

MANAGER INSIGHT – 30 JUNE 2010

This 'Manager insight' takes a closer look at one of the key listed property trust holdings in the Portfolio, Essex Property Trust.

Listed property insight: Essex Property Trust

Essex Property Trust is a great example of the unique opportunities that become available to the international property investor. It is a type of listed property trust that is appropriate for investors who can look outside New Zealand. It is purely an owner of residential properties, or as Essex Property Trust says, "A creator of the communities people call home." In fact, it owns 133 apartment buildings comprised of 27,249 individual units, all on the west coast of the United States. Founded in 1971 by current Chairman, George Marcus, the Trust has been consistently growing. Marcus' knowledge, built up over nearly 40 years of guiding the company, has seen the Trust perform strongly in the recent difficult market environment. It has increased dividends every year since listing in 1994 – this includes 2008 and 2009 when most other listed property trusts were struggling to keep dividends flat. The strength of Essex Property Trust is that it has focused on markets with strong fundamentals and kept debt at sustainable levels. Its apartment buildings are in California and Seattle, both long-established metropolitan areas where millions of people live and work. This means that almost all the available land has already been built on and very few extra apartment buildings can be developed, so supply is tight.

However, demand is also strong as people are drawn to find employment in these centres – they would also want to live near where they work. This was the rationale of the management of Essex Property Trust, which was well supported by the very modest increase in vacancies that its buildings

experienced – from 4.5% in 2007 to 6.1% in 2009. This meant that it was in the rare position of being able to increase dividends in 2009.

The lessons of several property cycles were also applied to the balance sheet of Essex Property Trust. Management kept debt at appropriate levels which meant that the Trust became neither a forced seller of buildings, nor forced to raise capital and dilute unit holders' returns, when property values declined. Rather, it was able to take advantage of those who were forced to sell, which led purchase of the recently opened Essex Skyline (pictured below) for 55% of what it cost to build it. So not only do investors in Essex Property Trust see their dividends grow whatever the climate, they also own buildings with 80% upside to their replacement cost, never mind the potential for strong future capital growth.



PERFORMANCE SINCE INCEPTION (11 NOVEMBER 2009) TO 30 JUNE 2010 (PART 1)

GPP PERFORMANCE ATTRIBUTION	1 MONTH	3 MONTH	6 MONTH
Positive	ProShares	ProShares	ProShares
Neutral	Cash	Cash	Cash
Negative	Resolution; Challenger/Heitman	Resolution; Challenger/Heitman	Resolution; Challenger/Heitman



COMPARISON	1 MONTH	3 MONTH	6 MONTH	1 YEAR	2 YEAR PA	5 YEAR PA	7 YEAR PA	SINCE INCEPTION	MAXIMUM DRAWDOWN*
Portfolio*	-1.17%	-2.45%	-2.63%	-	-	-	-	-0.26%	-4.65%
New Zealand inflation**	0.16%	0.50%	0.87%	-	-	-	-	0.77%	-0.10%

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

PERFORMANCE SINCE INCEPTION (11 NOVEMBER 2009) TO 30 JUNE 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.

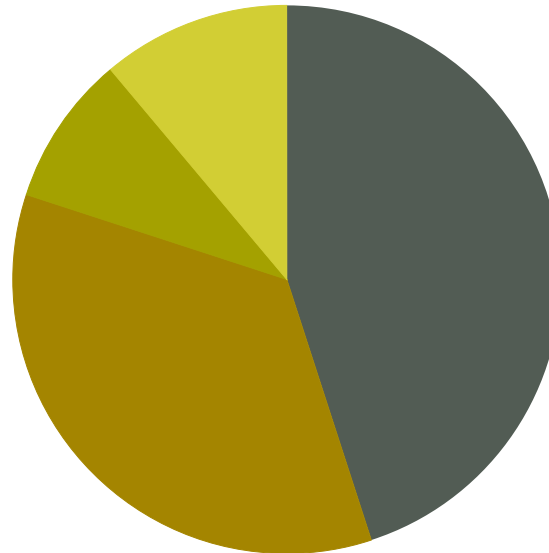
ASSET ALLOCATION (%)

