

MANAGER INSIGHT – 31 MARCH 2010

The objective of the Growth Portfolios is to grow clients' capital and in doing so, provide for their future needs. Over the past month the Portfolios returned between 2.68% to 4.76%¹.

One of the main policy responses to the global financial crisis has been what is known as the Zero Interest Rate Policy. This has been the policy of central banks to cut interest rates to such a low level that investors are no longer incentivised to place their money in the bank. Instead, investors look to other alternatives to achieve higher returns. This policy has been employed in most of the developed world over the past 18 months with interest rates in the United States at 0.25%, in the United Kingdom at 0.50%, and even here in New Zealand they are at 2.5% – a 30-year low.

The recent strength in global share markets may therefore be partly attributed to this policy as investors are moving their funds out of the bank or money market funds and reinvesting them in the share market. Recent statistics compiled by the United States research firm, Investment Company Institute, show that investors withdrew nearly US\$300 billion from the United States money market funds in the March 2010 quarter while inflows into share funds were positive.

Interest rates are now significantly lower than the dividend yield paid by most shares. The Growth Portfolios have a significant allocation to high dividend paying shares. This exposure is both via the Australasian share portfolio, managed by New Zealand Funds Management, and a global share portfolio managed by Tweedy Browne.

In the current environment, high dividend-yielding shares are particularly attractive. As they are paying a high dividend, income-seeking investors see them as a better alternative to bank deposits. Both New Zealand Funds Management and Tweedy Browne only select companies which are paying dividends out of cashflow rather than from debt. This means the company is in a strong position should the economic outlook worsen.

Companies currently held in New Zealand Funds Management's Australasian share portfolio include Freightways, The Warehouse and Trustpower while Tweedy Browne's global share portfolio includes Johnson and Johnson (a US based health and personal care manufacturer), Novartis (a Swiss based pharmaceutical company) and BP PLC (a UK based oil company).

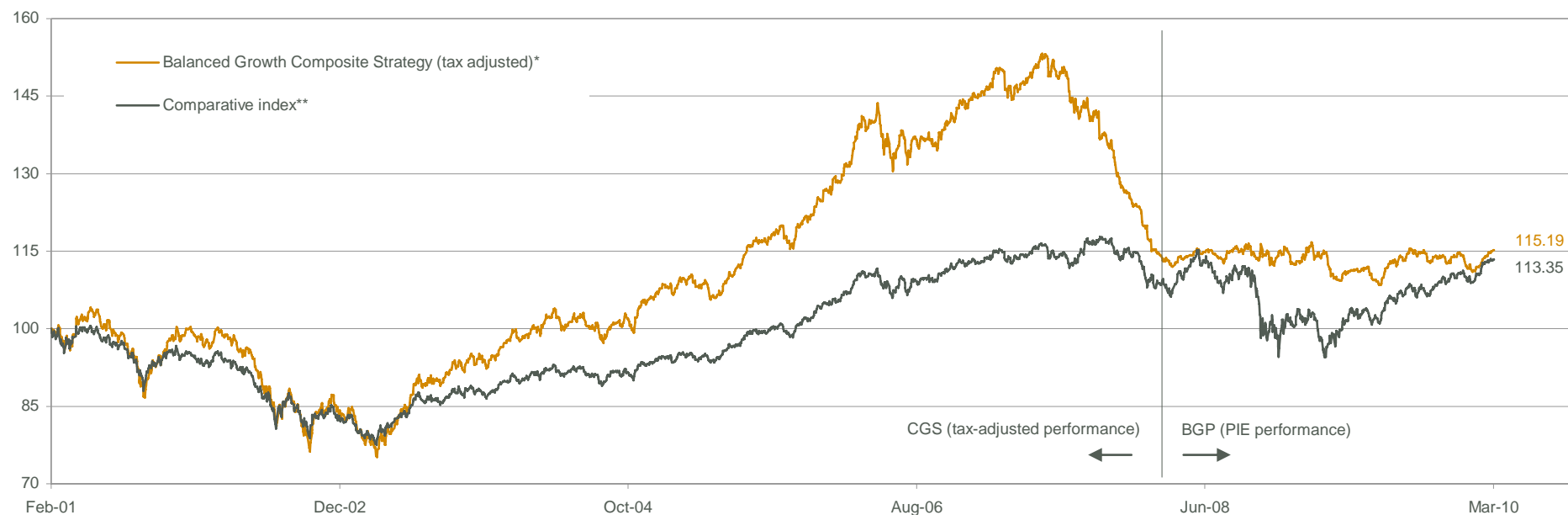
One concern may be that share prices are being driven higher by the flow of liquidity into share funds rather than by fundamentals. Long-term investors may therefore be worried that once global interest rates return to more normal levels, this additional liquidity may flow out of the share market causing a decline in prices. This is a valid concern and emphasises the value of the hedging strategy used by the Growth Portfolios. Should equity markets continue to appreciate, irrespective of whether this appreciation is driven by fundamentals or liquidity, the Growth Portfolios will participate in the appreciation. This is exactly what has occurred over the March quarter. However, should the share market decline, then the hedging strategy will be triggered.

