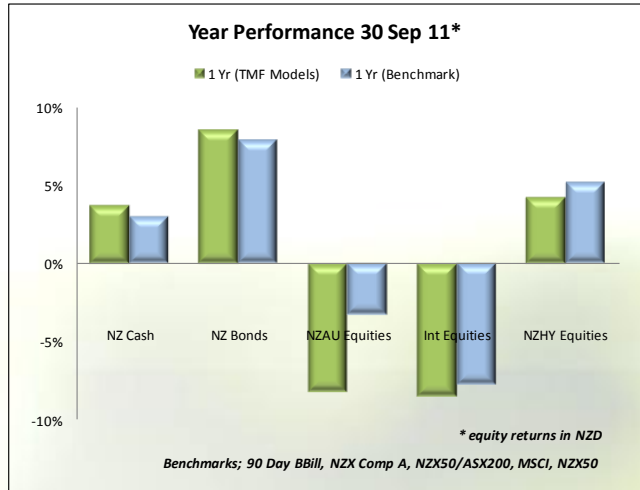
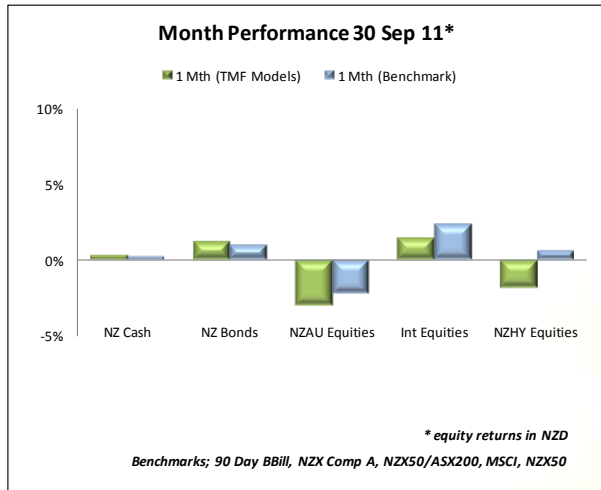






He weuweu takitini, he pū takitahi
(One seed, many outgrowths; all great things start from something small)

TMF Limited: Tirohanga ki te makete mō Mahuru 2011

Market Overview



September was a topsy turvey month with sensitive markets once again reacting to every news story, ultimately resulting in ‘risk off’ or selling equities for the month. The European sovereign debt crisis continued to be the dominant concern for markets in September. Equities saw negative returns, although the weakening NZD helped turned this into a positive number for international equities when converted to NZD. Fixed interest benefitted from the selloff in equities, with interest rates going even lower in September.

- 
NZ Fixed Interest: up 1.0%
- 
NZ Equities: up 0.6%
- 
Australian Equities: down -4.9% (NZD), down -6.1% (local currency).
- 
International Equities: up 2.4% (NZD), down -6.1% (local currency).

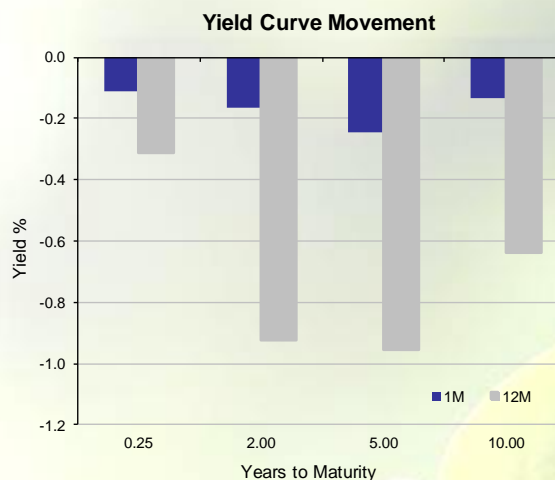
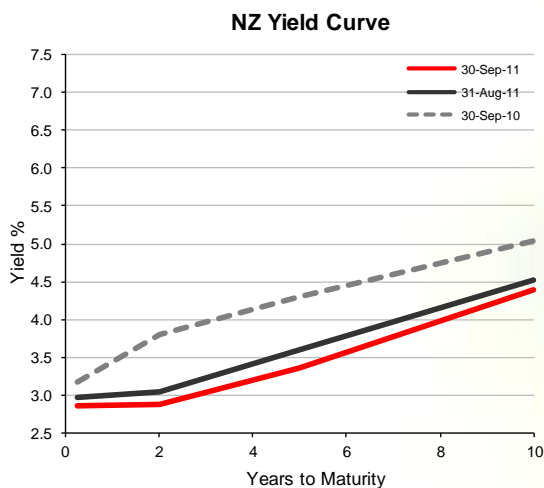
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NZ Cash & Fixed Interest

