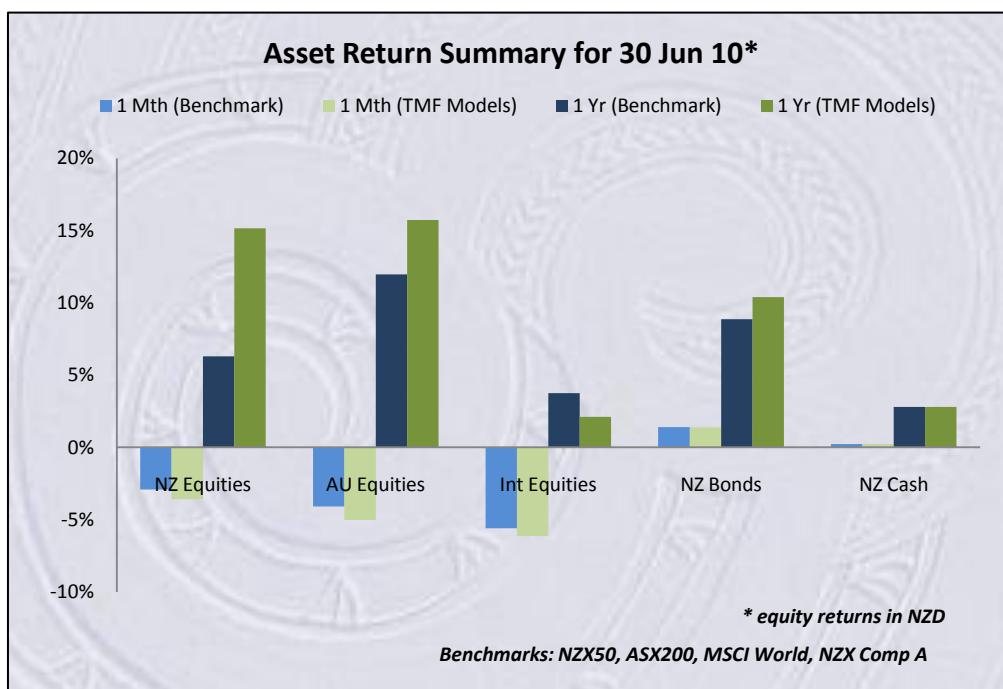


He weweu takitini, he pū takitahi
One seed, many outgrowths; all great things start from something small

TMF Limited: Tirohanga ki te makete mō Pipiri 2010

Market Overview



Early in June, equity markets stabilised after dramatic falls in May. Volatility then returned to markets, reflecting concerns over European sovereign debt and global growth prospects (US and China).

-  NZ Fixed Interest: up 1.4%
-  NZ Equities: down -2.9%
-  Australian Equities: down -4.1%
-  International Equities: down -5.6%

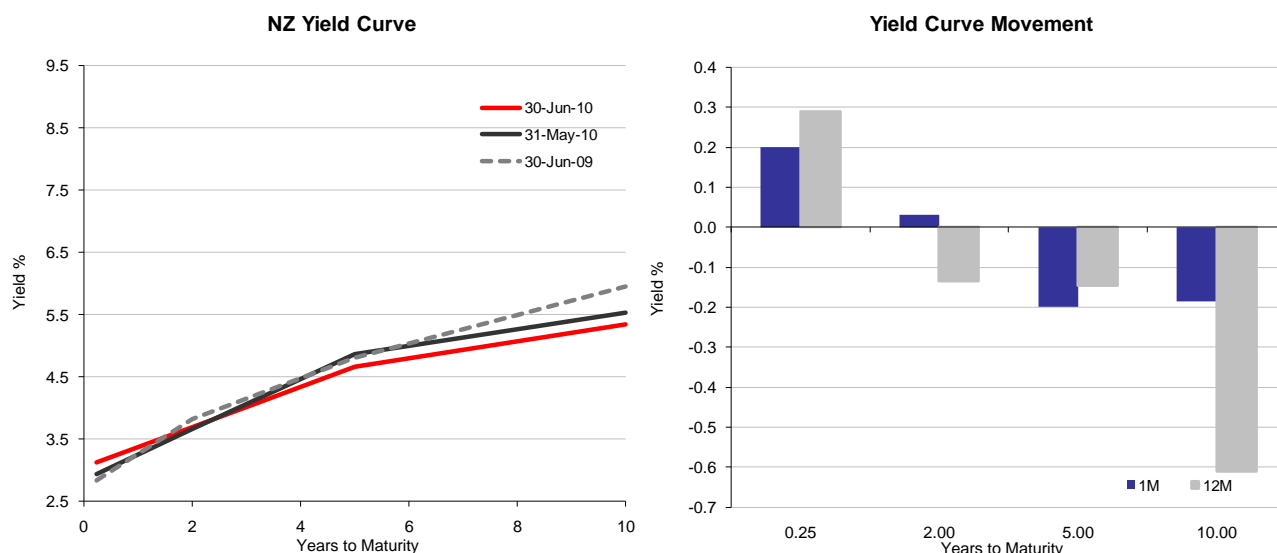
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NZ Cash & Fixed Interest

