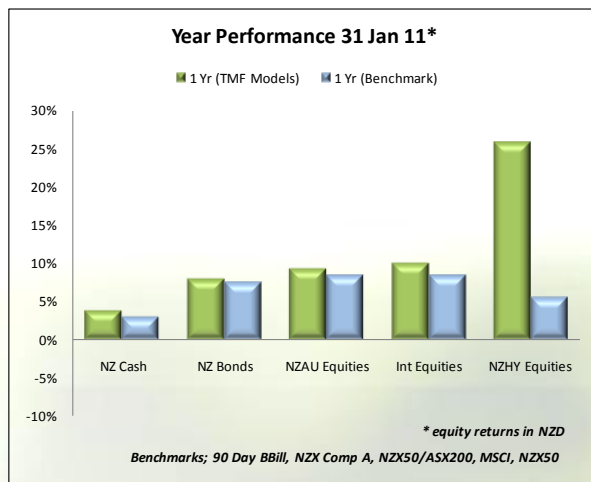
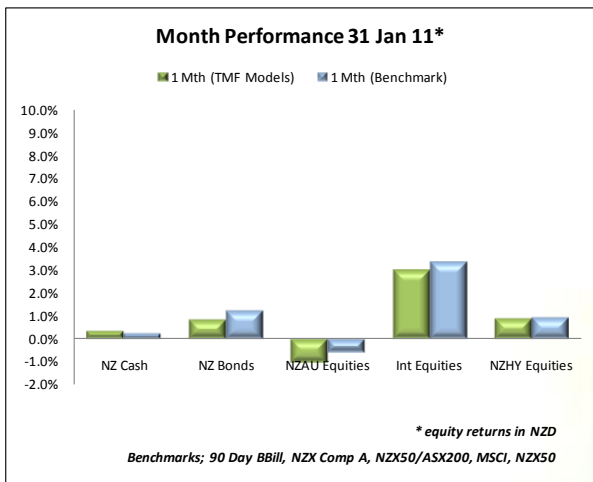





**He weuweu takitini, he pū takitahi**  
(One seed, many outgrowths; all great things start from something small)

**TMF Limited: Tirohanga ki te makete mō Kohi tātea 2011**

**Market Overview**



The new year started with confidence in January, with all markets showing positive returns except Australia (affected by the tragic floods in Queensland). A strong corporate reporting season in the US and easing European Sovereign debt concerns assisted equity markets. Egypt’s turmoil came into the spotlight at month end leading to risk aversion in the final days of the month.

-  NZ Fixed Interest: up 1.2%.
-  NZ Equities: up 0.9%.
-  Australian Equities: down 2.1%.
-  International Equities: up 3.3%.

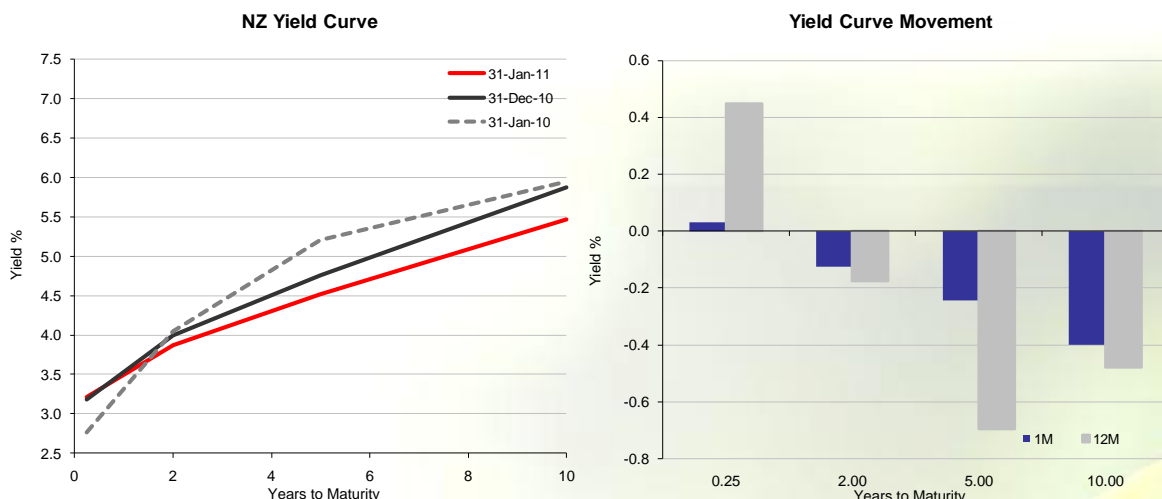
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**NZ Cash & Fixed Interest**

