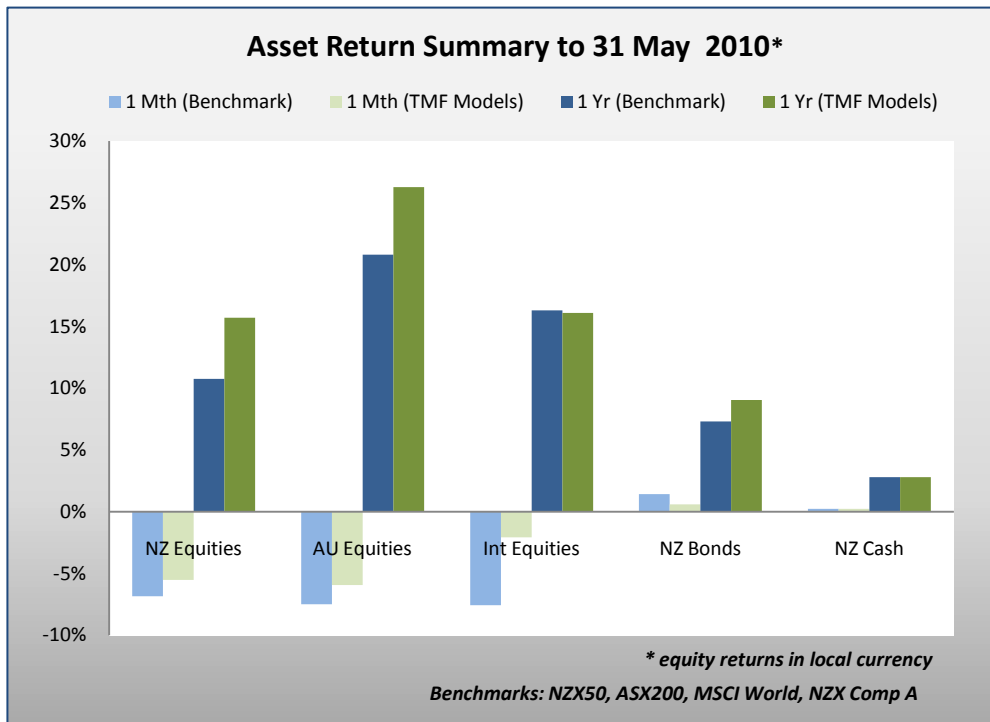


**He weuweu takitini, he pū takitahi**  
 One seed, many outgrowths; all great things start from something small

**TMF Limited: Tirohanga ki te makete mō Haratua 2010**

**Market Overview**



“Volatile” sums up May. Investors headed away from higher risk in to the safe haven of lower risk investments. Markets globally were unsettled by the developing sovereign debt crisis in Europe, and this overshadowed positive data coming out of the US and NZ during the month.



NZ Fixed Interest: up 1.4%.



NZ Equities: down -6.8%.



Australian Equities: down -7.5%.



International Equities: down -7.6%.

*The information contained in this report is given in good faith and has been derived from sources believed to be accurate. However neither TMF Limited (“TMF”) and its associated companies nor any of their employees or directors gives any warranty of reliability or accuracy nor accepts any responsibility arising in any other way for errors or omissions.*

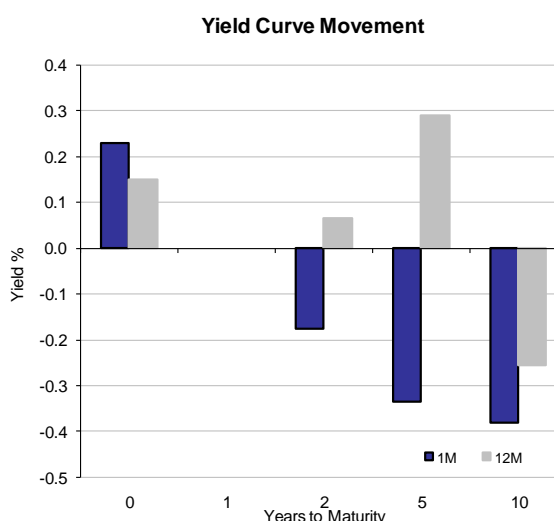
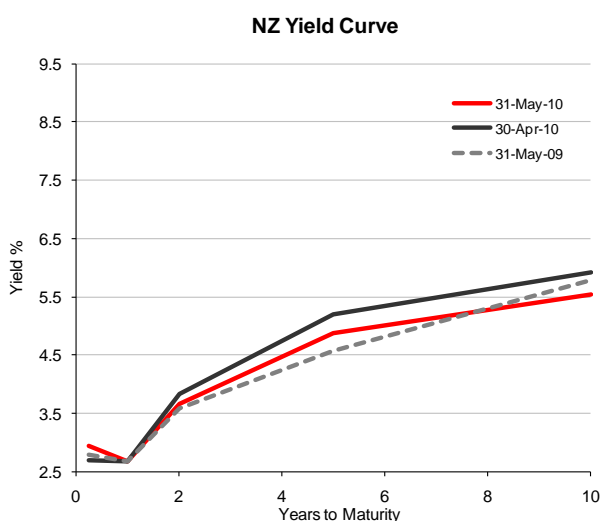
**NZ Cash & Fixed Interest**

