

PORTFOLIO OVERVIEW – 31 MAY 2010

Needs category objective

- > To provide clients with an allocation of funds to grow their capital and, in doing so, provide for their future needs.

Investment objective

- > To invest in a wide range of income-producing and long-term growth assets, utilising active investment management.

Key features

- > A combination of growth and income strategies which currently includes: cash, global corporate bonds, New Zealand government bonds, global government bonds, Australasian shares, global shares, absolute return managers and periodic foreign currency exposure.
- > Actively managed by a range of experienced investment managers whose commercial interests are aligned with that of New Zealand Funds Management's clients. Within the global shares allocation these include: Tweedy Browne Company, Platinum Asset Management, T Rowe Price and Odey Asset Management. Within the absolute returns allocation these are: Odey Asset Management, Eclectica Asset Management and Aspect Capital.

Risk management

- > Utilises New Zealand Funds Management's risk management strategy to actively manage risks associated with changes in interest rates, credit spreads, currency and share market volatility. New Zealand Funds Management's risk management strategy may result in a Portfolio's foreign currency exposure or global share exposure being fully hedged.
- > A permanent allocation to defensive income-producing investments which are expected to generate positive returns during periods of share market volatility.

Return enhancement

- > New Zealand Funds Management and its external managers invest in income and growth assets that are perceived to have superior valuation characteristics.
- > As Investment Manager, New Zealand Funds Management recognises that during some periods all investments can suffer as part of a wider market malaise. We aim to identify these periods around the points at which they begin and end, and seek to preserve clients' capital during these stages of the cycle.

MANAGER INSIGHT

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 -5.25% to -2.01%¹.

Economic recoveries never occur in straight lines and it is not unusual for growth to slow after some of the immediate impacts of the strong fiscal spending and inventory restocking have dissipated. The current turmoil in Europe may therefore just represent a pothole on the road to recovery. However, the issue may be more sinister. During the credit crisis of 2008 and 2009, governments stepped in to bail out the banking system. This effectively resulted in an increase in public debt. Consequently, and as discussed in previous insights, Western governments are now highly indebted. The current European crisis begs the question: Who will bail out the governments?

The International Monetary Fund has traditionally played the role of lender of last resort to governments. However, its funding is dependent on its member nations, all of which are now indebted. It is therefore not in the same position to bail out countries as it has been in the past.

The European turmoil has had an impact on share markets, with these declining around 8% over the month of May. Again, this could simply be a correction after the very strong share market returns since March 2009. However, it may also represent the return of the negative share market environment which essentially started in 2000.

New Zealand Funds Management does not attempt to forecast share markets. Instead, a mechanistic model is used to help protect clients' capital from large declines. This model was triggered in May as share markets declined. This meant that the share market exposure in the Growth Portfolios was essentially removed. To remove the share market exposure, money is not recalled from the managers. Instead, futures contracts on the share market indices were sold. This helps to protect the Growth Portfolios from declines in share markets, but still enables the managers to add value by selecting shares which perform better than the respective indices.

The selection of share managers in the Portfolios is especially designed to add value in the current situation. At least three of the five share managers have a defensive bias through either the purchase of high dividend yield shares or by holding defensive positions. This means that, with the general share market risk removed from the Growth Portfolios, their performance will be more dependent on these managers. The Growth Portfolios can therefore still achieve positive returns irrespective of the market environment.

Should share markets recover, then the share exposure will be reintroduced to the Portfolios. Clients can therefore remain confident that their manager has a strategy in place which should help protect the Growth Portfolios from large declines, but still enable them to participate in share market gains.

