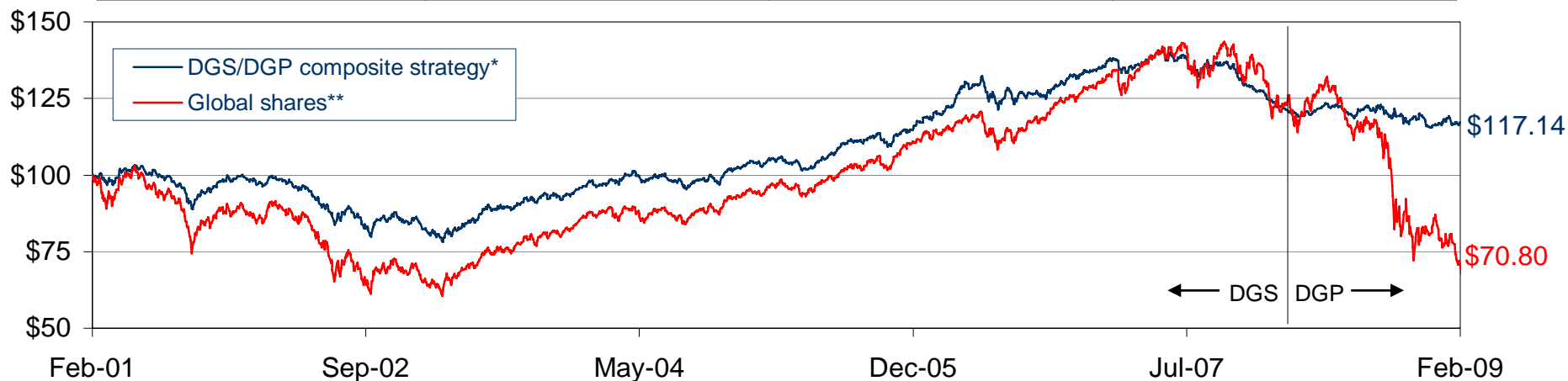
Strategy	Manager	Asset class	Proportion of portfolio
<b>Income strategies</b>			<b>99%</b>
Money market	NZ Funds	Cash	51%
Government bonds	NZ Funds	NZ/US government bonds	16%
NZ loans	Fidelity	NZ direct loans	6%
Corporate bonds	NZ Funds	Global corporate bonds	9%
Equity hedge*	NZ Funds	Cash	17%
<b>Growth strategies</b>			<b>1%</b>
Australasian shares – High dividend yield	NZ Funds	Australasian shares	4%
Global shares – High dividend yield	Tweedy Browne	Global shares	7%
Global shares – Growth	T Rowe Price	Global shares	6%
Global absolute return	Multiple managers	Equity strategies	1%
Equity hedge**	NZ Funds	Global shares	-17%
<b>Total</b>			<b>100%</b>
<b>Return enhancement</b>			<b>15%</b>
Currency	NZ Funds	Exposure to weakening NZD	15%

\*The effect of the equity hedge is to reduce the investment in international equities and generate cash like returns. \*\*The equity hedge applies to all of the growth strategies. Note: Rounding may affect totals and subtotals.

# Diversified Growth Portfolio

Performance to 28 February 2009 for DGS/DGP composite strategy\*

DGP performance attribution	One month	Three month	Six month
Positive	Equity protection strategy	-	-
Neutral	n/a	-	-
Negative	Currency	-	-



DGP return One-month	DGP return Three-month	DGP return Six-month	DGP return One-year	Composite strategy return Since inception pa
-1.20%	-0.83%	-3.38%	-2.78%	1.99%

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.  
 \*Diversified Growth Strategy (DGS) data from 20 Feb 01 to 28 Feb 08. Diversified Growth Portfolio (DGP) data from 28 Feb 08 to 28 Feb 09. \*\*Source: Bloomberg. Global shares represented by MSCI World Index in local currency. The asset class index in the chart (MSCI World Index) is not for benchmarking purposes but rather to demonstrate the performance of the largest asset class allocation in the Portfolio.

# Diversified Growth Portfolio

Portfolio summary as at 28 February 2009

## Portfolio summary

Income strategies (before equity hedge)	75%
Growth strategies (before equity hedge)	25%

