

Portfolio overview – 31 May 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 May 2009

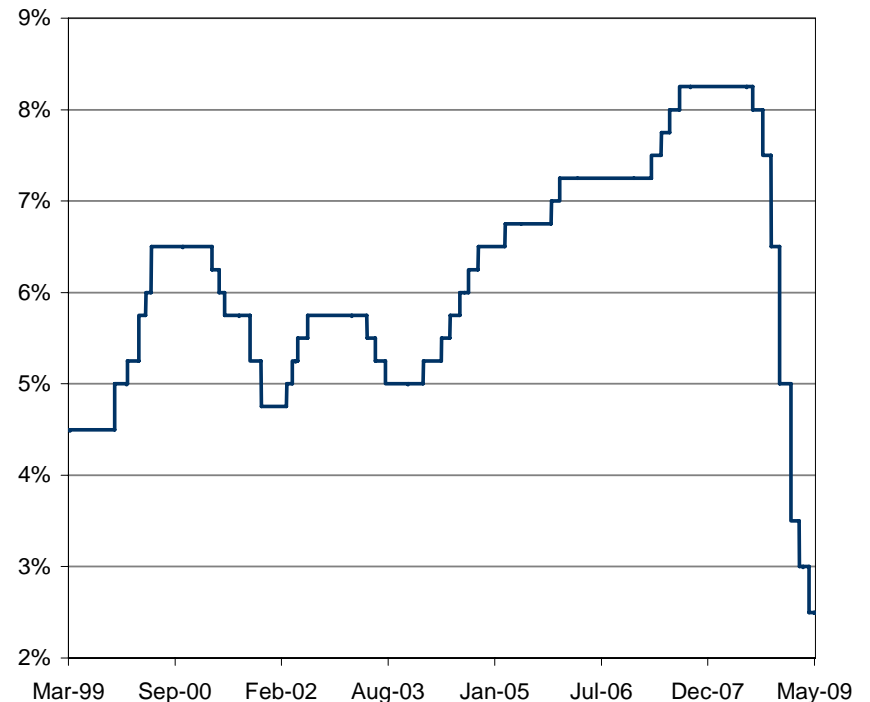
The driver of the Portfolio's performance is the level of interest rates offered on the call deposits it holds with a range of New Zealand banks. In turn, the returns from these call deposits are driven by New Zealand's Official Cash Rate (OCR) set by the Reserve Bank of New Zealand (RBNZ).

The objective of the Portfolio is to achieve returns competitive with bank deposits without a 'lock in'. The Portfolio has returned 0.18%¹ for May versus the NZX Call Index return of 0.21%² and has returned 6.10%¹ over the last year versus the NZX Call Index return of 5.84%².

In April the RBNZ cut the OCR by 0.5% to 2.5%. This is the lowest it has been since inception of the OCR in 1999 and represents a 5.75% decline from 10 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 April 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 which would necessitate an OCR hike, the performance of the Portfolio is likely to remain around the current level.

New Zealand Official Cash Rate (OCR)



Source: Bloomberg.

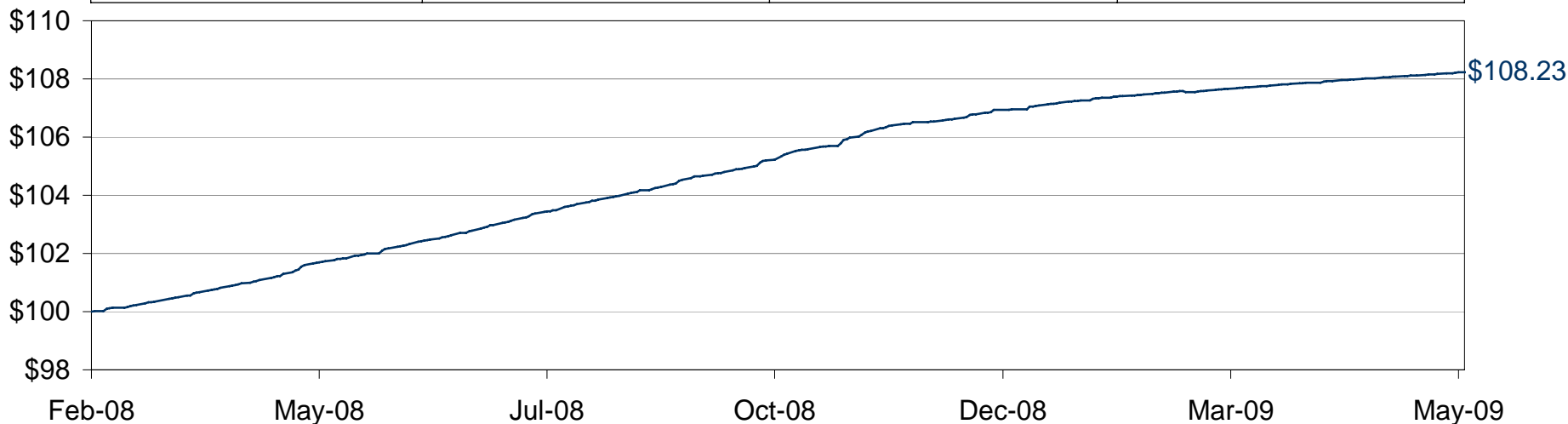
The Portfolio remains invested in call deposits with four New Zealand banks, providing a diversified bank exposure. It is also covered under the New Zealand Crown Retail Deposit Guarantee Scheme, thereby offering a high level of security for clients' money.

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 31 May 2009

Performance attribution	One month	Three month	Six month
Positive	n/a	-	-
Neutral	OCR remained unchanged	-	-
Negative	Cash rates at historic lows	-	-



One-month return	Three-month Return	Six-month return	One-year return	Since inception return pa
0.18%	0.63%	1.61%	6.10%	6.50%

Money Market Portfolio

Portfolio summary as at 31 May 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
Bank deposits				
Westpac current account	\$60,273	0.1%	2.5%	0 days
ANZ call account	\$17,212,685	24.8%	2.6%	0 days
ASB call account	\$17,107,438	24.7%	2.5%	0 days
BNZ call account	\$17,492,601	25.2%	2.5%	0 days
Westpac call account	\$17,485,805	25.2%	2.5%	0 days
Total	\$69,358,803	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.
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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