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 MAY 2010 FOR BALANCED GROWTH COMPOSITE STRATEGY* (PART 1)

BGP PERFORMANCE ATTRIBUTION	1 MONTH	3 MONTH	6 MONTH
Positive	Government bonds	Government bonds; currency	Currency
Neutral	Currency	Cash	Global shares
Negative	Shares	Shares	Australasian shares; bonds



COMPARISON	BGP 1 MONTH	BGP 3 MONTH	BGP 6 MONTH	BGP 1 YEAR	BGP 2 YEAR PA	COMPOSITE 5 YEAR PA	COMPOSITE 7 YEAR PA	COMPOSITE SINCE INCEPTION ¹	COMPOSITE MAXIMUM DRAWDOWN ^x
Balanced Growth Composite Strategy*	-2.01%	1.22%	-0.21%	1.82%	-0.59%	0.70%	3.83%	13.56%	-29.24%
Comparative index**	-1.97%	-0.03%	1.50%	7.58%	-1.19%	2.82%	3.81%	10.64%	-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 MAY 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 28 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 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.

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 MAY 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.

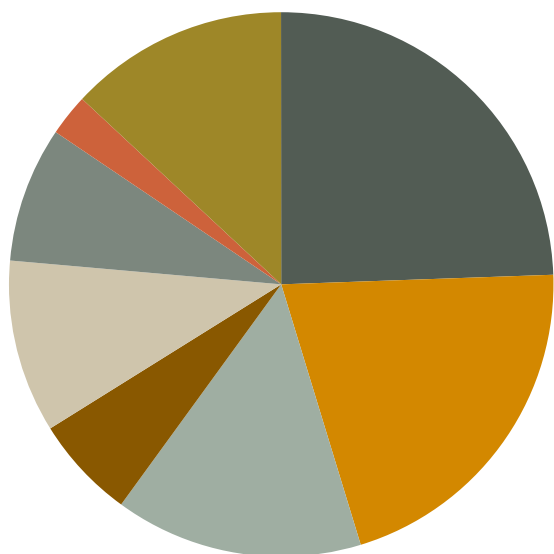
Maximum Drawdown

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.

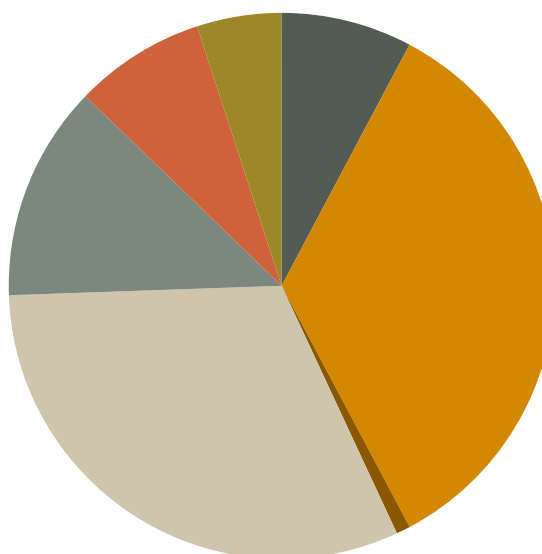
ASSET ALLOCATION (%)

January 2009



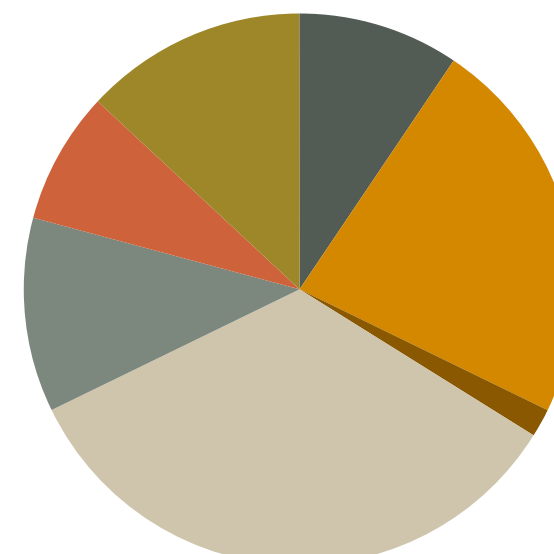
● CASH	28
● GOVERNMENT BONDS	24
● CORPORATE BONDS	17
● LOANS	7
● GLOBAL SHARES (HEDGED)	12
● AUSTRALASIAN SHARES (HEDGED)	9
● ABSOLUTE RETURN STRATEGIES	3
● CURRENCY STRATEGIES	15
TOTAL	115

