

Manager insight – 30 September 2009

The driver of the 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 these call deposits are driven by New Zealand's Official Cash Rate (OCR) which is set by the Reserve Bank of New Zealand (RBNZ).

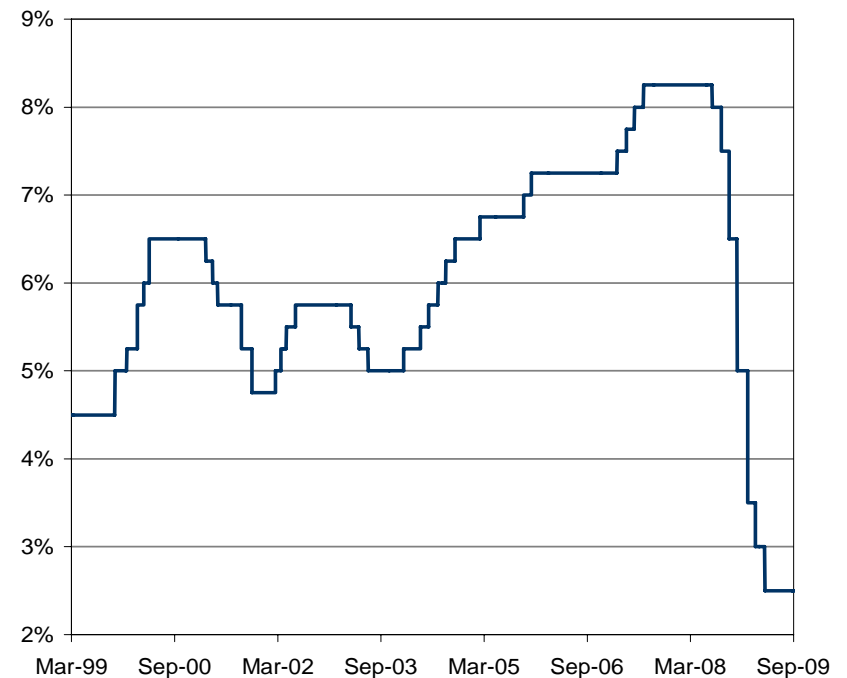
The objective of the Portfolio is to achieve returns competitive with bank deposits without a 'lock in'. The Portfolio has returned 0.17%¹ for September versus the NZX Call Index return of 0.21%². Over the past year it has returned 3.95%¹ versus the NZX Call Index return of 3.90%².

In September the RBNZ again left the OCR at 2.50%, the lowest it has been since inception in 1999. This represents a 5.75% decline from 15 months ago when the OCR was 8.25%, as shown in the accompanying chart. This rapid reduction in the OCR has been in response to the deteriorating global outlook, tightening credit conditions, widening interest rate spreads and continued contraction in the New Zealand economy.

With the New Zealand economy showing tentative signs of improving, the market is starting to price in hikes in the OCR from March 2010. However, the RBNZ reiterated at the September meeting that, **"we continue to expect to keep the OCR at or below the current level through until the latter part of 2010."** So while at some point in the future the OCR will return to a more neutral level, this is likely to be some time away.

The Portfolio remains invested in call deposits with four New Zealand banks, providing a diversified bank exposure and the benefit of the New Zealand Retail Deposit Guarantee Scheme.

New Zealand Official Cash Rate (OCR)



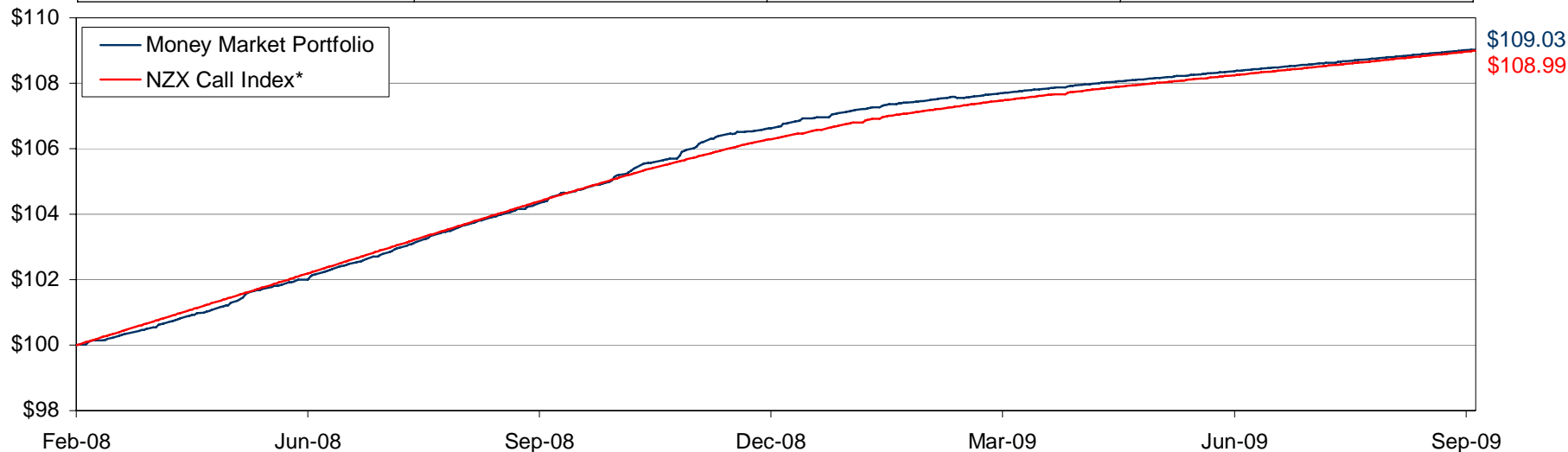
Source: Bloomberg.

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. ² Source: Bloomberg.

Money Market Portfolio

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

Performance attribution	1 month	3 month	6 month
Positive	Running yield	Running yield	Running yield
Neutral	Int. rates unchanged	n/a	n/a
Negative	n/a	Int. rates declined	Int. rates declined



Period	1 month	3 month	6 month	1 year	2 year pa	Since inception pa
Portfolio	0.17%	0.55%	1.14%	3.95%	-	5.59%

Portfolio summary as at 30 September 2009

Portfolio summary

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

Sector / Security	Portfolio value	Proportion of portfolio	Weighted average life	S&P rating	Gross yield
Bank deposits					
ASB call account	\$14,955,646	24.9%	0 days	A1+ / AA	2.5%
BNZ call account	\$14,993,899	25.0%	0 days	A1+ / AA	2.5%
Westpac call account	\$14,994,039	25.0%	0 days	A1+ / AA	2.5%
ANZ call account	\$15,012,511	25.0%	0 days	A1+ / AA	2.6%
Westpac current account	\$100,475	0.2%	0 days	A1+ / AA	2.5%
Total	\$60,056,569	100.0%			

*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. Details of the yield calculation are available on request from NZ Funds. 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.

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