

## Manager insight – 30 June 2009

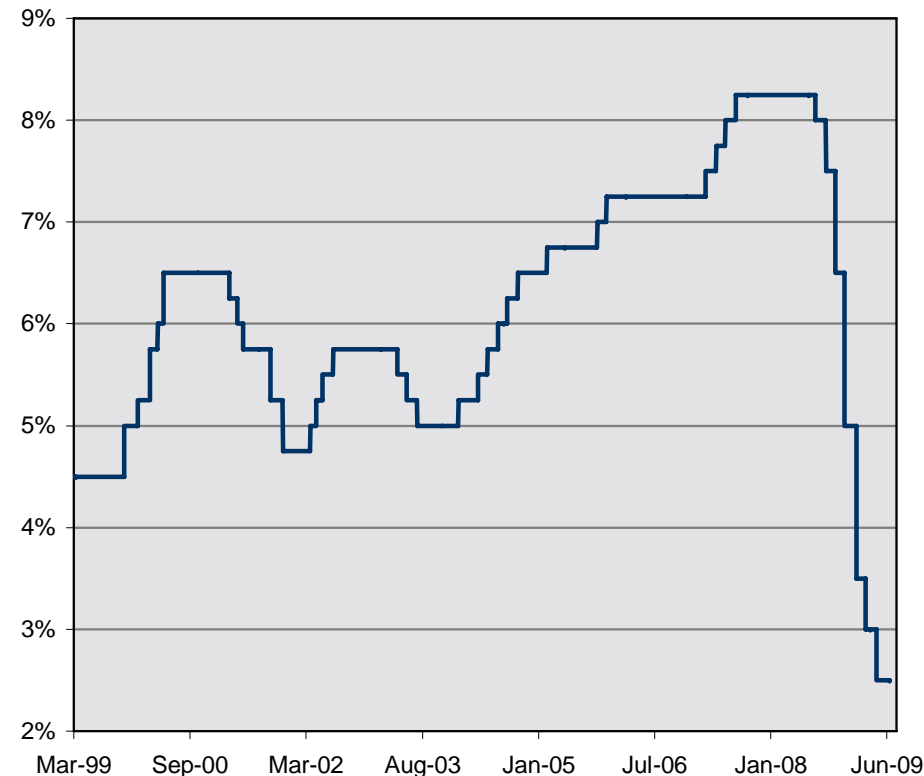
The driver of the Money Market Portfolio's performance is the level of interest rates offered on the call deposits it holds with a range of New Zealand banks. In turn, the returns from the call deposits are driven by New Zealand's Official Cash Rate (OCR).

The Reserve Bank of New Zealand (RBNZ) sets the OCR. At its June meeting it left the rate at 2.50%. This is the lowest it has been since inception of the OCR in 1999 and represents a 5.75% decline from 12 months ago when the OCR was 8.25%, as shown in the accompanying chart. This rapid reduction in the OCR was in response to the deteriorating global outlook, tightening credit conditions, widening interest rate spreads and continued contraction in the New Zealand economy.

The RBNZ stated at the June OCR meeting that "we expect to keep the OCR at or below the current level through until the latter part of 2010." Therefore, barring a significant economic recovery over this period, the performance of the Money Market Portfolio is likely to remain around the current level and returns from cash funds will probably not touch the high levels of the past few years.

The Portfolio remains invested in call deposits with four New Zealand banks, providing a diversified bank exposure. It is also covered under the New Zealand Crown Deposit Guarantee Scheme, thereby providing a high level of security for clients' money.