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

May 2010



● CASH	11
● GOVERNMENT BONDS	26
● LOANS	2
● GLOBAL SHARES (HEDGED)	39
● AUSTRALASIAN SHARES (HEDGED)	13
● ABSOLUTE RETURN STRATEGIES	9
● CURRENCY STRATEGIES	15
TOTAL	115

COMPLETE PORTFOLIO AS AT 30 MAY 2010

PORTFOLIO SUMMARY

Yield ¹	4.6%
Income strategies	92%
Growth strategies	8%
Currency strategies	15%
Total economic exposure	115%

STRATEGY / SECURITY	MANAGER	ASSET CLASS	PORTFOLIO VALUE	PORTFOLIO ALLOCATION	YIELD
INCOME STRATEGIES				92.4%	
Bank deposits / Bank bills	NZ Funds	Cash	\$3,151,552	11.3%	2.6%
Global shares hedge	NZ Funds	Cash	\$15,085,306	54.1%	4.6%
United States government bonds	NZ Funds	Government bonds	\$1,516,268	5.4%	5.7%
New Zealand government bonds	NZ Funds	Government bonds	\$1,495,886	5.4%	5.6%
German government bonds	NZ Funds	Government bonds	\$1,420,181	5.1%	5.0%
Australian government bonds	NZ Funds	Government bonds	\$1,390,337	5.0%	3.5%
United Kingdom government bonds	NZ Funds	Government bonds	\$1,321,912	4.7%	5.9%
Loans (via Private Loan Trust)	Fidelity	New Zealand direct loans	\$391,779	1.4%	7.6%
Global government bonds – Futures	NZ Funds	Government bonds	\$0	0.0%	2.4%
GROWTH STRATEGIES				7.6%	
Australasian shares – High dividend yield	NZ Funds	Australasian shares	\$3,681,459	13.2%	7.1%
Global shares – High dividend yield	Tweedy Browne	Global shares	\$2,984,213	10.7%	7.2%
Global shares – Growth	T Rowe Price	Global shares	\$2,928,433	10.5%	5.2%
Global shares – Defensive	Platinum	Global shares	\$2,761,094	9.9%	2.3%
Global shares – Active	Odey	Global shares	\$2,398,526	8.6%	4.5%
Absolute returns – Opportunistic	Eclectica	Absolute returns	\$1,032,566	3.7%	n/a
Absolute returns – Global macro	Odey	Absolute returns	\$905,204	3.2%	n/a
Absolute returns – Managed futures	Aspect Capital	Absolute returns	\$522,879	1.9%	n/a
Commodities – Futures	Standard & Poor's	Commodities	\$0	0.0%	n/a
Global shares – Futures	NZ Funds	Global shares	-\$15,085,306	-54.1%	4.6%
CURRENCY STRATEGIES				14.9%	
United States Dollar/Euro	NZ Funds	Currency	\$1,394,492	5.0%	n/a
Yen/Swiss Franc	NZ Funds	Currency	\$1,386,125	5.0%	n/a
United States Dollar/Norwegian Krone	NZ Funds	Currency	\$1,383,336	5.0%	n/a
New Zealand Dollar/United States Dollar	NZ Funds	Currency	\$0	0.0%	n/a
New Zealand Dollar/Yen	NZ Funds	Currency	\$0	0.0%	n/a
TOTAL ECONOMIC EXPOSURE²			\$32,066,242	115.0%	

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 MAY 2010 FOR DIVERSIFIED GROWTH COMPOSITE STRATEGY* (PART 1)

DGP PERFORMANCE ATTRIBUTION	1 MONTH	3 MONTH	6 MONTH
Positive	Government bonds	Government bonds; currency	Currency
Neutral	Currency	Cash	Global shares
Negative	Shares	Shares	Australasian shares; bonds



