

Manager insight – 31 August 2009

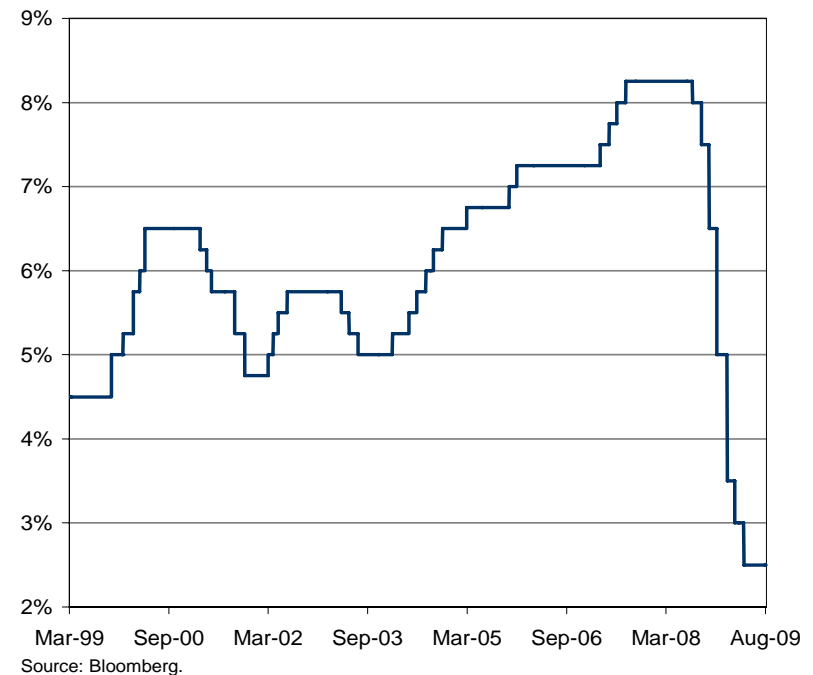
The driver of the Portfolio's performance is the level of interest rates offered on the call deposits it holds with a range of New Zealand banks. In turn, the returns from these call deposits are driven by New Zealand's Official Cash Rate (OCR).

The August and year-to-date performance of the Portfolio meets the objective of achieving returns competitive with bank deposits without a 'lock in'. The Portfolio has returned 0.20%¹ for August versus the NZX Call Index return of 0.19%². Year to date the Portfolio has returned 1.76%¹ versus the NZX Call Index return of 2.04%². This gap in year-to-date performance is attributable to one-off costs associated with securing the Crown Deposit Guarantee.

The Reserve Bank of New Zealand (RBNZ) sets the OCR. At its September 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 14 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 September 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 Portfolio is

New Zealand Official Cash Rate (OCR)



likely to remain around the current level and returns from cash investments are unlikely to reach the highs of the past few years.

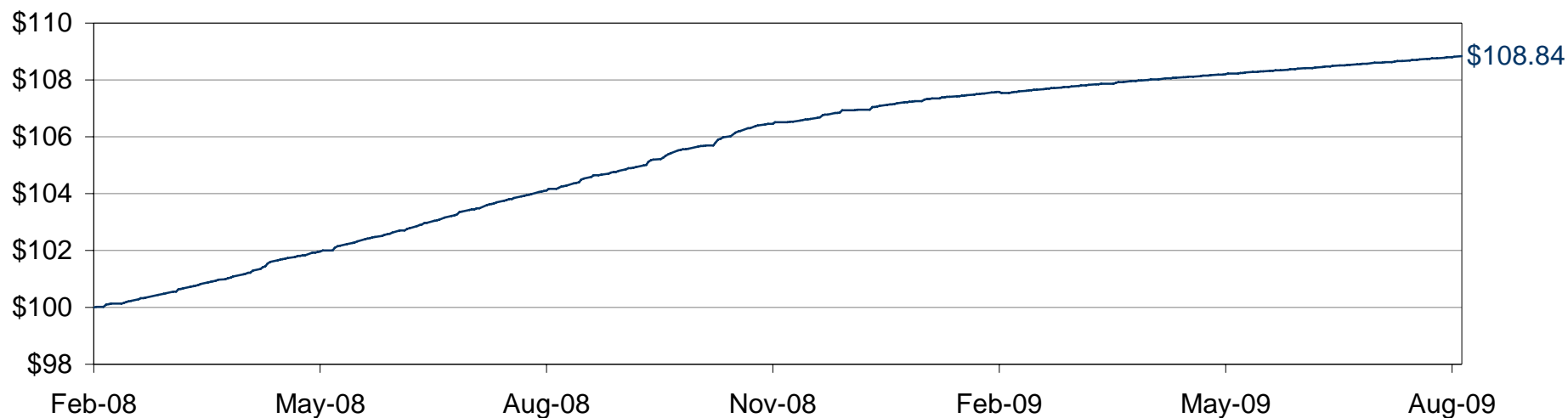
The Portfolio remains invested in call deposits with four New Zealand banks, providing a diversified bank exposure and the benefit of the New Zealand Retail Deposit Guarantee Scheme.

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 August 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	n/a	Int. rates declined	Int. rates declined



One-month return	Three-month Return	Six-month return	One-year return	Since inception return pa
0.20%	0.57%	1.20%	4.49%	5.78%

Money Market Portfolio

Portfolio summary as at 31 August 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	Weighted average life	S&P rating	Gross yield
Bank deposits					
ASB call account	\$16,054,950	25.0%	0 days	A1+	2.5%
BNZ call account	\$16,091,156	25.1%	0 days	A1+	2.5%
Westpac call account	\$16,091,293	25.1%	0 days	A1+	2.5%
ANZ call account	\$15,861,909	24.7%	0 days	A1+	2.6%
Westpac current account	\$86,582	0.1%	0 days	A1+	2.5%
Total	\$64,185,891	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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