Bonds (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	569.70	0.2%	0.7%	1.4%	2.8%	6.1%	6.7%	6.4%
NZX Govt Bond Index	1,129.85	1.7%	1.8%	3.9%	6.5%	8.3%	6.6%	6.9%
NZX Composite A Grade	3,106	1.4%	1.7%	3.9%	7.3%	8.5%	6.8%	7.1%

Interest rates rallied lower in yield during May (positive for bond holders) as investors veered away from global uncertainty and sought the relative safety of local government bonds.

Short term rates rose slightly in anticipation of RBNZ raising the cash rate at the June OCR. Positive data released locally supported a June hike in the OCR, unemployment fell to 6%, business confidence remains strong and the government announced an increase in GST and tax cuts in the budget. The RBNZs decision may be hampered by the global difficulties.

April's Merchandise trade figures showed the first trade surplus since 2002. This was partly due to strong milk and log prices, coupled with volume growth. Imports were relatively flat in comparison, indicating flat demand domestically. This fits with other subdued data released recently for retail sales. The trade surplus also shows the importance of Asia as an export market. Asia exports were up 15% on this period a year ago. Over the same period exports to Australia were up 6%, and fell 16% and 17% to the US and EU respectively.



Interest Rates (basis points)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
90 Day NZ Bank Bill	2.93	23	22	13	15	-524	-409	-393
10 Year NZ Govt Bond	5.54	-38	-24	-36	-25	-82	-18	-150
10 Year US Govt Bond	3.31	-38	-30	10	-16	-159	-69	-298

**NZ Equities**

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	3,061	-6.8%	-3.0%	-2.1%	10.7%	-10.7%	0.2%	5.7%

Equities suffered in NZ, just as they did globally. The NZX50 decreased 6.8%, the worst monthly result since February 2009. Telecom which makes up 28% of the NZX50 (and the largest company in the index) fell 9.8% to an all time low of \$1.85, after announcing the company could split off its network division - Chorus.

*The information contained in this report is given in good faith and has been derived from sources believed to be accurate. However neither TMF Limited ("TMF") and its associated companies nor any of their employees or directors gives any warranty of reliability or accuracy nor accepts any responsibility arising in any other way for errors or omissions.*

Ryman Healthcare (-0.9%) was one of the better performers in NZ. The retirement village developer and operator announced an annual profit of \$78.4m. The company says the good result was due to the decision to continue investing through the economic downturn. Ryman is currently building at seven of its retirement villages.

### Australian Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
ASX200 (Local)	31,422	-7.5%	-3.5%	-4.1%	20.8%	-7.1%	6.1%	8.1%
ASX200 (NZD)		-10.2%	-6.3%	-6.4%	19.8%	-3.9%	9.4%	8.0%

The ASX200 fell 7.5% in May (-10.2% in NZD). Early in May mining stocks suffered as the government announced a new tax on profits for mining companies. This saw Rio Tinto and BHP Billiton share prices fall by 6% & 4%. Speculation late in the month that the government may need to re-evaluate this policy led to rebounds in mining stock prices.

On 5 May, the RBA raised the cash rate 25bp to 4.5%. This direction was taken after announcements of an increase in forecast global growth, and increasing inflation expectations.

### International Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
MSCI World (Local)	1,932	-7.6%	-1.3%	0.6%	16.3%	-10.5%	0.6%	-1.3%
MSCI World (NZD)		-3.3%	-2.0%	0.3%	4.5%	-8.4%	1.9%	-4.1%

