

Manager insight – 31 March 2009

The Mid Term Growth Portfolio returned -1.07%¹ for the month of March and 0.81%¹ for the first quarter of the year. While the returns for the month of March are a little disappointing, the performance over the quarter is in line with expectations. Since the last mandate change (November 2005), the Portfolio has returned 3.49%¹ per annum versus the MSCI World Index which returned -9.08%² per annum.

One of the causes of the negative performance in March was the Portfolio's exposure to Tweedy Browne. Its conservative, high-dividend-yield approach was not well suited to the strong bounce back in global share markets that occurred. Tweedy Browne is included in this Portfolio because its conservative style is ideal for the tough economic environment that NZ Funds expects to continue for the next few years.

Manager insight: Franklin Templeton

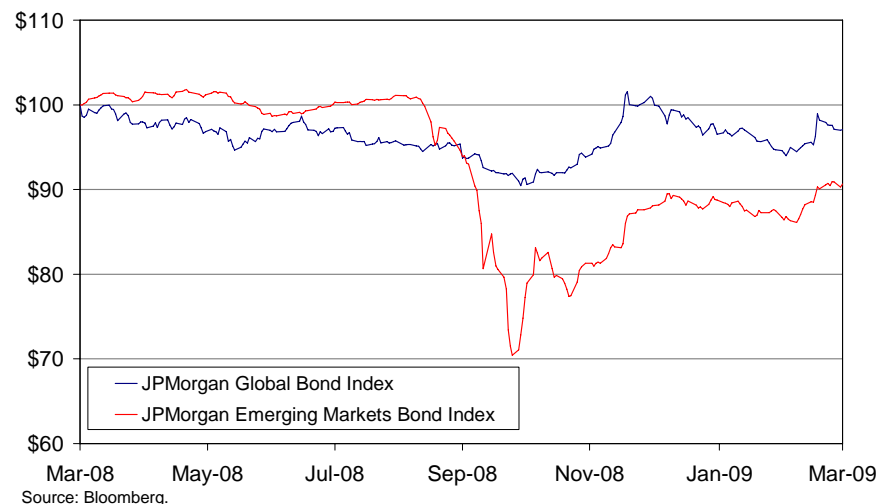
A global government bond exposure managed by Franklin Templeton was recently added to the Portfolio. The latest bout of volatility in government bond markets was well navigated by this new portfolio manager.

The performance of Franklin Templeton was a highlight for the Portfolio during the month. This manager had produced disappointing returns during February, the month it was added to the Portfolio. In February, its performance was impacted by the indiscriminate sell-off in emerging

market government bonds that was caused by increasing concerns over the ability of some emerging nations to meet their commitments.

Franklin Templeton took this opportunity to add to the government bond holdings of those countries it had identified as being attractive investment opportunities based on its rigorous macroeconomic research (for example, Korea and Mexico). It was therefore well positioned to benefit from the bounce back in bonds of emerging nations that can easily meet their commitments.

Global bonds versus emerging market bonds

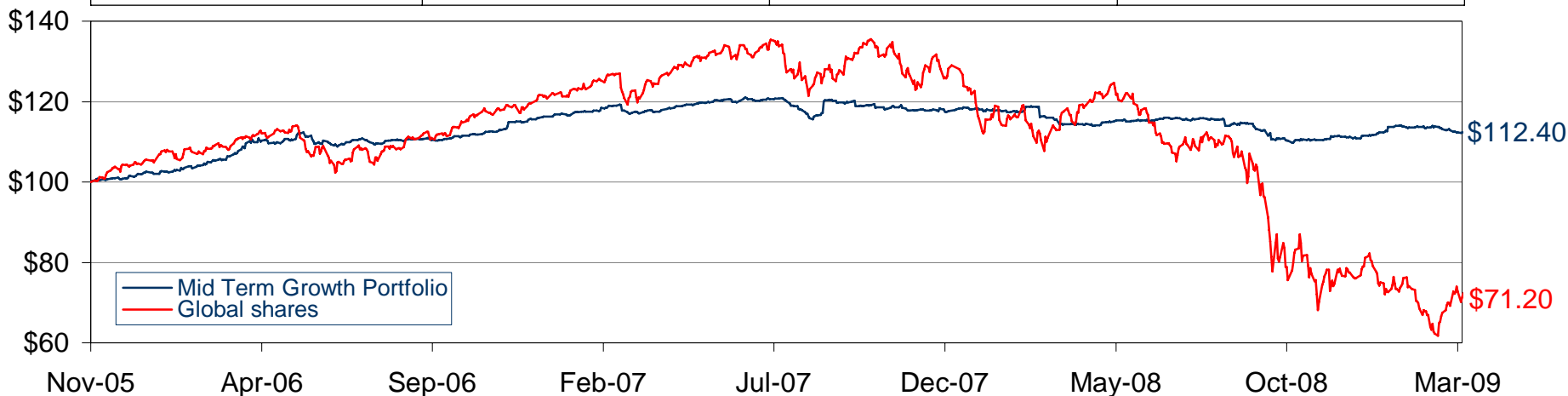


¹ Returns are stated after fund fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns. ² Source: Bloomberg

Mid Term Growth Portfolio

Performance since last mandate change (3 November 2005) to 31 March 2009

Performance attribution	One month	Three month	Six month
Positive	Cash holdings	-	-
Neutral	n/a	-	-
Negative	Lazard; Tweedy Browne	-	-



One-month return	Three-month return	Six-month return	One-year return	Since mandate change return pa
-1.07%	0.81%	-0.34%	-1.69%	3.49%

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 31 March 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			99%	
Cash - Bank deposits	NZ Funds	\$17,235,078	35%	3.0%
Cash - Bank bills	NZ Funds	\$14,210,580	29%	3.2%
Loans	Fidelity	\$997,722	2%	7.6%
NZ government bonds	NZ Funds	\$4,108,313	8%	4.8%
Global government bonds	Franklin Templeton	\$1,881,463	4%	6.5%
Equity hedge *	NZ Funds	\$10,459,450	21%	3.0%
Growth strategies			1%	
Australasian shares - High dividend yield	NZ Funds	\$1,185,067	2%	9.2%
Global shares - Core	Lazard	\$3,358,834	7%	4.5%
Global shares - Growth	T Rowe Price	\$3,956,188	8%	2.3%
Global shares - High dividend yield	Tweedy Browne	\$2,279,335	5%	5.9%
Equity hedge **	NZ Funds	-\$10,459,450	-21%	3.0%
Total		\$49,212,582	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.
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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