

Manager insight – 30 April 2009

Financial markets are forward looking and, as such, price is not so much determined by current supply and demand but more by how the future is perceived. For the past 18 months, the market has priced in the likely impact of the financial crisis. However, over the past six weeks financial markets have started to price in a possible recovery. Economists everywhere are talking about the 'green shoots of recovery'. Actual economic statistics have been less optimistic and instead are suggesting that the rate of decline in global growth is slowing. Nevertheless, share markets have rallied strongly and this appreciation has been reflected in the performance of all Growth Portfolios over the past month.

In mid March, the Growth Portfolios' share hedging model signaled that the share market was starting to trend upwards. Part of the share hedging strategy was removed, enabling all of the Growth Portfolios to benefit. This upward trend in the share market continued through March and into April. The second portion of the share hedging strategy is now close to being triggered, at which point the Growth Portfolios' exposure to shares will be further increased.

The primary driver of performance in April was the Growth Portfolios' exposure to shares. Since its low on 9 March, the global share market has rallied 27%¹ but year to date the market's performance is flat¹.

The Growth Portfolios started the month with around 7–15% exposure to the US dollar. This was half the previous month's exposure due to the prior strong appreciation in the New Zealand dollar. The New Zealand dollar continued to appreciate over the month as 'risk' became the favoured trade. Towards the end of the month, the US dollar exposure was eliminated as the New Zealand dollar remained in an uptrend. The Growth Portfolios now only have exposure to foreign currency through 'out-of-the-money' put options which are an 'insurance' against a New Zealand specific shock. The US dollar exposure in the Growth Portfolios had a small negative impact on performance over the month.

The Growth Portfolios' exposure to government bonds was maintained during April despite yields rising. This position is being held to stabilise the Growth Portfolios' returns should the global economic environment deteriorate again.

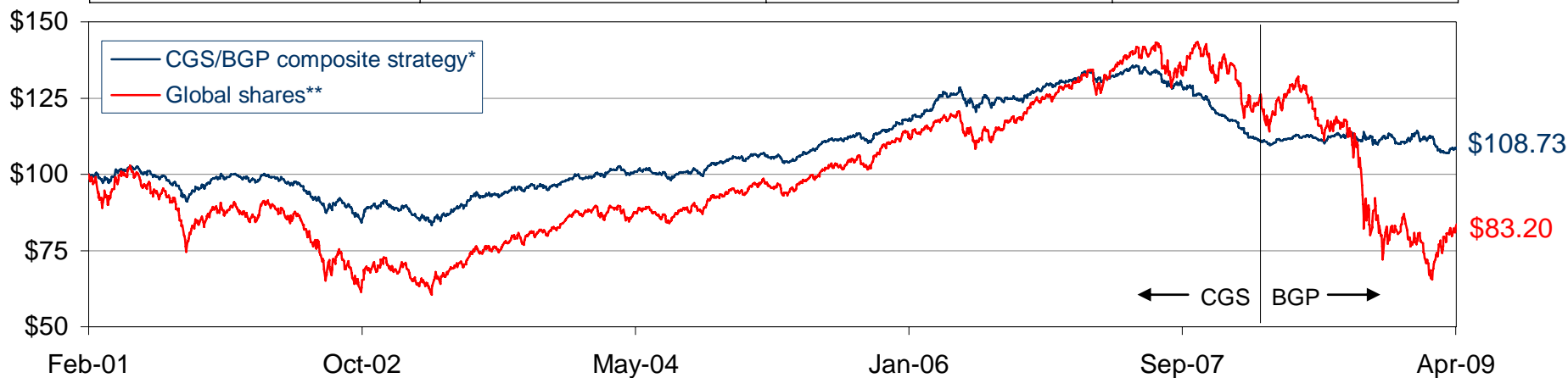
The Growth Portfolios continued to be managed in a defensive but pragmatic manner. Should growth markets continue to rally, then additional share exposure will be added. On the other hand, should markets decline then the share exposure will be fully hedged and capital preservation will again become the primary objective.

¹ 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.

