

Portfolio overview – 31 March 2009

Needs category objective

- Anticipated expenditure to meet living or lifestyle expenses over a one-month to two-year period.

Investment objective

- Achieve returns which are competitive with bank deposits over the interest rate cycle without a 'lock in'.

Key features

- Offers a diversified bank exposure comprising: ANZ, ASB, BNZ and Westpac.
- PIE tax efficiency.

Risk management

- Managed to ensure a high level of liquidity at all times.
- It is able to benefit from the Crown Deposit Guarantee Scheme.
- Diversified exposure across four different banks: ANZ, ASB, BNZ and Westpac.

Return enhancement

- Structured in an efficient manner with interest compounding daily.
- Periodic positioning has previously enabled the Portfolio to earn modest capital gains which have enhanced returns over bank deposits. Whether this occurs in the future will depend on the terms of the Crown Deposit Guarantee Scheme and the interest rate cycle.

Manager insight – 31 March 2009

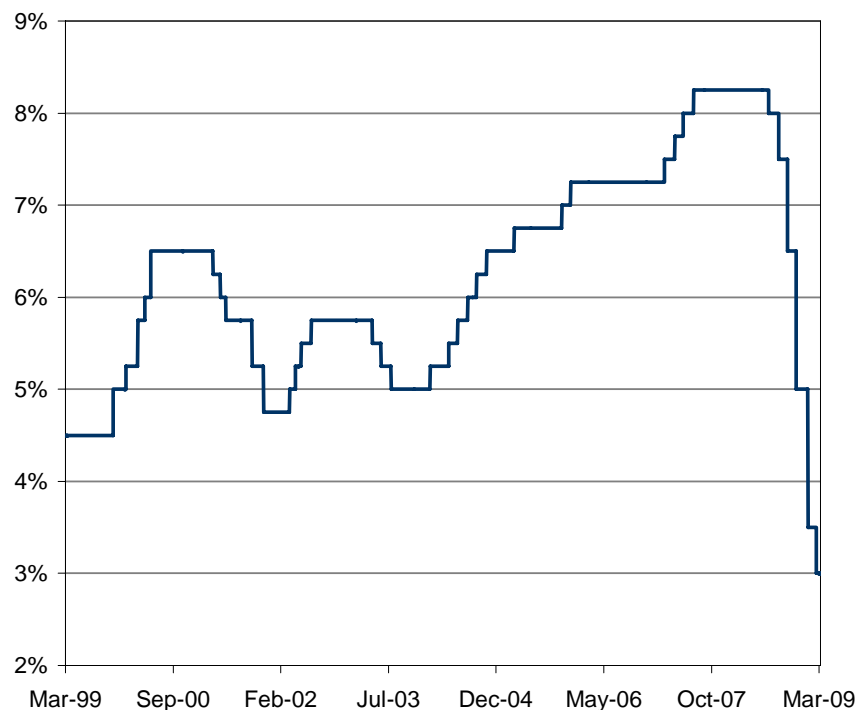
The driver of the Portfolio's performance is the level of interest rates offered on the call deposits it holds with a range of New Zealand banks. In turn, the returns from these call deposits are driven by New Zealand's Official Cash Rate (OCR) set by the Reserve Bank of New Zealand (RBNZ).

The objective of the Portfolio is to achieve returns competitive with bank deposits without a 'lock in'. The Portfolio has returned 0.24%¹ for March versus the NZX Call Index return of 0.27%² and has returned 7.21%¹ over the last year versus the NZX Call Index return of 6.82%².

In March the RBNZ cut the OCR by 0.5% to 3.0%. This is the lowest it has been since inception of the OCR in 1999 and represents a 5.25% decline from 8 months ago when it 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.

The RBNZ stated at the March OCR meeting that "we will assess the need for further cuts in the OCR against emerging developments in the global and domestic economies and the responses to policy changes already in place". It is expected that there will be further OCR cuts in April which will flow through to the performance of the Portfolio.

New Zealand Official Cash Rate (OCR)



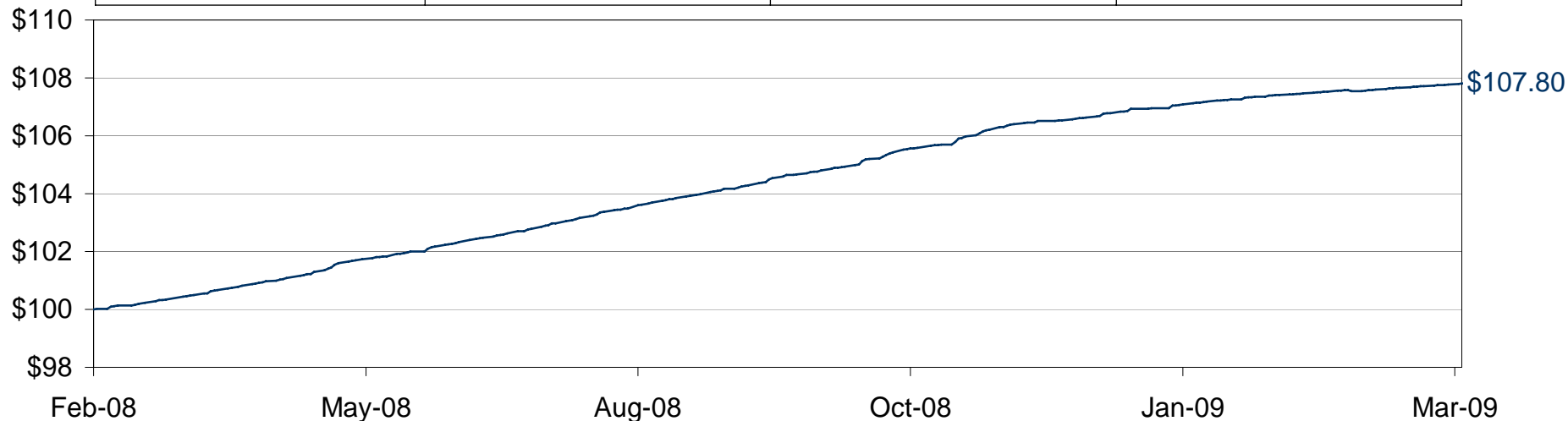
Source: Bloomberg.

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 Retail Deposit Guarantee Scheme, thereby offering a high level of security for clients' money.

Money Market Portfolio

Performance since inception (28 February 2008) to 31 March 2009

Performance attribution	One month	Three month	Six month
Positive	n/a	-	-
Neutral	n/a	-	-
Negative	OCR cut by 0.50%	-	-



One-month return	Three-month Return	Six-month return	One-year return	Since inception return pa
0.24%	0.79%	2.78%	7.21%	7.15%

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.

Money Market Portfolio

Portfolio summary as at 31 March 2009

Portfolio summary

Number of bank exposures	4
Leverage utilised	Zero
Weighted average running yield (approximately)	2.8%*
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
Bank deposits				
Westpac current account	\$108,225	0.2%	3.0%	0 days
ANZ call account	\$17,280,000	25.0%	3.1%	0 days
ASB call account	\$17,175,000	24.9%	3.0%	0 days
BNZ call account	\$17,310,000	25.1%	3.0%	0 days
Westpac call account	\$17,200,000	24.9%	3.0%	0 days
Total	\$69,073,225	100%		

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

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