COMPARISON	DGP 1 MONTH	DGP 3 MONTH	DGP 6 MONTH	DGP 1 YEAR	DGP 2 YEAR PA	COMPOSITE 5 YEAR PA	COMPOSITE 7 YEAR PA	COMPOSITE SINCE INCEPTION ¹	COMPOSITE MAXIMUM DRAWDOWN ^x
Diversified Growth Composite Strategy*	-3.79%	0.56%	-1.42%	2.78%	-1.69%	3.41%	6.59%	168.00%	-38.83%
Comparative index**	-3.39%	-0.62%	0.85%	8.64%	-4.71%	1.85%	3.44%	123.08%	-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 MAY 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 MAY 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.

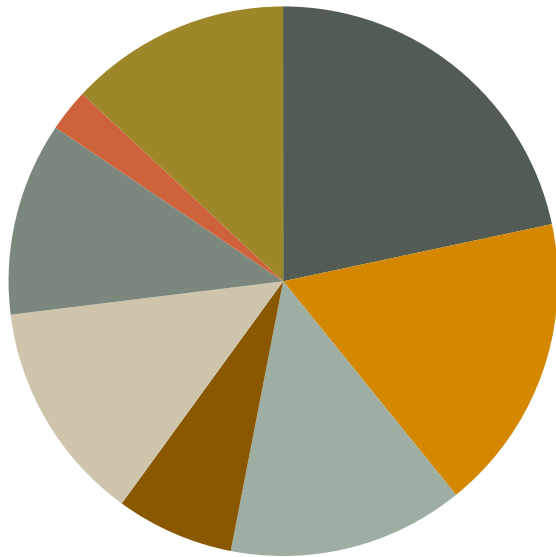
Maximum Drawdown

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.

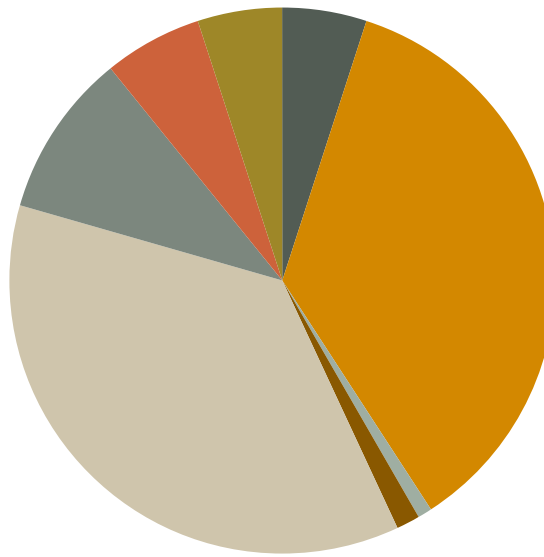
ASSET ALLOCATION (%)

January 2009



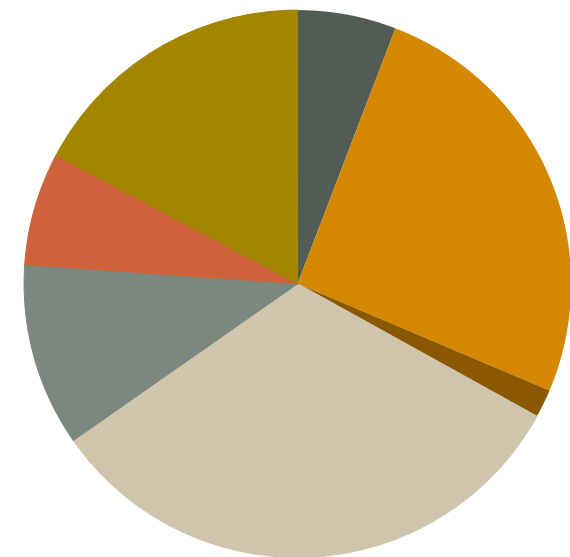
● CASH	25
● GOVERNMENT BONDS	20
● CORPORATE BONDS	16
● LOANS	8
● GLOBAL SHARES (HEDGED)	15
● AUSTRALASIAN SHARES (HEDGED)	13
● ABSOLUTE RETURN STRATEGIES	3
● CURRENCY STRATEGIES	15
TOTAL	115