Balanced Growth Portfolio

Performance to 30 April 2009 for CGS/BGP composite strategy*

BGP performance attribution	One month	Three month	Six month
Positive	Global corporate bonds	-	-
Neutral	NZ government bonds	-	-
Negative	Currency	-	-



BGP return One-month	BGP return Three-month	BGP return Six-month	BGP return One-year	Composite strategy return Since inception pa
1.27%	-4.20%	-2.28%	-2.68%	1.03%

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 30 Apr 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 30 April 2009

Portfolio summary

Income strategies (before equity hedge)	74%
Growth strategies (before equity hedge)	26%

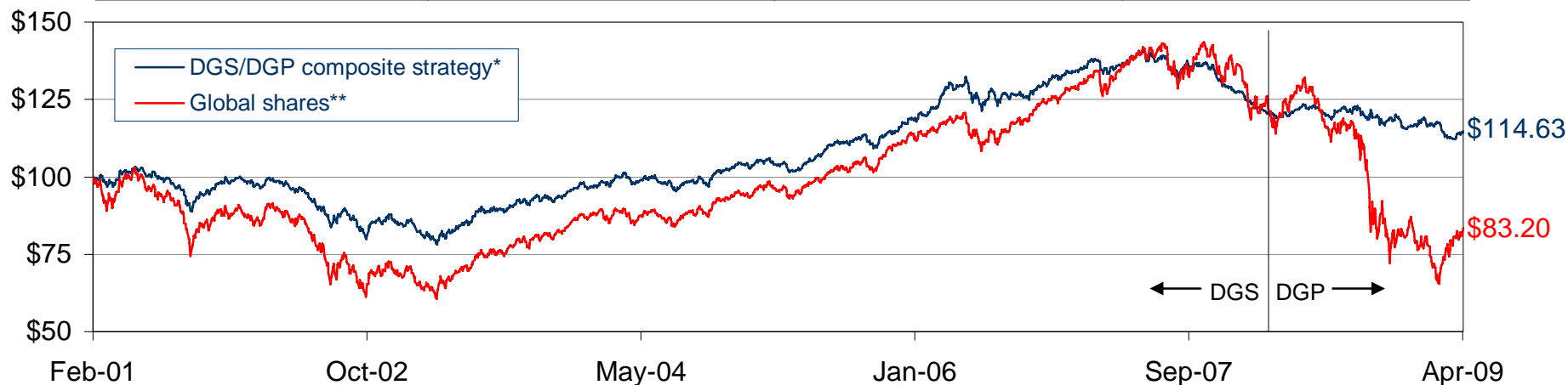
Strategy	Manager	Asset class	Proportion of portfolio
Income strategies			85%
Money market	NZ Funds	Cash	28%
Government bonds	NZ Funds	NZ government bonds	21%
NZ loans	Fidelity	NZ direct loans	4%
Corporate bonds	NZ Funds	Global corporate bonds	21%
Equity hedge*	NZ Funds	Cash	11%
Growth strategies			15%
Australasian shares – High dividend yield	NZ Funds	Australasian shares	7%
Global shares – High dividend yield	Tweedy Browne	Global shares	8%
Global shares – Growth	T Rowe Price	Global shares	10%
Global absolute return	Multiple managers	Equity strategies	1%
Equity hedge**	NZ Funds	Global shares	-11%
Total			100%
Return enhancement			0%
Currency	NZ Funds	NZ dollar/US dollar	0%

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

Diversified Growth Portfolio

Performance to 30 April 2009 for DGS/DGP composite strategy*

DGP performance attribution	One month	Three month	Six month
Positive	Global corporate bonds	-	-
Neutral	NZ government bonds	-	-
Negative	Currency	-	-



DGP return One-month	DGP return Three-month	DGP return Six-month	DGP return One-year	Composite strategy return Since inception pa
1.90%	-3.32%	-3.24%	-5.83%	1.68%

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 30 Apr 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 30 April 2009