Bonds (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	571.01	0.2%	0.7%	1.4%	2.8%	6.0%	6.7%	6.4%
NZX Govt Bond Index	1,144.11	1.3%	3.4%	5.7%	8.2%	9.0%	6.8%	6.9%
NZX Composite A Grade	3,149	1.4%	3.2%	5.7%	8.9%	9.2%	7.0%	7.1%

High demand for and limited supply of quality corporate bonds (fixed interest) assisted the performance of the Composite A Grade Index. In addition, global uncertainty attracted more investors into the relative safe haven of government bonds, illustrated by the fall in the NZ Yield Curve for June. The performance of both corporate and government bonds continue to benefit from this uncertainty.

The RBNZ took its first step in tightening monetary policy by raising the official cash rate 25 basis points to 2.75%. Positive economic data released in recent months has led the RBNZ to believe that NZ is firmly, albeit gradually on the way to recovery. The bank believes the stimulus for the economy provided by low interest rates is no longer as necessary. The RBNZ is expecting higher export prices and volume growth, improvement in the labour market, and increases in residential and business investment to drive economic growth over the next couple of years.



Interest Rates (basis points)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
90 Day NZ Bank Bill	3.13	20	46	33	29	-523	-389	-371
10 Year NZ Govt Bond	5.35	-19	-67	-75	-61	-136	-37	-142
10 Year US Govt Bond	2.97	-34	-87	-88	-56	-206	-97	-306

NZ Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	2,972	-2.9%	-9.1%	-8.0%	6.3%	-11.1%	-1.8%	5.0%

The NZX50 followed the trend of equity markets globally falling 2.9% in June. These falls were largely driven by global fear and negative market sentiment, as opposed to NZ company performance. The majority of shares in the NZX50 had negative returns for the month. Telstra (+8.9%) was the best performer after news a 'heads of agreement' was signed with NBN Co. (see Australian Equities).

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Michael Hill International (-2.8%) the retail jewellery chain, announced it would be closing half of its US stores at the end of the month, scaling back its operation in the US. The company has had a 20 month test in the US at a very difficult time, the US arm is expected to post a US\$6m loss for the 2009/10 financial year.

Australian Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
ASX200 (Local)	30,610	-2.6%	-11.1%	-9.9%	13.1%	-7.9%	4.5%	7.0%
ASX200 (NZD)		-4.1%	-15.7%	-10.7%	12.0%	-4.4%	7.1%	6.5%

Equities in Australia fell 2.6% in June, again following global markets over the month. Australia's new Prime Minister provided hope for mining stocks that there would be an amendment to the proposed super profits mining tax. Mining stocks responded positively to the possible changes. More detail on the tax was to be announced in early July.

Telstra was one of the few shares in Australia to have a positive return in June. The company signed a non-binding agreement with NBN Co for the use of Telstra's infrastructure and migration of its customers to the new high speed national broadband fibre network. NBN Co is owned by the Australian Government and the deal is expected to be worth \$9b.

International Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
MSCI World (Local)	1,851	-4.2%	-11.2%	-7.1%	11.5%	-11.5%	-0.6%	-1.9%
MSCI World (NZD)		-5.6%	-10.5%	-6.1%	3.7%	-8.3%	0.3%	-4.8%

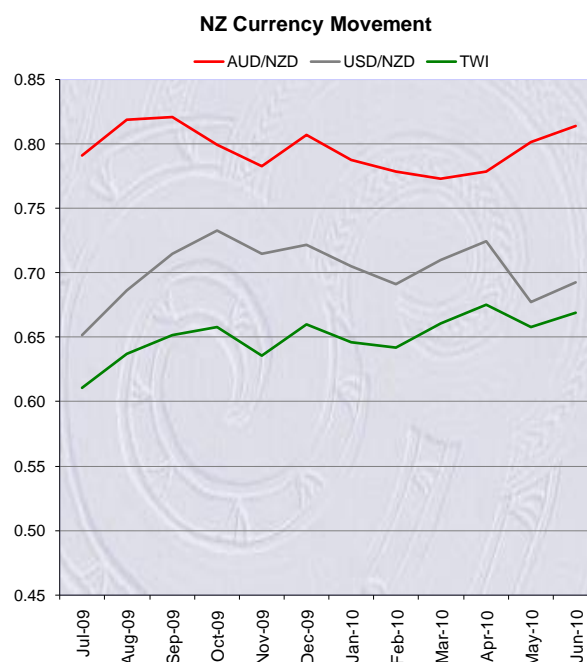
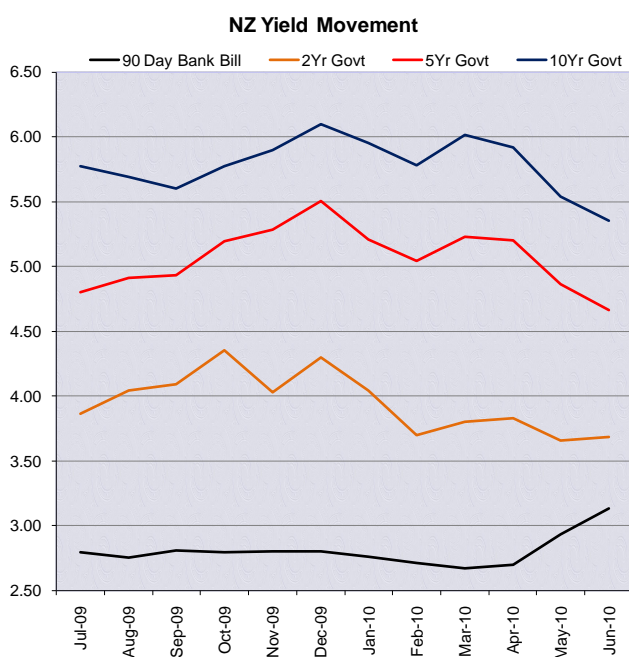
International Equities fell 4.2% (5.6% in NZD) in June and there were three themes that followed through the month, European Sovereign debt, BP and the Soccer World Cup!

Early in June equity markets appeared to stabilise, before volatility returned and remained throughout the month. The soccer world cup managed to overshadow some news, however for the likes of BP not enough. BP is currently tackling the largest oil spill in US history and the company has agreed with the US government to put \$20 billion into a fund to help with damage claims from the oil spill. BP is influencing negative sentiment for energy stocks which make up 10% of the MSCI World Index.

European Sovereign debt also remained in the headlines, this time rumours spread over concern about Spain. Officials squashed these rumours and a Spanish government bond sale was well supported. Across the EU, governments are trying to cut government deficits and increase public sector savings. France has increased the retirement age to 62 from 60, increased Capital Gains Tax and tax for high income earners.

China announced an increase in flexibility with its currency peg to the US dollar. This was considered positive by the market for growth prospects. Indications that Chinese growth rates may be slowing, coupled with falling US consumer confidence led to a further sell off in equities in the final days of the month.

Property (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	1,950	1.2%	-4.4%	-6.9%	10.6%	-9.2%	1.9%	8.3%
ASX200 Property (Local)	18,884	-0.8%	-1.3%	-2.8%	20.4%	-23.8%	-8.0%	2.9%
ASX200 Property (NZD)		-2.4%	-6.4%	-3.7%	19.2%	-21.0%	-5.8%	2.5%
Currencies (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
AUD / NZD	0.8143	1.6%	5.4%	0.9%	1.1%	-3.6%	-2.4%	0.5%
USD / NZD	0.6929	2.3%	-2.4%	-4.0%	6.2%	-3.4%	-0.2%	4.0%
NZ TWI	66.9	1.7%	1.2%	1.4%	9.0%	-3.7%	-1.1%	2.6%
Commodities (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US\$/WTI)	75.63	2%	-10%	-5%	8%	2%	6%	9%
CRB Index	258.5	1%	-5%	-9%	3%	-6%	-3%	1%



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

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