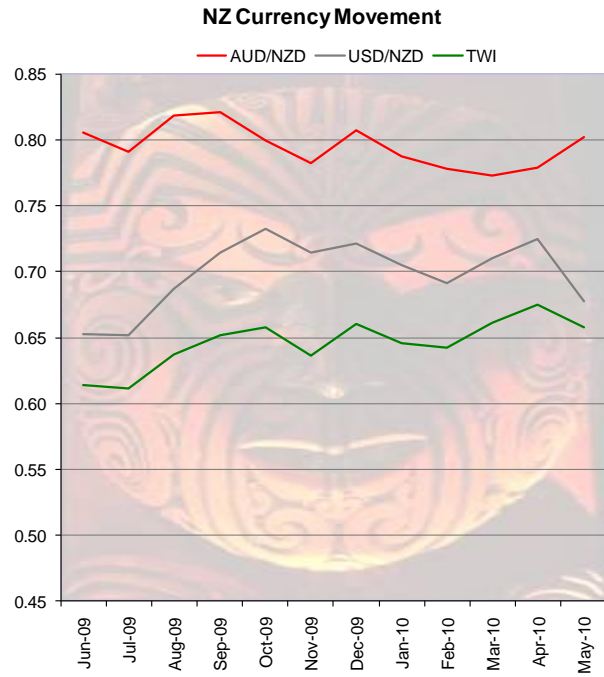
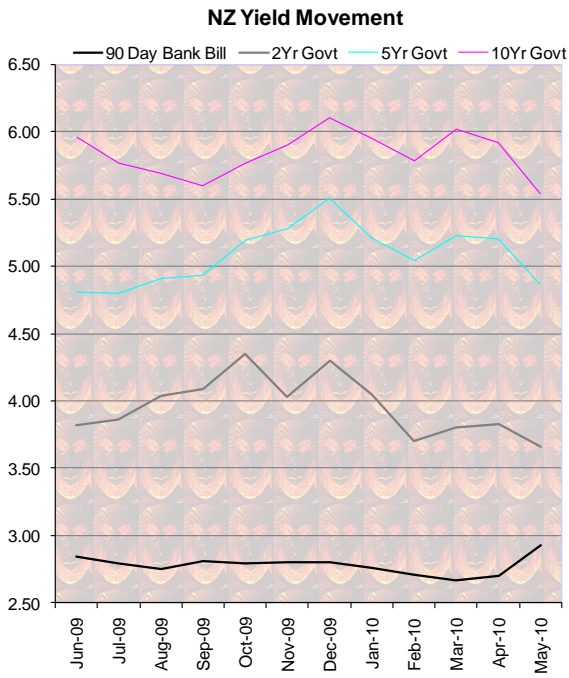
Interest rates fell globally as demand headed away from equities and into the safety of government bonds (in particular US Treasuries). The MSCI had a negative return of 7.6% (-3.3% in NZD) paring back gains made in recent months.

A rescue package was confirmed for Greece totalling EUR110b. Euro governments will provide \$80bn in 3 year package and the International Monetary Fund (IMF) will provide the remaining \$30bn. Greece was required to undertake austerity measures (dramatically cut costs) and the European Central Bank announced they would support European sovereign bonds.

The Greek crisis turned to global worries about European sovereign debt overshadowing any positive global data released in May. Concerns about the spread of the European Sovereign debt crisis focused attention on the debt problems in Europe. World equity markets suffered from the growing uncertainty, as investors moved away from risk. In addition Germany contributed to the instability with the ban on short selling mid month, triggering a further exit from equities.

Property (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	1,928	-6.9%	-5.7%	-4.1%	12.3%	-8.5%	1.8%	8.5%
ASX200 Property (Local)	19,044	-4.1%	-0.6%	1.3%	27.0%	-24.9%	-7.0%	3.3%
ASX200 Property (NZD)		-6.8%	-3.4%	-1.1%	26.0%	-22.3%	-4.1%	3.2%
Currencies (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
AUD / NZD	0.8018	3.0%	3.0%	2.5%	0.8%	-3.3%	-3.0%	0.1%
USD / NZD	0.6774	-6.5%	-2.0%	-5.2%	8.7%	-2.5%	-1.0%	4.0%
NZ TWI	65.8	-2.5%	2.5%	3.5%	10.6%	-2.6%	-1.5%	2.5%
Commodities (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US\$/WTI)	73.97	-14%	-7%	-4%	12%	5%	7%	10%
CRB Index	254.8	-8%	-7%	-8%	1%	-6%	-3%	1%

The information contained in this report is given in good faith and has been derived from sources believed to be accurate. However neither TMF Limited ("TMF") and its associated companies nor any of their employees or directors gives any warranty of reliability or accuracy nor accepts any responsibility arising in any other way for errors or omissions.



Sources: ANZ National Bank, First NZ Capital, TMF Limited.

The information contained in this report is given in good faith and has been derived from sources believed to be accurate. However neither TMF Limited ("TMF") and its associated companies nor any of their employees or directors gives any warranty of reliability or accuracy nor accepts any responsibility arising in any other way for errors or omissions.