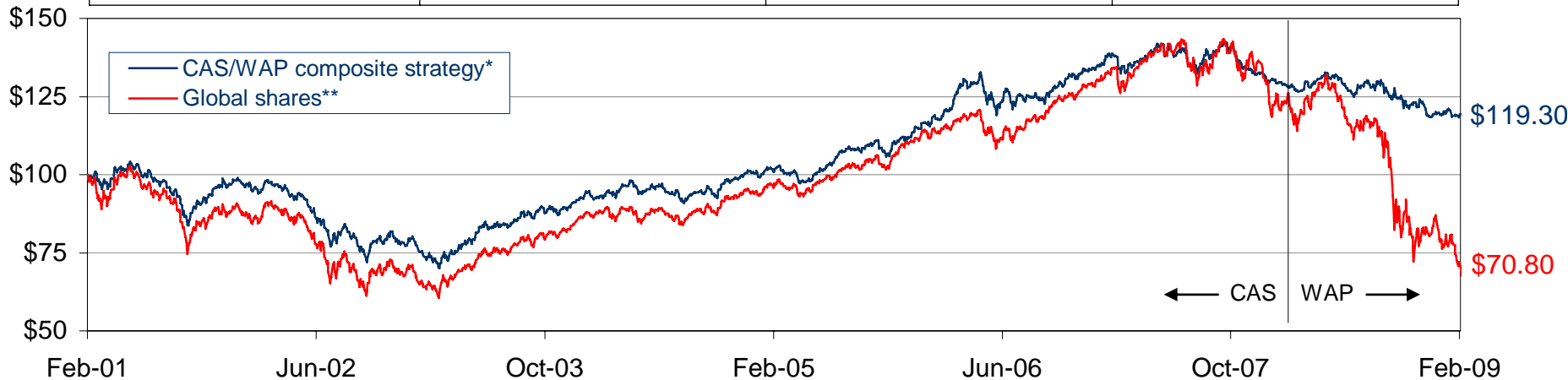
Strategy	Manager	Asset class	Proportion of portfolio
<b>Income strategies</b>			<b>99%</b>
Money market	NZ Funds	Cash	49%
Government bonds	NZ Funds	NZ/US government bonds	11%
NZ loans	Fidelity	NZ direct loans	6%
Corporate bonds	NZ Funds	Global corporate bonds	9%
Equity hedge*	NZ Funds	Cash	24%
<b>Growth strategies</b>			<b>1%</b>
Australasian shares – High dividend yield	NZ Funds	Australasian shares	5%
Global shares – High dividend yield	Tweedy Browne	Global shares	10%
Global shares – Growth	T Rowe Price	Global shares	9%
Global absolute return	Multiple managers	Equity strategies	1%
Equity hedge**	NZ Funds	Global shares	-24%
<b>Total</b>			<b>100%</b>
<b>Return enhancement</b>			<b>15%</b>
Currency	NZ Funds	Exposure to weakening NZD	15%

\*The effect of the equity hedge is to reduce the investment in international equities and generate cash like returns. \*\*The equity hedge applies to all of the growth strategies.  
Note: Rounding may effect totals and subtotals.

# Wealth Appreciation Portfolio

Performance to 28 February 2009 for CAS/WAP composite strategy\*

WAP performance attribution	One month	Three month	Six month
Positive	Equity protection strategy	-	-
Neutral	n/a	-	-
Negative	Currency	-	-



WAP return One-month	WAP return Three-month	WAP return Six-month	WAP return One-year	Composite strategy return Since inception pa
-1.04%	-1.97%	-7.08%	-6.81%	2.22%

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. \*Capital Appreciation Strategy (CAS) data from 20 Feb 01 to 28 Feb 08. Wealth Appreciation Portfolio (WAP) data from 28 Feb 08 to 28 Feb 09. \*\*Source: Bloomberg. Global shares represented by MSCI World Index in local currency. The asset class index in the chart (MSCI World Index) is not for benchmarking purposes but rather to demonstrate the performance of the largest asset class allocation in the Portfolio.

# Wealth Appreciation Portfolio

Portfolio summary as at 28 February 2009

## Portfolio summary

Income strategies (before equity hedge)	66%
Growth strategies (before equity hedge)	34%

Strategy	Manager	Asset class	Proportion of portfolio
<b>Income strategies</b>			<b>99%</b>
Money market	NZ Funds	Cash	47%
Government bonds	NZ Funds	NZ/US government bonds	5%
NZ loans	Fidelity	NZ direct loans	5%
Corporate bonds	NZ Funds	Global corporate bonds	9%
Equity hedge*	NZ Funds	Cash	33%
<b>Growth strategies</b>			<b>1%</b>
Australasian shares – High dividend yield	NZ Funds	Australasian shares	7%
Global shares – High dividend yield	Tweedy Browne	Global shares	13%
Global shares – Growth	T Rowe Price	Global shares	12%
Global absolute return	Multiple managers	Equity strategies	2%
Equity hedge**	NZ Funds	Global shares	-33%
<b>Total</b>			<b>100%</b>
<b>Return enhancement</b>			<b>15%</b>
Currency	NZ Funds	Exposure to weakening NZD	15%

\*The effect of the equity hedge is to reduce the investment in international equities and generate cash like returns. \*\*The equity hedge applies to all of the growth strategies.  
Note: Rounding may effect totals and subtotals.

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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