

MANAGER INSIGHT – 28 FEBRUARY 2010

The Portfolio has approximately half of its assets invested in international listed property. It utilises the expertise of Resolution Capital to manage the bulk of this allocation. Resolution Capital is a specialist listed property trust manager that has built an amazing track record in its investment field. Over the past three years, its approach to selecting international listed property trusts has generated annualised outperformance of 8.69%¹ – to add over 25% of value over such a short time frame is extraordinary. Understandably, Resolution Capital's viewpoint on the property market is insightful and interesting. Below are some comments on a favoured listed property trust and their outlook.

“Amidst a generally benign reporting season during the quarter, we believe it is worth highlighting one particular stock. The Link REIT, one of our favoured stocks, listed in December 2005 thereby becoming Hong Kong's first listed property trust. It remains Hong Kong's only internally managed listed property trust, a rarity throughout Asia. Previously managed by the Hong Kong Housing Authority, Link owns 180 shopping centres (over 80% of its income) and car park facilities, which are on the doorstep of nearly 40% of Hong Kong's population. Since listing, the strategy has been to upgrade assets, improve tenant mix, increase rents (or in some cases, simply collect the rent, a job often neglected by the previous owner) as well as reduce costs. Link has maintained low financial leverage (debt/assets less than 20%) and has raised no additional equity since listing (other than through a dividend reinvestment programme). Link's half-year results, announced in November 2009, were very strong with net operating income up 19.9%, handsomely

beating analysts' estimates. This was driven by double-digit rental growth and lower operating costs. Furthermore, three completed redevelopments generated a 22.8% income return on cost. Four more redevelopments are expected to finish in the second half of the year and management has added new projects to the pipeline. Based on our analysis, the stock remains outstanding value.”

“Despite macro concerns, we are encouraged with listed property trust fundamentals – property markets are underpinned by low construction supply whilst listed property trust balance sheets are strong. The patchy, moderate economic outlook suggests that values should grow modestly in the short to medium-term. Other factors likely to influence listed property trust prices in the near term include the growing prospect of merger and acquisition activity, as well as IPO's. One way or the other, investment banks will convince listed property trust management and investors to do something to generate fees. Nevertheless, with a long-term perspective, the listed property trust industry is heading in the right direction and should generate long-term returns in the order of inflation plus 400 basis points.”

¹ Source: Bloomberg; Resolution Capital.

PERFORMANCE SINCE INCEPTION (11 NOVEMBER 2009) TO 28 FEBRUARY 2010 (PART 1)

GPP PERFORMANCE ATTRIBUTION	1 MONTH	3 MONTH	6 MONTH
Positive	Resolution	Resolution	-
Neutral	Cash	Cash	-
Negative	ProShares, New Zealand property	ProShares; New Zealand property	-



COMPARISON	1 MONTH	3 MONTH	6 MONTH	1 YEAR	2 YEAR PA	5 YEAR PA	7 YEAR PA	SINCE INCEPTION	MAXIMUM DRAWDOWN*
Portfolio*	0.14%	-0.78%	-	-	-	-	-	-0.28%	-3.07%
New Zealand inflation**	0.03%	0.00%	-	-	-	-	-	-0.03%	-0.10%

IMPORTANT: Please refer to the slide that follows for the footnotes relating to this slide.

PERFORMANCE SINCE INCEPTION (11 NOVEMBER 2009) TO 28 FEBRUARY 2010 (PART 2)

Global Property Portfolio

- * 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.

Comparative Index

- ** The comparative index is New Zealand's inflation rate as measured by the Consumers Price Index. Source: Bloomberg.

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 Portfolio and the comparison. The maximum drawdown is a measure of volatility and represents the largest decline in value experienced during the reporting period.