January 2010



● CASH	31
● INT PROPERTY - RESOLUTION CAPITAL	38
● INT PROPERTY - CHALLENGER HEITMAN	10
● INT LISTED PROPERTY HEDGE	12
● NEW ZEALAND PROPERTY - NZ FUNDS	9
TOTAL	100

June 2010



● CASH	45
● INT PROPERTY - RESOLUTION CAPITAL	35
● INT PROPERTY - CHALLENGER HEITMAN	9
● INT LISTED PROPERTY HEDGE	11
TOTAL	100

INDICATIVE PORTFOLIO AS AT 30 JUNE 2010 (PART 1)⁴

PORTFOLIO SUMMARY

Yield ¹	4.9%
Cash	44%
Gross international listed property	44%
International listed property hedge ²	-22%
Net international listed property	22%
New Zealand listed property	0%
Total economic exposure	100%

STRATEGY / SECURITY	COUNTRY	PORTFOLIO VALUE	PORTFOLIO ALLOCATION	MARKET CAP (\$B) ³	PRICE/EARNINGS	PRICE/BOOK	PAYOUT RATIO	YIELD
CASH			44.3%					
Bank deposits / Bank bills	New Zealand	\$156,836	44.3%	n/a	n/a	n/a	n/a	2.8%
INTERNATIONAL PROPERTY STRATEGY			55.1%					
Resolution Capital - Top 10 securities		\$124,265	35.1%					6.6%
Essex Property Trust Inc	United States	n/a	n/a	\$3.1	160.7	2.9	649.8%	4.0%
Hongkong Land Holdings Ltd	Hong Kong	n/a	n/a	\$10.9	18.4	0.9	60.0%	3.3%
Land Securities Group PLC	Britain	n/a	n/a	\$6.8	16.5	0.8	77.2%	4.7%
Link REIT/The	Hong Kong	n/a	n/a	\$5.4	18.0	1.3	90.7%	5.0%
Mitsubishi Estate Co Ltd	Japan	n/a	n/a	\$21.3	30.1	1.6	25.7%	0.9%
Simon Property Group Inc	United States	n/a	n/a	\$24.8	32.0	5.6	92.5%	2.9%
SL Green Realty Corp	United States	n/a	n/a	\$4.7	93.2	1.1	56.2%	0.6%
Unibail-Rodamco SE	France	n/a	n/a	\$14.2	13.2	1.0	84.9%	6.4%
Vornado Realty Trust	United States	n/a	n/a	\$13.8	38.1	2.6	130.7%	3.4%
Westfield Group	Australia	n/a	n/a	\$35.2	14.1	1.2	71.1%	5.1%
Challenger Heitman - Top 10 securities		\$31,509	8.9%					7.3%
AvalonBay Communities Inc	United States	n/a	n/a	\$8.0	68.4	2.5	91.1%	3.7%
Equity Residential	United States	n/a	n/a	\$12.5	34.4	2.6	72.9%	3.1%
HCP Inc	United States	n/a	n/a	\$9.2	30.7	1.7	120.2%	5.9%
Health Care REIT Inc	United States	n/a	n/a	\$5.3	26.2	1.5	107.3%	6.4%
Highwoods Properties Inc	United States	n/a	n/a	\$2.1	48.1	2.0	66.0%	5.9%
Public Storage	United States	n/a	n/a	\$15.7	38.9	2.9	39.1%	3.3%
Simon Property Group Inc	United States	n/a	n/a	\$24.8	40.9	5.6	118.3%	2.9%
Unibail-Rodamco SE	France	n/a	n/a	\$11.6	13.7	1.0	88.0%	6.4%
Vornado Realty Trust	United States	n/a	n/a	\$13.8	36.3	2.6	94.1%	3.4%
Westfield Group	Australia	n/a	n/a	\$29.1	14.6	1.2	74.4%	5.1%
International listed property hedge		\$39,298	11.1%					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		\$354,032	100.0%					

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

INDICATIVE PORTFOLIO AS AT 30 JUNE 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 Real Estate 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 30 June 2010. Resolution Capital information is as at 31 May 2010. Challenger Heitman information is as at 31 March 2010. The Portfolio should therefore be regarded as only indicative of the make up of the securities held by these managers as at 30 June 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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