

Manager insight – 31 December 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).

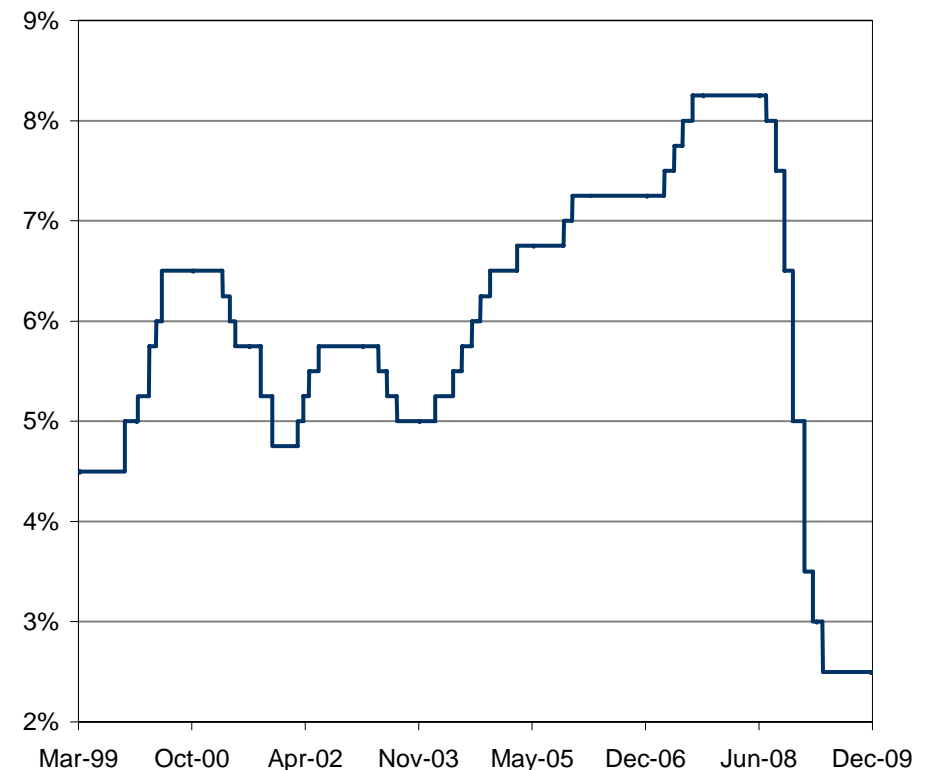
The Portfolio aims to achieve returns competitive with bank deposits without a 'lock in'. The Portfolio has returned 0.18%¹ for December versus the NZX Call Index return of 0.21%². Over the past 12 months it has returned 2.51%¹ versus the NZX Call Index return of 2.91%².

In early December 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 18 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 slightly changed their tone at the December meeting, signalling an earlier OCR hike than previously indicated: **"In New Zealand, the economy continues to recover, reflecting improved world growth, higher export commodity prices, increased government spending and housing strength... If the economy continues to recover, conditions may support beginning to remove monetary stimulus around the middle of 2010."**

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.