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

May 2010



● CASH	7
● GOVERNMENT BONDS	31
● LOANS	2
● GLOBAL SHARES (HEDGED)	39
● AUSTRALASIAN SHARES (HEDGED)	13
● ABSOLUTE RETURN STRATEGIES	8
● CURRENCY STRATEGIES	21
TOTAL	121

COMPLETE PORTFOLIO AS AT 30 MAY 2010

PORTFOLIO SUMMARY

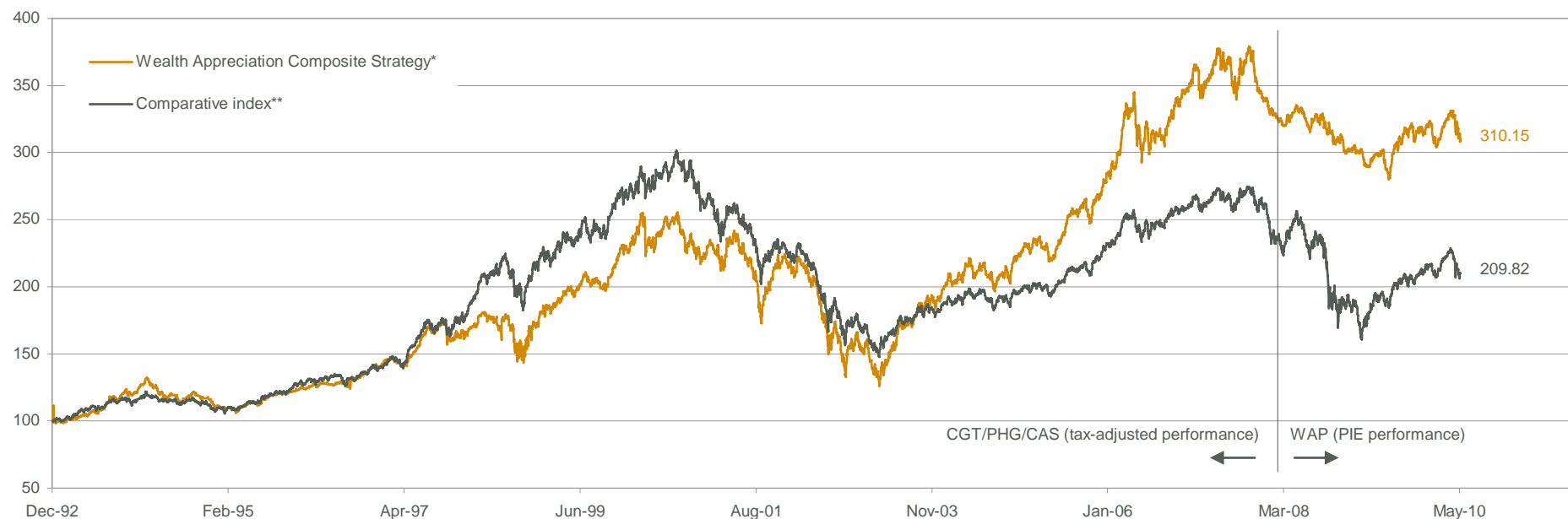
Yield ¹	4.7%
Income strategies	93%
Growth strategies	7%
Currency strategies	21%
Total economic exposure	121%