### New Zealand Official Cash Rate (OCR)

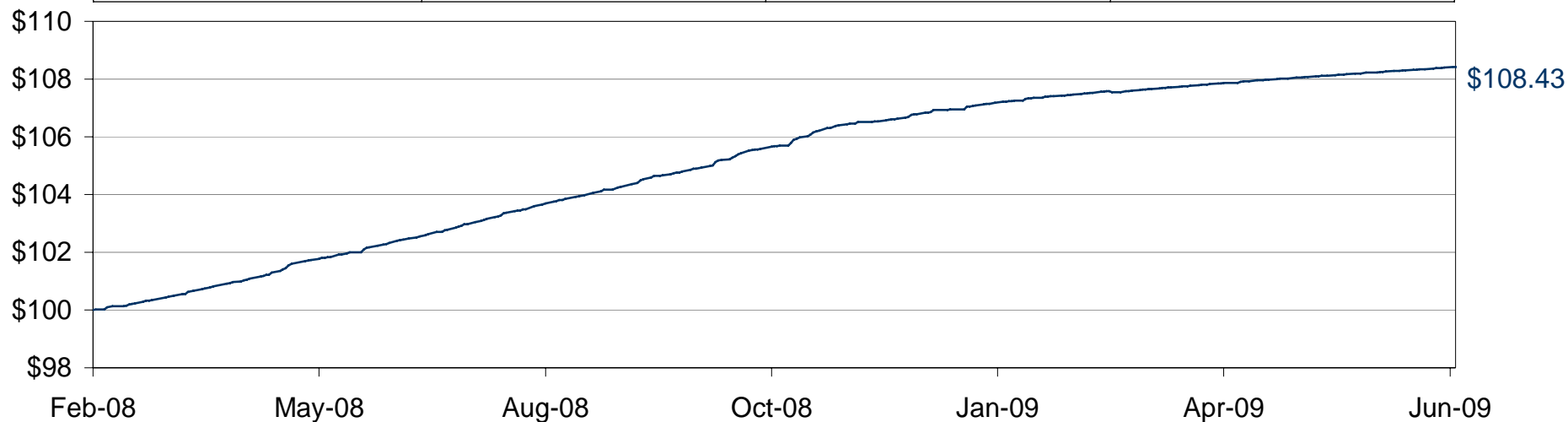


Source: Bloomberg.

# Money Market Portfolio

Performance since inception (28 February 2008) to 30 June 2009

| Performance attribution | One month              | Three month         | Six month           |
|-------------------------|------------------------|---------------------|---------------------|
| Positive                | Running yield          | Running yield       | Running yield       |
| Neutral                 | Int. rates unchanged   | n/a                 | n/a                 |
| Negative                | Rates at historic lows | Int. rates declined | Int. rates declined |



| One-month return | Three-month Return | Six-month return | One-year return | Since inception return pa |
|------------------|--------------------|------------------|-----------------|---------------------------|
| 0.18%            | 0.58%              | 1.37%            | 5.57%           | 6.24%                     |

# Money Market Portfolio

Portfolio summary as at 30 June 2009

## Portfolio summary

|  |        |
|--|--------|
| Number of bank exposures                       | 4      |
| Leverage utilised                              | Zero   |
| Weighted average running yield (approximately) | 2.3%*  |
| Weighted average credit rating                 | A1+    |
| Weighted average interest rate duration        | 0 days |

| Sector / Security       | Portfolio value     | Proportion of portfolio | Gross yield (pre fees) | Weighted average life |
|-------------------------|---------------------|-------------------------|------------------------|-----------------------|
| <b>Bank deposits</b>    |                     |                         |                        |                       |
| Westpac current account | \$134,907           | 0.2%                    | 2.5%                   | 0 days                |
| ANZ call account        | \$17,965,422        | 25.3%                   | 2.6%                   | 0 days                |
| ASB call account        | \$17,909,968        | 25.2%                   | 2.5%                   | 0 days                |
| BNZ call account        | \$17,498,268        | 24.6%                   | 2.5%                   | 0 days                |
| Westpac call account    | \$17,498,268        | 24.6%                   | 2.5%                   | 0 days                |
| <b>Total</b>            | <b>\$71,006,833</b> | <b>100.0%</b>           |                        |                       |

\*The running yield is stated after the deduction of management, custodial and trustee fees. The running yield is not the actual return of the Portfolio, nor is it a projection or forecast. 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.

**DISCLAIMER:** This document has been provided for information purposes only. The content of this document is not intended as a substitute for specific professional advice on investments, financial planning or any other matter.

While the information provided in this document is stated accurately to the best of our knowledge and belief, New Zealand Funds Management Limited, its directors, employees and related parties accept no liability or responsibility for any loss, damage, claim or expense suffered or incurred by any party as a result of reliance on the information provided and opinions expressed in this document except as required by law.