At the time of writing, the trigger point for implementing this strategy was 8.8% below the current level of the global share market. This trigger point is reviewed daily and will track higher if the market continues to appreciate.

¹ 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.

TAX-ADJUSTED PERFORMANCE TO 31 MARCH 2010 FOR BALANCED GROWTH COMPOSITE STRATEGY* (PART 1)

BGP PERFORMANCE ATTRIBUTION	1 MONTH	3 MONTH	6 MONTH
Positive	Global shares; currency	Australasian shares; global shares	Australasian shares; global shares
Neutral	Cash	Cash	Cash
Negative	Bonds	Bonds	Bonds



COMPARISON	BGP 1 MONTH	BGP 3 MONTH	BGP 6 MONTH	BGP 1 YEAR	COMPOSITE 2 YEAR PA	COMPOSITE 5 YEAR PA	COMPOSITE 7 YEAR PA	COMPOSITE SINCE INCEPTION ¹	COMPOSITE MAXIMUM DRAWDOWN ^x
Balanced Growth Composite Strategy*	2.68%	1.09%	0.05%	4.96%	1.02%	1.20%	5.82%	15.19%	-29.24%
Comparative index**	2.42%	3.21%	5.42%	16.63%	1.94%	3.68%	5.22%	13.35%	-22.91%

¹ Pre-tax equivalent gross return. IMPORTANT: Please refer to the slide that follows for the footnotes relating to this slide.

TAX-ADJUSTED PERFORMANCE TO 31 MARCH 2010 FOR BALANCED GROWTH COMPOSITE STRATEGY* (PART 2)

Tax-adjusted Performance

- * The Balanced Growth Composite Strategy is a tax-adjusted composite strategy stated after portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns.

Balanced Growth Composite Strategy

The Balanced Growth Composite Strategy is made up of the Conservative Growth Strategy (CGS) from 20 February 2001 to 27 February 2008, and the Balanced Growth Portfolio (BGP) from 28 February 2008 onwards.

CGS was established as an Australian Unit Trust. BGP is a PIE. 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 without tax distortions.

The Balanced Growth Composite Strategy covers four different tax regimes, and accordingly the use of different calculation methods is necessary to remove the impact of the various regimes. These are:

i) The period to 30 September 2005. Australian Unit Trust returns were generally not taxable to investors, and to provide a comparison the returns have been grossed up by 33% to reflect that actual returns were after tax.

ii) The period from 1 October 2005 to 31 March 2007. Investors were only taxable on distributions made by Australian Unit Trusts. The returns have therefore been grossed up by 33% and adjusted for any tax payable on distributions made.

iii) The period from 1 April 2007 to 27 February 2008. Australian Unit Trust holdings were subject to the Fair Dividend Rate regime. The returns have been grossed up by the tax amount payable under the Fair Dividend Rate regime.

iv) The period from 28 February 2008. PIE returns are reported gross of tax, and as such no adjustment has been made to returns attributable to BGP.