INDICATIVE PORTFOLIO AS AT 28 FEBRUARY 2010 (PART 1)⁴

PORTFOLIO SUMMARY

Yield ¹	4.5%
Cash	53%
Gross international listed property	47%
International listed property hedge ²	0%
Net international listed property	47%
New Zealand listed property	0%
Total economic exposure ⁵	100%

STRATEGY / SECURITY	COUNTRY	PORTFOLIO VALUE	PORTFOLIO ALLOCATION	MARKET CAP (\$B) ³	PRICE/EARNINGS	PRICE/BOOK	PAYOUT RATIO	YIELD
CASH			53.1%					
Bank deposits / Bank bills	New Zealand	\$124,679	53.1%	n/a	n/a	n/a	n/a	2.8%
INTERNATIONAL PROPERTY STRATEGY			46.9%					
Resolution Capital - Top 10 securities		\$87,346	37.2%					6.6%
CFS Retail Property Trust	Australia	n/a	n/a	\$5.3	14.7	0.9	n/a	6.8%
Hongkong Land Holdings Ltd	Hong Kong	n/a	n/a	\$10.2	14.9	0.9	n/a	3.0%
Land Securities Group PLC	Britain	n/a	n/a	\$7.3	19.5	1.0	n/a	4.4%
Link REIT/The	Hong Kong	n/a	n/a	\$5.5	20.6	1.3	n/a	4.9%
Mitsubishi Estate Co Ltd	Japan	n/a	n/a	\$21.7	35.5	1.6	n/a	0.9%
Simon Property Group Inc	United States	n/a	n/a	\$22.4	42.4	5.1	13.3%	3.1%
SL Green Realty Corp	United States	n/a	n/a	\$3.9	67.8	0.9	14.8%	1.0%
Unibail-Rodamco SE	France	n/a	n/a	\$17.9	15.5	1.1	n/a	5.7%
Vornado Realty Trust	United States	n/a	n/a	\$11.9	32.0	2.2	94.1%	4.0%
Westfield Group	Australia	n/a	n/a	\$31.2	13.3	1.1	n/a	5.7%
Challenger Heitman - Top 10 securities		\$22,776	9.7%					7.3%
Digital Realty Trust Inc	United States	n/a	n/a	\$3.9	27.5	4.4	37.7%	3.4%
Equity Residential	United States	n/a	n/a	\$10.2	335.6	2.1	72.8%	3.7%
HCP Inc	United States	n/a	n/a	\$8.5	28.8	1.6	n/a	6.1%
Health Care REIT Inc	United States	n/a	n/a	\$5.2	25.4	1.5	n/a	6.4%
Highwoods Properties Inc	United States	n/a	n/a	\$2.1	40.2	2.0	66.0%	5.8%
Public Storage	United States	n/a	n/a	\$14.1	26.6	2.5	55.3%	2.7%
Simon Property Group Inc	United States	n/a	n/a	\$22.4	42.4	5.1	13.3%	3.1%
Unibail-Rodamco SE	France	n/a	n/a	\$13.3	15.5	1.1	n/a	5.7%
Vornado Realty Trust	United States	n/a	n/a	\$11.9	32.0	2.2	94.1%	4.0%
Westfield Group	Australia	n/a	n/a	\$27.4	13.2	1.1	n/a	5.7%
International listed property hedge		\$0	0.0%					n/a
NEW ZEALAND PROPERTY STRATEGY			0.0%					
NZ Funds - Complete portfolio		\$0	0.0%					n/a
Goodman Property Trust	New Zealand	\$0	0.0%	\$0.9	11.5	1.0	93.0%	12.0%
Property For Industry	New Zealand	\$0	0.0%	\$0.2	15.2	1.0	100.0%	9.1%
Kiwi Income Property Trust	New Zealand	\$0	0.0%	\$0.8	13.0	0.7	97.0%	10.4%
AMP Office Trust	New Zealand	\$0	0.0%	\$0.7	11.6	0.8	97.0%	11.8%
TOTAL ECONOMIC EXPOSURE⁵		\$234,801	100.0%					

IMPORTANT: Please refer to the slide that follows for the footnotes relating to this slide.

INDICATIVE PORTFOLIO AS AT 28 FEBRUARY 2010 (PART 2)⁴

- 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 ProShares UltraShort Real Estate is an Exchange Traded Fund. It seeks daily investment results that correspond to twice (200%) the inverse (opposite) of the daily performance of the Dow Jones US RealEstate Index.
- ³ Stated in United States dollars for the international property strategy and New Zealand dollars for the New Zealand property strategy (if applicable).
- ⁴ This indicative portfolio is based on the most up-to-date information available. Total economic exposure is accurate as at 28 February 2010. Resolution Capital and Challenger Heitman information is as at 31 January 2010. The Portfolio should therefore be regarded as only indicative of the make up of the securities held by these managers as at 28 February 2010.

- ⁵ 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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