STRATEGY / SECURITY	MANAGER	ASSET CLASS	PORTFOLIO VALUE	PORTFOLIO ALLOCATION	YIELD
INCOME STRATEGIES				92.8%	
Bank deposits / Bank bills	NZ Funds	Cash	\$5,482,474	7.0%	2.6%
Global shares hedge	NZ Funds	Cash	\$41,231,687	52.6%	4.6%
United States government bonds	NZ Funds	Government bonds	\$5,204,254	6.6%	5.7%
New Zealand government bonds	NZ Funds	Government bonds	\$5,134,298	6.6%	5.6%
German government bonds	NZ Funds	Government bonds	\$4,874,460	6.2%	5.0%
Australian government bonds	NZ Funds	Government bonds	\$4,772,024	6.1%	3.5%
United Kingdom government bonds	NZ Funds	Government bonds	\$4,537,170	5.8%	5.9%
Loans (via Private Loan Trust)	Fidelity	New Zealand direct loans	\$1,426,384	1.8%	7.6%
Global government bonds – Futures	NZ Funds	Government bonds	\$0	0.0%	2.4%
GROWTH STRATEGIES				7.3%	
Australasian shares – High dividend yield	NZ Funds	Australasian shares	\$10,338,380	13.2%	7.1%
Global shares – Defensive	Platinum	Global shares	\$8,223,711	10.5%	2.3%
Global shares – High dividend yield	Tweedy Browne	Global shares	\$8,067,069	10.3%	7.2%
Global shares – Growth	T Rowe Price	Global shares	\$7,127,216	9.1%	5.2%
Global shares – Active	Odey	Global shares	\$6,578,969	8.4%	4.5%
Absolute returns – Global macro	Odey	Absolute returns	\$2,764,812	3.5%	n/a
Absolute returns – Opportunistic	Eclectica	Absolute returns	\$2,423,786	3.1%	n/a
Absolute returns – Managed futures	Aspect Capital	Absolute returns	\$1,400,067	1.8%	n/a
Commodities – Futures	Standard & Poor's	Commodities	\$0	0.0%	n/a
Global shares – Futures	NZ Funds	Global shares	-\$41,231,687	-52.6%	4.6%
CURRENCY STRATEGIES				21.0%	
Yen/Swiss Franc	NZ Funds	Currency	\$5,490,306	7.0%	n/a
United States Dollar/Euro	NZ Funds	Currency	\$5,482,474	7.0%	n/a
United States Dollar/Norwegian Krone	NZ Funds	Currency	\$5,451,146	7.0%	n/a
New Zealand Dollar/United States Dollar	NZ Funds	Currency	\$0	0.0%	n/a
New Zealand Dollar/Yen	NZ Funds	Currency	\$0	0.0%	n/a
TOTAL ECONOMIC EXPOSURE²			\$94,779,002	121.0%	

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 MAY 2010 FOR WEALTH APPRECIATION COMPOSITE STRATEGY* (PART 1)

WAP PERFORMANCE ATTRIBUTION	1 MONTH	3 MONTH	6 MONTH
Positive	Government bonds	Government bonds; currency	Currency
Neutral	Currency	Cash	Global shares
Negative	Shares	Shares	Australasian shares; bonds



COMPARISON	WAP 1 MONTH	WAP 3 MONTH	WAP 6 MONTH	WAP 1 YEAR	WAP 2 YEAR PA	COMPOSITE 5 YEAR PA	COMPOSITE 7 YEAR PA	COMPOSITE SINCE INCEPTION ¹	COMPOSITE MAXIMUM DRAWDOWN ^x
Wealth Appreciation Composite Strategy*	-5.25%	0.01%	-1.76%	3.66%	-3.41%	6.08%	9.45%	210.15%	-50.65%
Comparative index**	-4.81%	-1.24%	0.17%	9.63%	-8.32%	0.77%	2.97%	109.82%	-51.04%

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 MAY 2010 FOR WEALTH APPRECIATION COMPOSITE STRATEGY* (PART 2)

Tax-adjusted Performance

- * The Wealth Appreciation 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.

Wealth Appreciation Composite Strategy

The Wealth Appreciation Composite Strategy is made up of the Capital Growth Trust (CGT) from 2 December 1992 to 14 March 1995, the High Growth Portfolio Trust (PHG) from 14 March 1995 to 20 February 2001, the Capital Appreciation Strategy (CAS) from 20 February 2001 to 28 February 2008, and the Wealth Appreciation Portfolio (WAP) from 28 February 2008 onwards.

