

Manager insight – 28 February 2009

The Mid Term Growth Portfolio returned -0.31%¹ for the month of February. While slightly negative, this performance is well ahead of the negative returns experienced by many investment markets during the month. The Portfolio remains well ahead of cash returns with its 1.91%¹ return year to date.

The performance of the global growth equity manager – T Rowe Price – continues to be a highlight for the Portfolio. T Rowe Price generated returns that were substantially ahead of the market and this, combined with the hedging strategy in place, led to attractive positive returns despite a falling global share market. New Zealand government bonds and US treasury securities were slight detractors, with the domestic share exposure also having a negative impact on performance.

The difficult investment environment is likely to continue – at least in the short term. The impact of the global credit crunch on the broader economy is starting to be seen and it will take time for central bank interventions to have an effect. Therefore, the Portfolio will remain conservatively positioned for the time being. New investments with modest risk and attractive returns will be added in an opportunistic manner. An example of this is the recent addition of another global equity manager – Lazard Asset Management (Lazard).

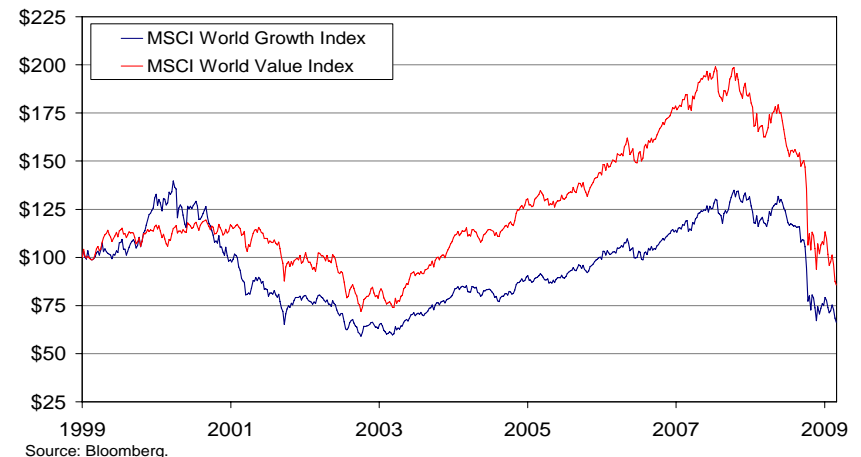
Manager insight: Lazard Asset Management

Lazard's Global Quantitative Equity strategies have an objective of consistent outperformance versus the client's benchmark. The team

employs a disciplined approach to share selection, evaluating securities versus their peers within global industries to find those with the best combination of discounted value and improving growth. Risks are controlled relative to the benchmark, and security weights within portfolios are determined by a combination of a share's attractiveness and the risk impact of the potential trade.

This investment approach is designed to mitigate implicit style and capitalisation biases that can impact quantitative processes. If Lazard had a bias towards either value or growth, their outperformance would be driven by the performance of that style.

Growth versus value

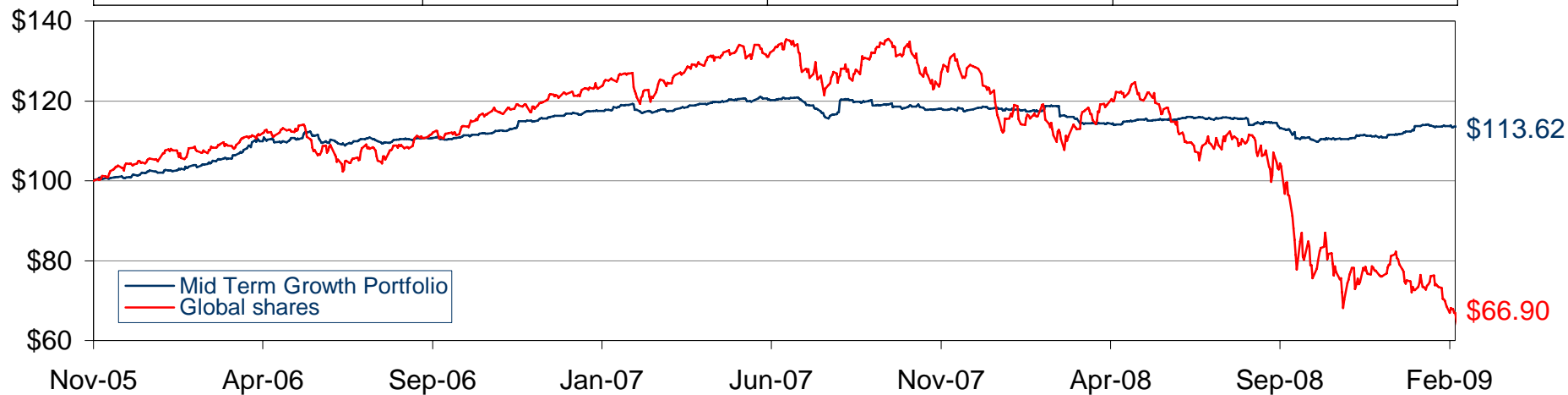


¹ Returns are stated after fund fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns.

Mid Term Growth Portfolio

Performance since last mandate change (3 November 2005) to 28 February 2009

Performance attribution	One month	Three month	Six month
Positive	Cash holdings	-	-
Neutral	n/a	-	-
Negative	NZ government bonds	-	-



One-month return	Three-month return	Six-month return	One-year return	Since mandate change return pa
-0.31%	2.62%	-0.28%	-4.25%	3.92%

Source: Bloomberg. 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. Last mandate change was in November 2005. Global shares represented by MSCI World Index in local currency. The asset class index in the chart (MSCI World Index) is not for benchmarking purposes but rather to demonstrate the performance of the largest asset class allocation in the Portfolio.

Mid Term Growth Portfolio



Portfolio summary as at 28 February 2009

Portfolio summary

Income strategies (before equity hedge)	78%
Growth strategies (before equity hedge)	22%
Yield/Interest	4%

Sector / Security	Manager	Portfolio value	Proportion of portfolio	Yield / Interest rate
Income strategies			98%	
Cash - Bank deposits	NZ Funds	\$17,085,181	35%	3.5%
Cash - Bank bills	NZ Funds	\$14,178,679	29%	3.2%
Loans	Fidelity	\$992,363	2%	7.6%
NZ government bonds	NZ Funds	\$4,146,808	8%	4.2%
Global government bonds	Franklin Templeton	\$1,854,081	4%	5.6%
Equity hedge *	NZ Funds	\$10,155,869	21%	3.5%
Growth strategies			2%	
Australasian shares - High dividend yield	NZ Funds	\$1,186,735	2%	9.3%
Global shares - Core	Lazard	\$3,533,903	7%	2.7%
Global shares - Growth	T Rowe Price	\$3,966,030	8%	5.2%
Global shares - High dividend yield	Tweedy Brown	\$2,387,802	5%	6.6%
Equity hedge **	NZ Funds	-\$10,155,869	-21%	3.5%
Total		\$49,331,583	100%	4%
Currency				
Foreign currency exposure	NZ Funds	Fully hedged	0%	

*The effect of the equity hedge is to remove the impact of changes in global shares from the portfolio. Actual performance will depend on whether the respective manager under or outperforms the global equity benchmark. In addition to this manager outperformance, the portfolio receives a cash return on the hedged assets.**The equity hedge applies to 100% of global shares, however, at times it may also apply to a portion of the Australasian shares due to the size of the hedge contracts being purchased.

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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