This calculation is undertaken for comparative purposes only, and should not be confused with the portfolio return generated from either CGS or BGP. More details on these calculations, together with the formulae used, are available on request from New Zealand Funds Management.

TAX-ADJUSTED PERFORMANCE TO 31 MARCH 2010 FOR BALANCED GROWTH COMPOSITE STRATEGY* (PART 3)

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.

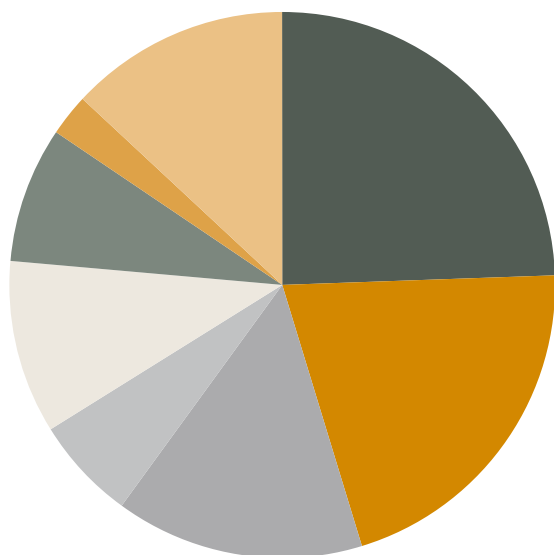
Maximum Drawdown

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

* The Balanced Growth Composite Strategy is a tax-adjusted composite strategy stated after portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns.

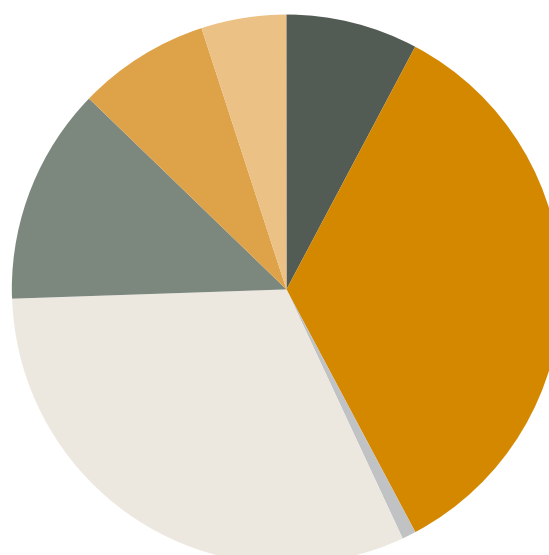
ASSET ALLOCATION (%)

January 2009



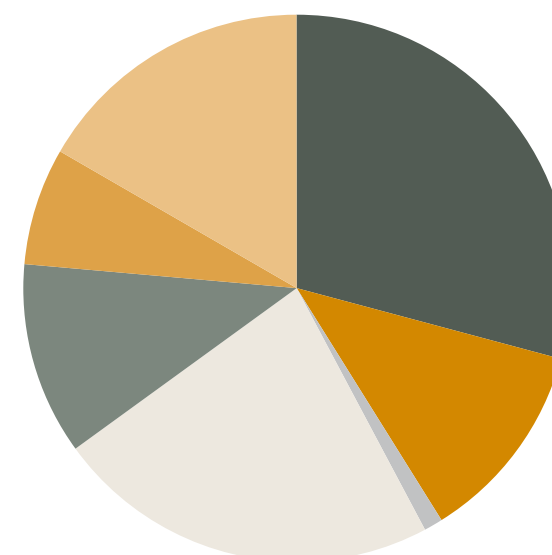
● CASH	28
● GOVERNMENT BONDS	24
● CORPORATE BONDS	17
● LOANS	7
● GLOBAL SHARES (HEDGED)	12
● AUSTRALASIAN SHARES (HEDGED)	9
● ABSOLUTE RETURN STRATEGIES	3
● CURRENCY STRATEGIES	15
TOTAL	115