Bonds (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	581.57	0.2%	0.8%	1.6%	3.0%	4.8%	6.2%	6.2%
NZX Govt Bond Index	1,174.62	1.4%	0.7%	2.1%	7.0%	8.1%	6.6%	6.5%
NZX Composite A Grade	3,241	1.2%	0.9%	2.3%	7.3%	8.7%	7.0%	6.6%

The RBNZ left the cash rate on hold in January at 3%. The theme followed the December announcement, with the RBNZ requiring firm evidence the economy is recovering before raising the OCR.

Interest rates fell in January (positive for bondholders). Strong demand for NZ government bonds (+1.4%) from offshore markets led to falling yields and increasing prices for bonds in the secondary market. Government bonds (1.4%) outperformed Corporate bonds (+0.7%), however demand for Corporate bonds remains strong as there is currently limited new issuance.



Interest Rates (basis points)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
90 Day NZ Bank Bill	3.21	3	2	-6	43	-554	-436	-327
10 Year NZ Govt Bond	5.47	-40	24	16	-53	-84	-34	-62
10 Year US Govt Bond	3.42	12	79	48	-21	-25	-111	-177

**NZ Equities**

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	3,339	0.9%	1.0%	10.0%	5.5%	-3.1%	-0.1%	6.2%

Mixed economic data was released in NZ in January, weak housing and retail sales data was balanced by improving business and consumer confidence. The weak retail sales data was reflected by the lower sales results for The Warehouse Group for December, down 2.7% on the same period last year.

Fletcher Building (+0.9%) continued its takeover offer for Crane Group, with the market taking this as a positive. Telecom (+5.1%) continues to be in the frame for the Ultra Fast Broadband roll out after being selected for preferred negotiations in December.

Shares that helped our portfolio: Mainfreight (4.4%), Ryman Healthcare (4.3%)  
 Shares that hurt our portfolio: Cavotec (-6.3%), Wakefield Health (-3.3%)

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## Australian Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
ASX200 (Local)	34,582	-0.5%	2.7%	8.1%	8.5%	-1.3%	3.6%	8.0%
ASX200 (NZD)		-2.1%	3.3%	12.0%	11.0%	3.0%	7.0%	8.4%

The devastating January floods in Queensland caused extensive damage, with an estimated cost of AUD5.6bn. The floods have had a major impact on the Australian economy with mining, farming, tourism and manufacturing all being affected. As a result the ASX200 was negative for January. Wotif (-16.2%) the online accommodation provider is based in Queensland and the share price has suffered as a result of the flooding affecting tourism in the near term.

Shares that helped our portfolio: UGL (3.0%), Westpac (1.9%)

Shares that hurt our portfolio: Ramsay Healthcare (-5.4%), Wotif (-16.2%)

## International Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
MSCI World (Local)	2,233	1.9%	7.3%	14.1%	16.3%	-1.9%	0.3%	0.7%
MSCI World (NZD)		3.3%	6.6%	10.3%	8.3%	-1.0%	-0.5%	-3.2%

Global equity markets started the year on a positive note due to an improving picture in the US and easing concern over European sovereign debt. A strong corporate reporting season in the US, led support to expectation the US recovery is building momentum. Over 50% of companies outperformed brokers profit estimates. As a result comfort continues to return to equities, with investors shifting away from bonds and into equities (leading to rising interest rates in US). There has also been diversion of equity funds from the emerging markets into the developed markets. The threat of inflation is an issue for the recently rapidly growing emerging markets and the valuation of the developed markets is relatively more attractive, particularly as their economy is recovering.