CGT and PHG were New Zealand Unit Trusts. CAS was established as an Australian Unit Trust. WAP 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 CGT, PHG, CAS and WAP to be represented in a substantially consistent manner without tax distortions.

The Wealth Appreciation 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 WAP.

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

TAX-ADJUSTED PERFORMANCE TO 31 MAY 2010 FOR WEALTH APPRECIATION COMPOSITE STRATEGY* (PART 3)

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.

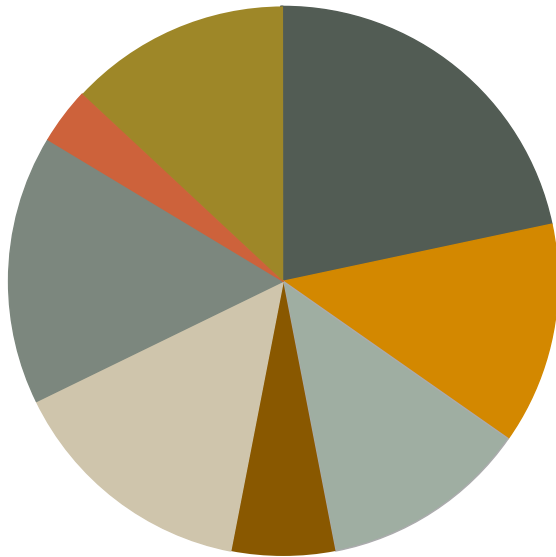
Maximum Drawdown

x Returns should be looked at in conjunction with the level of risk associated with an investment. For this reason, 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.

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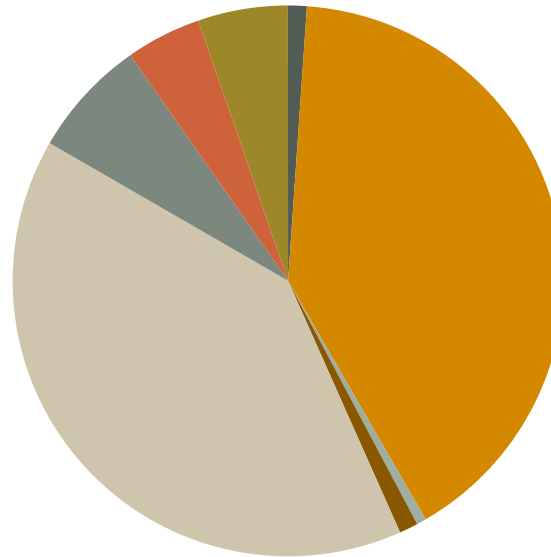
ASSET ALLOCATION (%)

January 2009



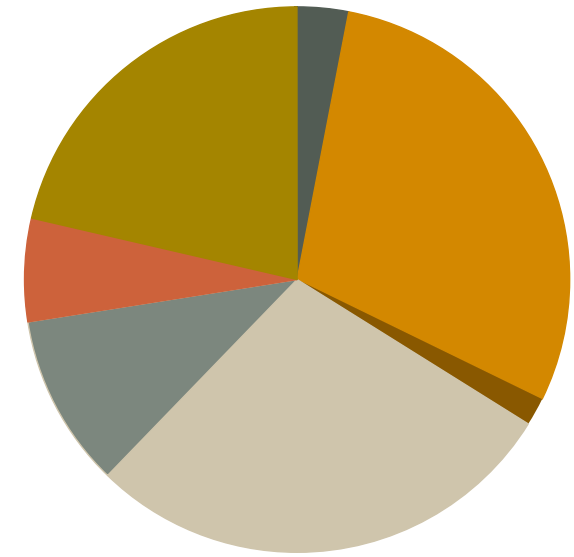
● CASH	25
● GOVERNMENT BONDS	15
● CORPORATE BONDS	14
● LOANS	7
● GLOBAL SHARES (HEDGED)	17
● AUSTRALASIAN SHARES (HEDGED)	18
● ABSOLUTE RETURN STRATEGIES	4
● CURRENCY STRATEGIES	15
TOTAL	115