Bonds (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	592.78	0.2%	0.7%	1.4%	3.0%	3.5%	5.5%	5.9%
NZX Govt Bond Index	1,264.36	0.9%	3.5%	6.8%	7.8%	8.0%	7.5%	6.9%
NZX Composite A Grade	3,481	1.0%	3.2%	6.2%	7.9%	8.4%	7.8%	7.0%

Interest rates fell in September as a result of the European sovereign debt crisis undermining investor confidence and expectation of a weak global economy. Fixed interest portfolio's had positive returns as investors fled equities to the relative safety of fixed interest. As a result of global economic uncertainties, the RBNZ kept the Official Cash Rate (OCR) on hold at 2.5% and lowered its growth forecasts. The RBNZ still expects to raise the OCR at some point, although markets now expect the next increase to be well into 2012, giving the RBNZ time to assess the impact of global risks on economic activity in NZ.

Economic growth for the second quarter of 2011 came in lower than expected at 0.1%, however the annual figure remains a solid 1.5%. The lower than expected result surprised markets and drew attention to the sectors where there is weakness, highlighting the current struggle of the construction sector while they wait for the start of the Canterbury rebuild. NZ's sovereign credit rating was also cut by two of the ratings agencies by one notch to AA, as the credit agencies expressed concern over high levels of external debt.



Interest Rates (basis points)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
90 Day NZ Bank Bill	2.86	-11	19	23	-31	-510	-476	-241
10 Year NZ Govt Bond	4.39	-14	-65	-124	-64	-126	-128	-205
10 Year US Govt Bond	1.92	-31	-126	-155	-61	-193	-272	-268

NZ Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	3,343	0.6%	-3.0%	-2.8%	5.2%	2.7%	-1.4%	6.8%

NZ equities weathered the September storm better than global counterparts, with a small positive return, 0.6%. The relatively positive outlook for economic recovery in NZ sheltered our relatively small market. Telecom (+3.9%) the largest company in the index, also boosted our performance as the share price continued to benefit as a result of involvement with the governments Ultra Fast Broadband project.

Shares that helped our portfolio: Diligent (+10.9%), Sky TV (+3.3%)

Shares that hurt our portfolio: Pacific Edge Limited (-9.2%), Michael Hill international (-6.7%)

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Australian Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
ASX200 (Local)	30,239	-6.1%	-11.6%	-15.1%	-8.6%	-0.1%	-0.7%	7.2%
ASX200 (NZD)	0	-4.9%	-13.2%	-20.6%	-11.7%	2.4%	1.4%	7.7%

Equities in the growth sensitive Australian market fell 6% in September, following risk aversion (selling equities) in international equity markets. Fear the global economy may be heading for recession, coupled with concerns for a slowdown in China put pressure on resource company share prices (Rio Tinto -13.7%, BHP -9.4%). The resources sector is sensitive to economic sentiment and is dependent on a strong economy to maintain raw material prices.

The RBA kept the OCR on hold at 4.75%, signalling economic growth may slow, with economic activity weak outside of the resources sector. Due to the weaker outlook, the market is now pricing in cuts to the OCR over the next 12 months.

Shares that helped our portfolio: Ramsay Healthcare (+9.8%), ASX (+5.9%)

Shares that hurt our portfolio: Rio Tinto (-13.7%), Iress Market Technology (-10.8%)

International Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
MSCI World (Local)	1,921	-6.1%	-14.8%	-15.3%	-5.0%	-1.3%	-3.6%	1.9%
MSCI World (NZD)	0	2.4%	-9.3%	-16.2%	-7.7%	-4.9%	-5.1%	-2.7%

Two major concerns remain centre stage and continue to create volatility and risk aversion in international equity markets:

- European sovereign debt crisis
- Concerns for global growth

For Europe: There is a frustration in markets at the lack of progress & resolution to the crisis by politicians in Europe. For this reason, the debt concerns continue to weigh on market sentiment. A sensitive market is reacting to every piece of news out of Europe. Greece is the focus and whether it can meet conditions required for its next bailout. If it does not receive new funding from the TROIKA (European Central Bank, International Monetary fund, European Union), Greece will default on its debt payments. The market is concerned of its impact on banks and the risk other countries will be affected.