January 2010



● CASH	8
● GOVERNMENT BONDS	35
● LOANS	1
● GLOBAL SHARES (UNHEDGED)	32
● AUSTRALASIAN SHARES (UNHEDGED)	13
● ABSOLUTE RETURN STRATEGIES	8
● CURRENCY STRATEGIES	5
TOTAL	102

March 2010



● CASH	35
● GOVERNMENT BONDS (PARTIALLY HEDGED)	15
● LOANS	1
● GLOBAL SHARES (UNHEDGED)	27
● AUSTRALASIAN SHARES (UNHEDGED)	14
● ABSOLUTE RETURN STRATEGIES	8
● CURRENCY STRATEGIES	20
TOTAL	120

COMPLETE PORTFOLIO AS AT 31 MARCH 2010

PORTFOLIO SUMMARY

Yield ¹	4.8%
Income strategies	51%
Growth strategies	49%
Currency strategies	20%
Total economic exposure	120%

STRATEGY / SECURITY	MANAGER	ASSET CLASS	PORTFOLIO VALUE	PORTFOLIO ALLOCATION	YIELD
INCOME STRATEGIES				50.7%	
Bank deposits / Bank bills	NZ Funds	Cash	\$4,295,680	14.3%	2.6%
Global government bonds & global shares hedge	NZ Funds	Cash	\$6,180,072	20.6%	3.8%
Global government bonds – Futures	NZ Funds	Government bonds	-\$2,815,623	-9.4%	3.0%
New Zealand government bonds	NZ Funds	Government bonds	\$1,509,736	5.0%	6.0%
German government bonds	NZ Funds	Government bonds	\$1,467,560	4.9%	5.4%
United States government bonds	NZ Funds	Government bonds	\$1,462,093	4.9%	6.4%
Australian government bonds	NZ Funds	Government bonds	\$1,437,100	4.8%	4.2%
United Kingdom government bonds	NZ Funds	Government bonds	\$1,305,887	4.3%	6.3%
Loans (via Private Loan Trust)	Fidelity	New Zealand direct loans	\$395,075	1.3%	7.8%
GROWTH STRATEGIES				49.3%	
Australasian shares – High dividend yield	NZ Funds	Australasian shares	\$4,109,434	13.7%	6.8%
Global shares – Growth	T Rowe Price	Global shares	\$3,364,449	11.2%	5.2%
Global shares – Defensive	Platinum	Global shares	\$2,853,773	9.5%	4.4%
Global shares – High dividend yield	Tweedy Browne	Global shares	\$2,703,575	9.0%	6.8%
Global shares – Active	Odey	Global shares	\$2,643,495	8.8%	4.8%
Absolute returns – Opportunistic	Eclectica	Absolute returns	\$1,006,331	3.4%	n/a
Absolute returns – Global macro	Odey	Absolute returns	\$997,319	3.3%	n/a
Absolute returns – Managed futures	Aspect Capital	Absolute returns	\$498,659	1.7%	n/a
Commodities – Futures	Standard & Poor's	Commodities	\$0	0.0%	n/a
Global shares – Futures	NZ Funds	Global shares	-\$3,364,449	-11.2%	4.4%
CURRENCY STRATEGIES				20.0%	
US Dollar/Euro	NZ Funds	Currency	\$1,501,986	5.0%	n/a
NZ/US Dollar	NZ Funds	Currency	\$1,514,002	5.0%	n/a
NZ/Yen	NZ Funds	Currency	\$1,495,978	5.0%	n/a
Swiss Franc/Yen	NZ Funds	Currency	\$1,489,970	5.0%	n/a
TOTAL ECONOMIC EXPOSURE²			\$36,052,102	120.0%	

¹ The yield calculation represents an estimate of the yield on the Portfolio, calculated using the most recent information provided by the investment managers involved in managing the Portfolio, hedged back to New Zealand dollars where appropriate. It is not calculated 'as at' any particular date as different investment managers provide data at varying dates. As a result, in some instances the yields may lag the date of this portfolio summary. The yield is not the return on the Portfolio, nor is it a projection or forecast. The Portfolio's return could be less than the Portfolio's yield. Details of the yield calculation are available on request from New Zealand Funds Management. ² Total economic exposure represents the total economic value of a Portfolio, which is the gross asset value of the Portfolio adjusted for the effect of direct or indirect derivative positions taken by the Portfolio. Note: Rounding may affect the subtotals and totals.