The political turmoil in Egypt came in to the spotlight at the end of month. Equities suffered as anti-government rioting prompted investors to flee risky assets (equities). The market is concerned with the contagion impact in the region, the risk of fuel supply, shipping cargo flow and the geopolitical risk of the incoming government.

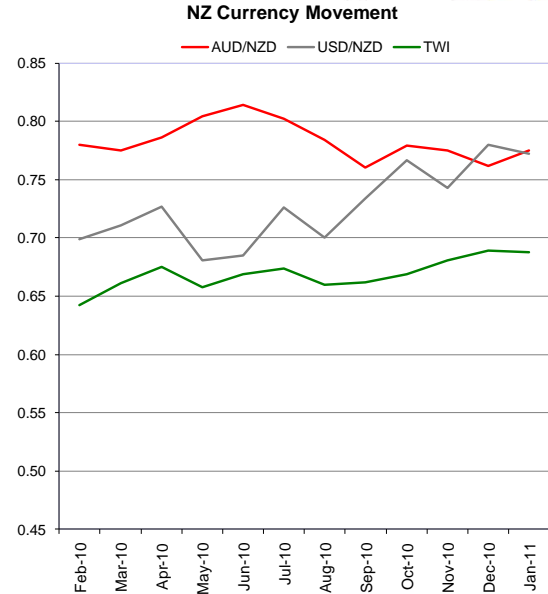
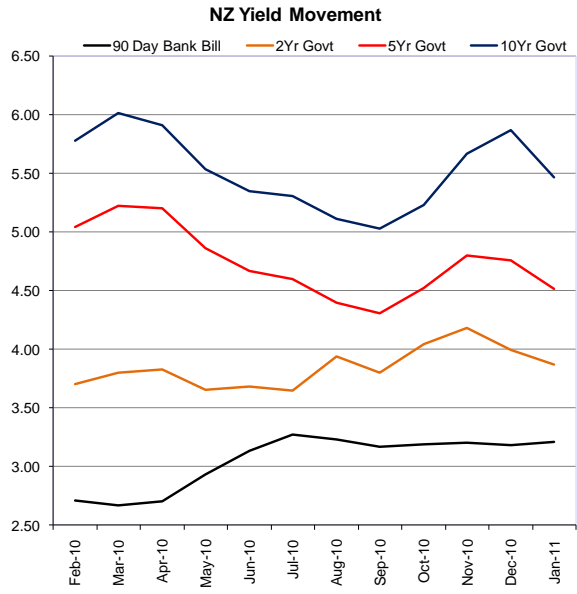
Shares that helped our portfolio: Potash (+16.0%), Exxon Mobil (11.4%)

Shares that hurt our portfolio: Xstrata (-4.6%), Anglo American (-4.85%)

Property (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	2,173	0.3%	-1.4%	9.6%	7.4%	-1.4%	2.1%	8.5%
ASX200 Property (Local)	860	2.4%	0.1%	0.9%	-1.3%			
ASX200 Property (NZD)		0.7%	0.6%	4.6%	1.0%			
Currencies (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
AUD / NZD	0.7748	1.7%	-0.6%	-3.5%	-2.3%	-4.1%	-3.2%	-0.4%
USD / NZD	0.7720	-1.0%	0.7%	6.3%	10.1%	-0.5%	2.5%	5.8%
NZ TWI	68.8	-0.1%	2.8%	2.1%	6.5%	-1.4%	-0.3%	3.1%
Commodities (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US\$/WTI)	92.19	3%	13%	17%	26%	0%	6%	12%
CRB Index	341.4	3%	14%	24%	29%	-3%	0%	4%

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# TAUPO MOANA FUNDS



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