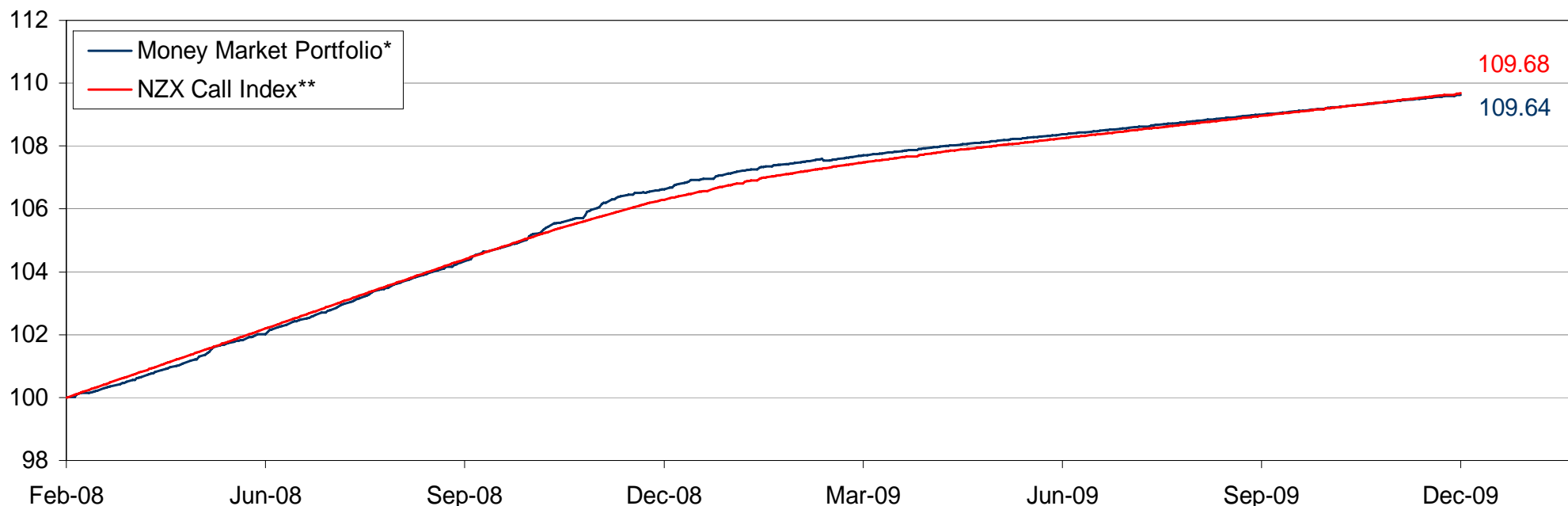
¹ Returns are stated after Portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns. ² Source: Bloomberg.

Money Market Portfolio



Performance since inception (28 February 2008) to 31 December 2009 (Part 1)

MMP performance attribution	1 month	3 month	6 month
Positive	Running yield	Running yield	Running yield
Neutral	Interest rates unchanged	Interest rates unchanged	Interest rates unchanged
Negative	n/a	n/a	n/a



Comparison	1 month	3 month	6 month	1 year	2 year pa	5 year pa	7 year pa	Since inception pa	Maximum drawdownx
Portfolio*	0.18%	0.56%	1.12%	2.51%	-	-	-	5.12%	-0.04%
NZX Call Index**	0.21%	0.63%	1.27%	2.91%	-	-	-	5.15%	0.00%

IMPORTANT: Please refer to the slide that follows for the footnotes relating to this slide.

Performance since inception (28 February 2008) to 31 December 2009 (Part 2)

Money Market Portfolio

- * 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.

Comparative index

- ** The comparative index is the NZX Call Index. Source: Bloomberg.

Maximum drawdown

- x Returns should be looked at in conjunction with the level of risk associated with an investment. For this reason, we have included the 'maximum drawdown' for both the Portfolio and the comparison. Maximum drawdown is a measure of volatility and represents the largest cumulative decline experienced during the reporting period.

Money Market Portfolio



Complete portfolio as at 27 November 2009

Portfolio summary

Number of bank exposures	4
Yield	2.3% ¹
Weighted average credit rating	A1+
Weighted average credit spread duration	0 days
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	\$13,551,471	24.2%	0 days	A1+	2.5%
BNZ call account	\$13,987,831	25.0%	0 days	A1+	2.5%
Westpac call account	\$13,787,900	24.7%	0 days	A1+	2.5%
ANZ call account	\$14,407,125	25.8%	0 days	A1+	2.6%
Westpac current account	\$161,101	0.3%	0 days	A1+	2.5%
Total economic exposure	\$55,895,428	100.0%			

¹ The yield is stated after the deduction of management, custodial and trustee fees. The 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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