TAX-ADJUSTED PERFORMANCE TO 31 MARCH 2010 FOR DIVERSIFIED GROWTH COMPOSITE STRATEGY* (PART 1)

DGP PERFORMANCE ATTRIBUTION	1 MONTH	3 MONTH	6 MONTH
Positive	Global shares; currency	Australasian shares; global shares	Australasian shares; global shares
Neutral	Cash	Cash	Cash
Negative	Bonds	Bonds	Bonds



COMPARISON	DGP 1 MONTH	DGP 3 MONTH	DGP 6 MONTH	DGP 1 YEAR	COMPOSITE 2 YEAR PA	COMPOSITE 5 YEAR PA	COMPOSITE 7 YEAR PA	COMPOSITE SINCE INCEPTION ¹	COMPOSITE MAXIMUM DRAWDOWN ^x
Diversified Growth Composite Strategy*	3.82%	1.42%	0.66%	8.75%	1.20%	4.27%	9.26%	176.66%	-38.83%
Comparative index**	3.58%	3.75%	6.77%	22.74%	-0.16%	2.98%	5.35%	132.51%	-40.22%

¹ Pre-tax equivalent gross return. IMPORTANT: Please refer to the slide that follows for the footnotes relating to this slide.

TAX-ADJUSTED PERFORMANCE TO 31 MARCH 2010 FOR DIVERSIFIED GROWTH COMPOSITE STRATEGY* (PART 2)

Tax-adjusted Performance

- * The Diversified Growth Composite Strategy is a tax-adjusted composite strategy 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 Composite Strategy

The Diversified Growth Composite Strategy is made up of the Balanced Selection Trust (SBT) from 30 November 1992 to 14 March 1995, the Medium Growth Portfolio Trust (PMG) from 14 March 1995 to 20 February 2001, the Diversified Growth Strategy (DGS) from 20 February 2001 to 28 February 2008, and the Diversified Growth Portfolio (DGP) from 28 February 2008 onwards.

SBT and PMG were New Zealand Unit Trusts, DGS was established as an Australian Unit Trust. DGP is a PIE. 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 SBT, PMG, DGS and DGP to be represented in a substantially consistent manner without tax distortions.

The Diversified Growth Composite Strategy covers five different tax regimes, and accordingly the use of different calculation methods is necessary to remove the impact of the various regimes. These are:

i) The period to 20 February 2001. New Zealand Unit Trust returns were reported net of tax and have been grossed up by 33% (being the tax rate applicable to New Zealand Unit Trusts) to reflect the pre-tax position.

ii) The period 20 February 2001 to 30 September 2005. Australian Unit Trust returns were generally not taxable to investors, and to provide a comparison the returns have been grossed up by 33% to reflect that actual returns were after tax.

iii) The period from 1 October 2005 to 31 March 2007. Investors were only taxable on distributions made by Australian Unit Trusts. The returns have therefore been grossed up by 33% and adjusted for any tax payable on distributions made.

iv) The period from 1 April 2007 to 28 February 2008. Australian Unit Trust holdings were subject to the Fair Dividend Rate regime. The returns have been grossed up by the tax amount payable under the Fair Dividend Rate regime.

v) The period from 28 February 2008. PIE returns are reported gross of tax, and as such no adjustment has been made to returns attributable to DGP.

This calculation is undertaken for comparative purposes only, and should not be confused with the portfolio return generated from either SBT, PMG, DGS or DGP. More details on these calculations, together with the formulae used, are available on request from New Zealand Funds Management.

TAX-ADJUSTED PERFORMANCE TO 31 MARCH 2010 FOR DIVERSIFIED GROWTH COMPOSITE STRATEGY* (PART 3)

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.