For global growth: Signs of slowing growth in developed economies, increased concerns for global growth during September. Soft data from the US, including the unemployment rate remaining at 9.1%, laid the platform for the announcement of the 'Twist' operation by the Federal Reserve (central bank of the US). The central banks plans to sell short term securities and buy longer term fixed interest, with the effect of 'twisting' (flattening) the yield curve. The aim is to lower longer term interest rates (as these are the basis for lending/mortgage rates) to lower the cost of borrowing for individuals and corporates. Markets were disappointed with the announcement and had been hoping for more in the form of stimulus for the economy. There is feeling that the policy is unlikely to succeed.

Continued risk aversion throughout September resulted in a weakened NZD versus the USD, ending the month at 0.78 cents from 0.85 a month earlier. This resulted in positive performance for international equities when converting the asset value to NZD.

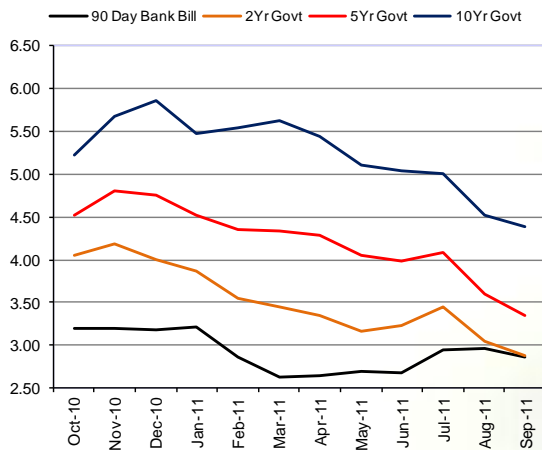
Shares that helped our portfolio: Wellpoint (+16.0%), Oracle (+14.7%)

Shares that hurt our portfolio: Xstrata (-18.3%), Potash Corp of Saskatchewan (-16.5%)

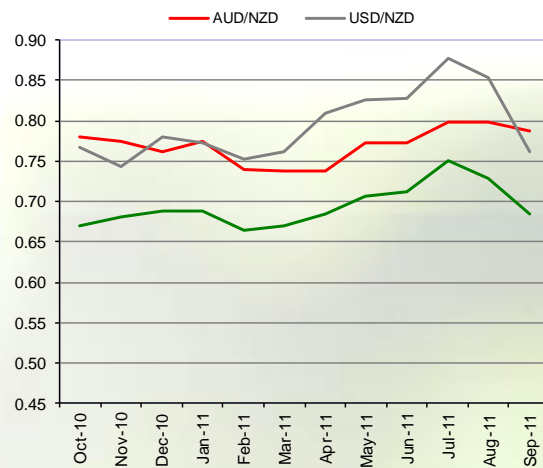
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Property (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	2,419	1.9%	1.6%	9.2%	15.0%	5.3%	2.1%	9.2%
ASX200 Property (Local)	763	-4.7%	-9.5%	-11.4%	-11.7%	-17.7%	-18.9%	-5.7%
ASX200 Property (NZD)	0	-3.4%	-11.1%	-17.1%	-14.8%	-15.6%	-17.1%	-5.3%
Currencies (%change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
AUD / NZD	0.7876	-1.3%	1.9%	6.9%	3.6%	-2.5%	-2.1%	-0.4%
USD / NZD	0.7610	-10.8%	-8.1%	0.0%	3.7%	5.1%	3.1%	6.6%
NZ TWI	68.4	-6.0%	-3.9%	2.2%	3.3%	2.6%	0.8%	3.7%
Commodities (%change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US\$/WTI)	79.20	-11%	-17%	-26%	-1%	-8%	5%	13%
CRB Index	298.2	-13%	-12%	-17%	4%	-5%	0%	5%

NZ Yield Movement



NZ Currency Movement



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