

Manager insight – 31 July 2009

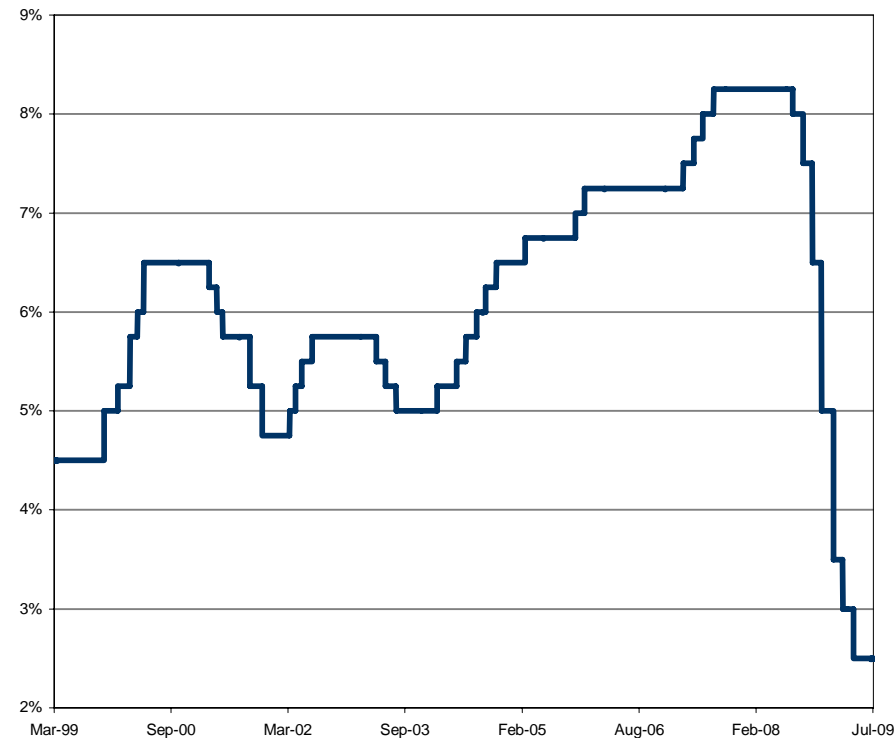
The driver of the Money Market Portfolio's performance is the level of interest rates offered on the call deposits it holds with a range of New Zealand banks. In turn, the returns from these call deposits are driven by New Zealand's Official Cash Rate (OCR).

The Reserve Bank of New Zealand (RBNZ) sets the OCR. At its July meeting it again 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 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 reiterated at the July OCR meeting that **"we continue to 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 investments are unlikely to reach the highs 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 offering a high level of security for clients' money.

New Zealand Official Cash Rate (OCR)

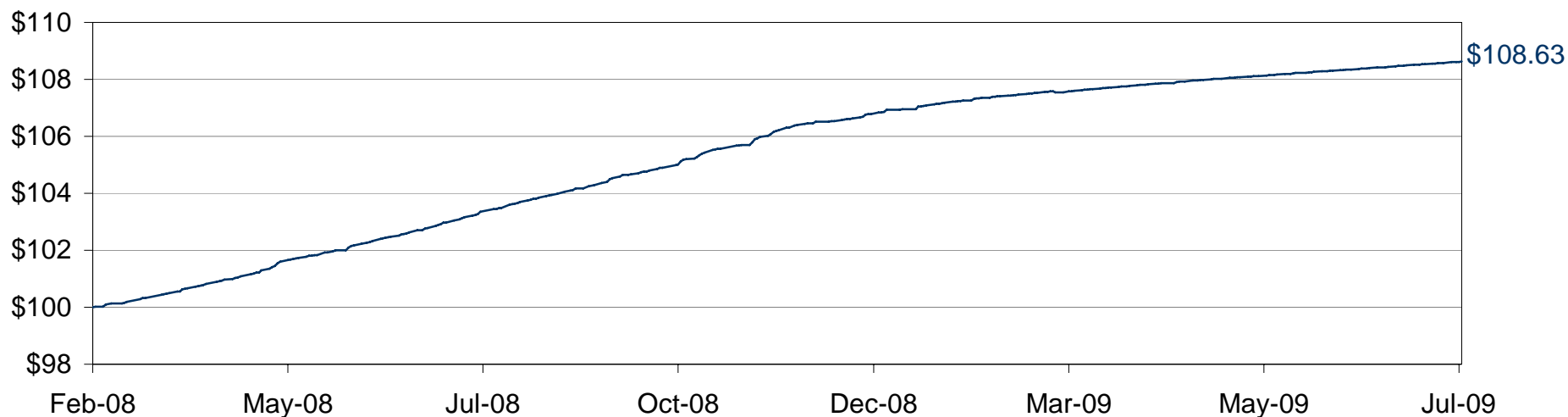


Source: Bloomberg.

Money Market Portfolio

Performance since inception (28 February 2008) to 31 July 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
0.19%	0.56%	1.18%	4.96%	5.99%

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 July 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				
ASB call account	\$17,058,808	25.5%	2.5%	0 days
BNZ call account	\$16,546,915	24.8%	2.5%	0 days
Westpac call account	\$16,496,600	24.7%	2.5%	0 days
ANZ call account	\$16,466,252	24.7%	2.6%	0 days
Westpac current account	\$206,075	0.3%	2.5%	0 days
Total	\$66,774,650	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.

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