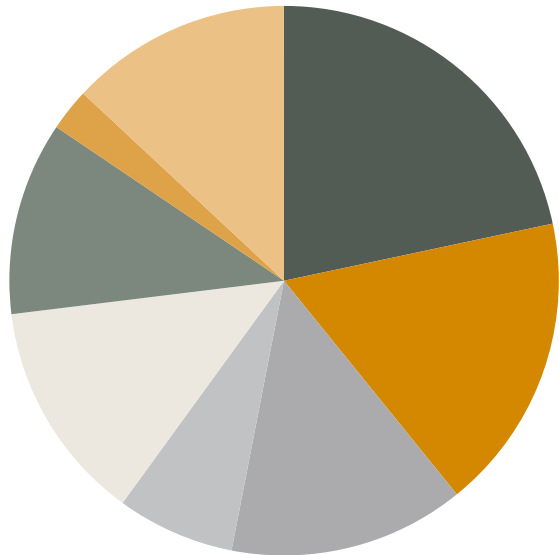
Maximum Drawdown

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

* The Diversified Growth Composite Strategy is a tax-adjusted composite strategy stated after portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns.

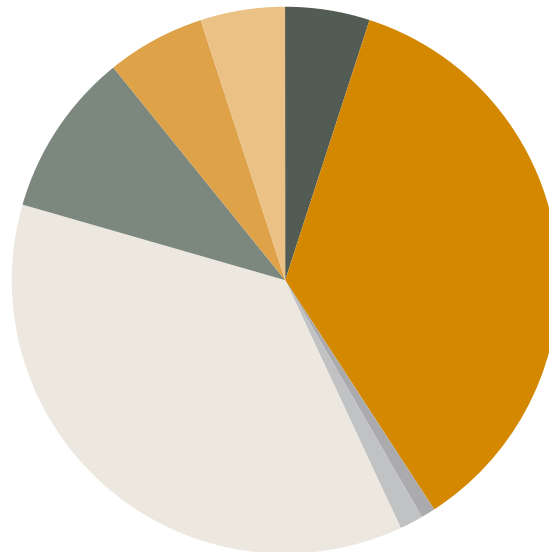
ASSET ALLOCATION (%)

January 2009



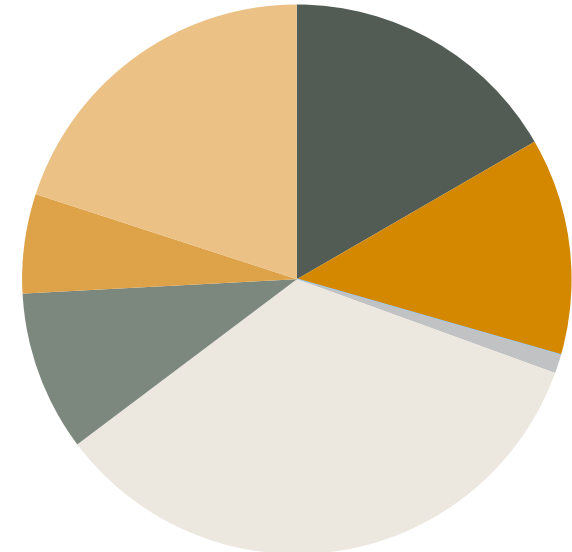
● CASH	25
● GOVERNMENT BONDS	20
● CORPORATE BONDS	16
● LOANS	8
● GLOBAL SHARES (HEDGED)	15
● AUSTRALASIAN SHARES (HEDGED)	13
● ABSOLUTE RETURN STRATEGIES	3
● CURRENCY STRATEGIES	15
TOTAL	115

January 2010



● CASH	7
● GOVERNMENT BONDS	49
● CORPORATE BONDS	1
● LOANS	2
● GLOBAL SHARES (UNHEDGED)	50
● AUSTRALASIAN SHARES (UNHEDGED)	13
● ABSOLUTE RETURN STRATEGIES	8
● CURRENCY STRATEGIES	7
TOTAL	137