Portfolio summary

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

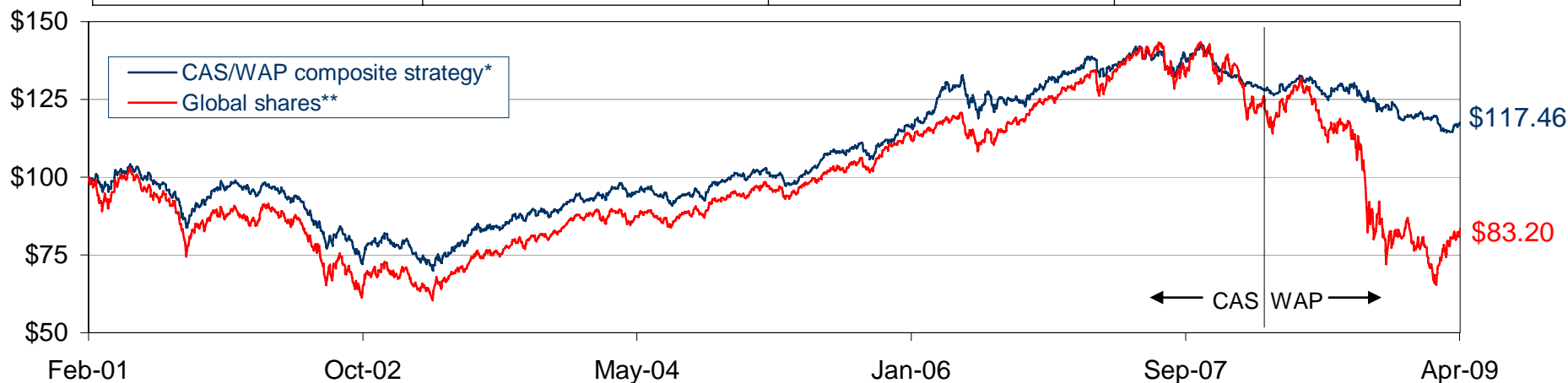
Strategy	Manager	Asset class	Proportion of portfolio
Income strategies			79%
Money market	NZ Funds	Cash	23%
Government bonds	NZ Funds	NZ government bonds	19%
NZ loans	Fidelity	NZ direct loans	3%
Corporate bonds	NZ Funds	Global corporate bonds	21%
Equity hedge*	NZ Funds	Cash	13%
Growth strategies			21%
Australasian shares – High dividend yield	NZ Funds	Australasian shares	10%
Global shares – High dividend yield	Tweedy Browne	Global shares	11%
Global shares – Growth	T Rowe Price	Global shares	12%
Global absolute return	Multiple managers	Equity strategies	1%
Equity hedge**	NZ Funds	Global shares	-13%
Total			100%
Return enhancement			0%
Currency	NZ Funds	NZ dollar/US dollar	0%

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

Wealth Appreciation Portfolio

Performance to 30 April 2009 for CAS/WAP composite strategy*

WAP performance attribution	One month	Three month	Six month
Positive	Global corporate bonds	-	-
Neutral	NZ government bonds	-	-
Negative	Currency	-	-



WAP return One-month	WAP return Three-month	WAP return Six-month	WAP return One-year	Composite strategy return Since inception pa
2.54%	-2.57%	-4.85%	-10.08%	1.98%

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 30 Apr 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 30 April 2009

Portfolio summary

Income strategies (before equity hedge)	61%
Growth strategies (before equity hedge)	39%

Strategy	Manager	Asset class	Proportion of portfolio
Income strategies			72%
Money market	NZ Funds	Cash	24%
Government bonds	NZ Funds	NZ government bonds	16%
NZ loans	Fidelity	NZ direct loans	2%
Corporate bonds	NZ Funds	Global corporate bonds	19%
Equity hedge*	NZ Funds	Cash	11%
Growth strategies			28%
Australasian shares – High dividend yield	NZ Funds	Australasian shares	12%
Global shares – High dividend yield	Tweedy Browne	Global shares	13%
Global shares – Growth	T Rowe Price	Global shares	13%
Global absolute return	Multiple managers	Equity strategies	1%
Equity hedge**	NZ Funds	Global shares	-11%
Total			100%
Return enhancement			0%
Currency	NZ Funds	NZ dollar/US dollar	0%

*The effect of the equity hedge is to reduce the investment in shares and generate cash like returns. **The equity hedge applies to all of the growth strategies. 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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