January 2010



● CASH	2
● GOVERNMENT BONDS	70
● CORPORATE BONDS	1
● LOANS	2
● GLOBAL SHARES (HEDGED)	69
● AUSTRALASIAN SHARES (HEDGED)	12
● ABSOLUTE RETURN STRATEGIES	8
● CURRENCY STRATEGIES	9
TOTAL	173

May 2010



● CASH	4
● GOVERNMENT BONDS	37
● LOANS	2
● GLOBAL SHARES (HEDGED)	36
● AUSTRALASIAN SHARES (HEDGED)	13
● ABSOLUTE RETURN STRATEGIES	8
● CURRENCY STRATEGIES	27
TOTAL	127

COMPLETE PORTFOLIO AS AT 30 MAY 2010

PORTFOLIO SUMMARY

Yield ¹	4.9%
Income strategies	93%
Growth strategies	7%
Currency strategies	27%
Total economic exposure	127%

STRATEGY / SECURITY	MANAGER	ASSET CLASS	PORTFOLIO VALUE	PORTFOLIO ALLOCATION	YIELD
INCOME STRATEGIES				93.2%	
Bank deposits / Bank bills	NZ Funds	Cash	\$4,316,845	3.5%	2.6%
Global shares hedge	NZ Funds	Cash	\$62,359,911	50.6%	4.6%
United States government bonds	NZ Funds	Government bonds	\$9,770,438	7.9%	5.7%
New Zealand government bonds	NZ Funds	Government bonds	\$9,639,102	7.8%	5.6%
German government bonds	NZ Funds	Government bonds	\$9,151,284	7.4%	5.0%
Australian government bonds	NZ Funds	Government bonds	\$8,958,971	7.3%	3.5%
United Kingdom government bonds	NZ Funds	Government bonds	\$8,518,058	6.9%	5.9%
Loans (via Private Loan Trust)	Fidelity	New Zealand direct loans	\$2,274,314	1.8%	7.6%
Global government bonds – Futures	NZ Funds	Government bonds	\$0	0.0%	2.4%
GROWTH STRATEGIES				6.8%	
Australasian shares – High dividend yield	NZ Funds	Australasian shares	\$15,947,659	12.9%	7.1%
Global shares – High dividend yield	Tweedy Browne	Global shares	\$14,208,587	11.5%	7.2%
Global shares – Defensive	Platinum	Global shares	\$10,557,770	8.6%	2.3%
Global shares – Active	Odey	Global shares	\$10,113,751	8.2%	4.5%
Global shares – Growth	T Rowe Price	Global shares	\$9,953,411	8.1%	5.2%
Absolute returns – Opportunistic	Eclectica	Absolute returns	\$4,194,678	3.4%	n/a
Absolute returns – Global macro	Odey	Absolute returns	\$3,677,286	3.0%	n/a
Absolute returns – Managed futures	Aspect Capital	Absolute returns	\$2,124,134	1.7%	n/a
Commodities – Futures	Standard & Poor's	Commodities	\$0	0.0%	n/a
Global shares – Futures	NZ Funds	Global shares	-\$62,359,911	-50.6%	4.6%
CURRENCY STRATEGIES				27.0%	
United States Dollar/Euro	NZ Funds	Currency	\$11,100,459	9.0%	n/a
Yen/Swiss Franc	NZ Funds	Currency	\$11,088,125	9.0%	n/a
United States Dollar/Norwegian Krone	NZ Funds	Currency	\$11,051,123	9.0%	n/a
New Zealand Dollar/United States Dollar	NZ Funds	Currency	\$0	0.0%	n/a
New Zealand Dollar/Yen	NZ Funds	Currency	\$0	0.0%	n/a
TOTAL ECONOMIC EXPOSURE²			\$156,645,995	127.0%	

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.

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

Past performance is not necessarily an indication of future returns.

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