March 2010



● CASH	23
● GOVERNMENT BONDS (PARTIALLY HEDGED)	18
● LOANS	2
● GLOBAL SHARES (UNHEDGED)	48
● AUSTRALASIAN SHARES (UNHEDGED)	14
● ABSOLUTE RETURN STRATEGIES	8
● CURRENCY STRATEGIES	28
TOTAL	140

COMPLETE PORTFOLIO AS AT 31 MARCH 2010

PORTFOLIO SUMMARY

Yield ¹	5.4%
Income strategies	43%
Growth strategies	69%
Currency strategies	28%
Total economic exposure	140%

STRATEGY / SECURITY	MANAGER	ASSET CLASS	PORTFOLIO VALUE	PORTFOLIO ALLOCATION	YIELD
INCOME STRATEGIES				43.0%	
Bank deposits / Bank bills	NZ Funds	Cash	\$10,019,685	11.8%	2.6%
Global government bonds hedge	NZ Funds	Cash	\$9,826,127	11.6%	3.0%
Global government bonds – Futures	NZ Funds	Government bonds	-\$9,826,127	-11.6%	3.0%
New Zealand government bonds	NZ Funds	Government bonds	\$5,268,766	6.2%	6.0%
German government bonds	NZ Funds	Government bonds	\$5,121,579	6.0%	5.4%
United States government bonds	NZ Funds	Government bonds	\$5,102,499	6.0%	6.4%
Australian government bonds	NZ Funds	Government bonds	\$5,015,277	5.9%	4.2%
United Kingdom government bonds	NZ Funds	Government bonds	\$4,557,360	5.4%	6.3%
Loans (via Private Loan Trust)	Fidelity	New Zealand direct loans	\$1,438,341	1.7%	7.8%
GROWTH STRATEGIES				69.0%	
Australasian shares – High dividend yield	NZ Funds	Australasian shares	\$11,539,620	13.6%	6.8%
Global shares – Futures	NZ Funds	Global shares	\$10,189,510	12.0%	4.4%
Global shares – Defensive	Platinum	Global shares	\$8,491,258	10.0%	4.4%
Global shares – High dividend yield	Tweedy Browne	Global shares	\$7,438,342	8.8%	6.8%
Global shares – Active	Odey	Global shares	\$7,132,657	8.4%	4.8%
Global shares – Growth	T Rowe Price	Global shares	\$7,047,744	8.3%	5.2%
Absolute returns – Opportunistic	Eclectica	Absolute returns	\$2,717,203	3.2%	n/a
Absolute returns – Global macro	Odey	Absolute returns	\$2,683,238	3.2%	n/a
Absolute returns – Managed futures	Aspect Capital	Absolute returns	\$1,341,619	1.6%	n/a
Commodities – Futures	Standard & Poor's	Commodities	\$0	0.0%	n/a
CURRENCY STRATEGIES				28.0%	
US Dollar/Euro	NZ Funds	Currency	\$5,943,881	7.0%	n/a
NZ/US Dollar	NZ Funds	Currency	\$5,977,846	7.0%	n/a
NZ/Yen	NZ Funds	Currency	\$5,926,898	7.0%	n/a
Swiss Franc/Yen	NZ Funds	Currency	\$5,952,372	7.0%	n/a
TOTAL ECONOMIC EXPOSURE²			\$118,905,695	140.0%	

¹ The yield calculation represents an estimate of the yield on the Portfolio, calculated using the most recent information provided by the investment managers involved in managing the Portfolio, hedged back to New Zealand dollars where appropriate. It is not calculated 'as at' any particular date as different investment managers provide data at varying dates. As a result, in some instances the yields may lag the date of this portfolio summary. The yield is not the return on the Portfolio, nor is it a projection or forecast. The Portfolio's return could be less than the Portfolio's yield. Details of the yield calculation are available on request from New Zealand Funds Management. ² Total economic exposure represents the total economic value of a Portfolio, which is the gross asset value of the Portfolio adjusted for the effect of direct or indirect derivative positions taken by the Portfolio. Note: Rounding may affect the subtotals and totals.

