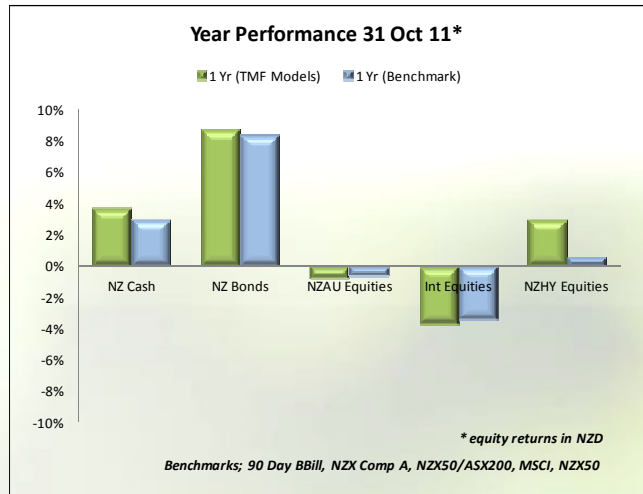
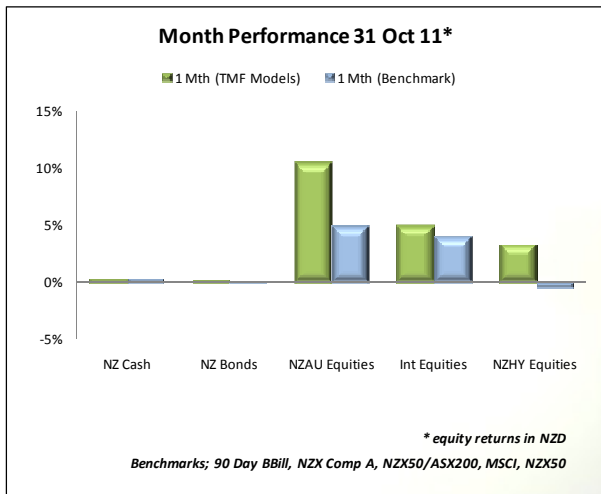


He weuweu takitini, he pū takitahi
(One seed, many outgrowths; all great things start from something small)

TMF Limited: Tirohanga ki te makete mō Whiringa ā nuku 2011

Market Overview



October saw another chapter in the volatile Europe saga. This month however, it was ‘risk on’. Signs of progress by politicians to address the regions debt problems gave investors comfort to return to ‘higher risk’ equity markets. Most equity markets saw positive returns, which have been a rare occurrence lately due to global volatility. For NZ, local data took a back seat to global issues, with the RBNZ staying on the sidelines and holding the Official Cash Rate at 2.5%.



NZ Fixed Interest up 0.1%



NZ Equities: down -0.5%



Australian Equities: up 10.3% (NZD), up 7.2% (local currency).



International Equities: up 4.0% (NZD), up 8.5% (local currency).

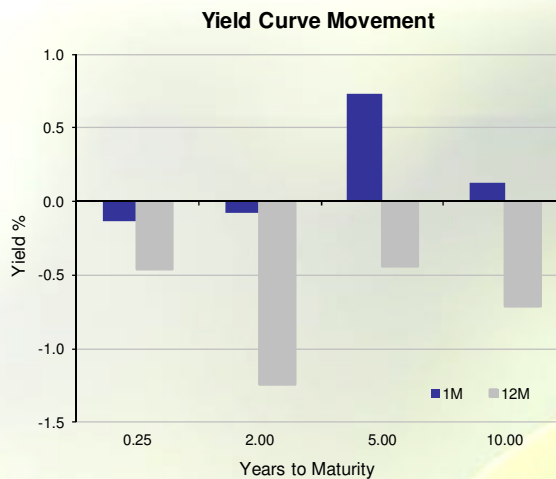
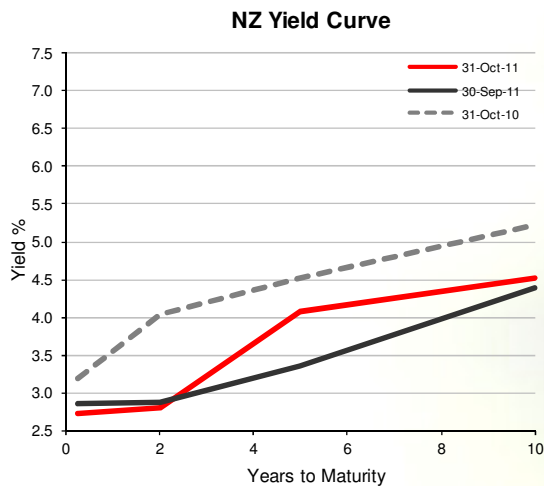
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NZ Cash & Fixed Interest

Bonds (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	594.24	0.2%	0.7%	1.4%	3.0%	3.3%	5.4%	5.9%
NZX Govt Bond Index	1,265.29	0.1%	3.0%	5.8%	8.5%	8.2%	7.5%	6.7%
NZX Composite A Grade	3,484	0.1%	2.8%	5.3%	8.4%	8.5%	7.7%	6.9%

Risk aversion fell in October as concerns eased over the Eurozone crisis. This resulted in a lift in long term interest rates, which reduced the return for fixed interest (NZX Composite A grade 0.1%). This is a reversal of previous months where global uncertainty has led fixed interest to be the recipient of safe haven demand and higher positive returns.

Short term interest rates remain anchored by the RBNZ’s decision in October to leave the Official Cash Rate (OCR) on hold at 2.5%. Global events remain a key focus for the RBNZ, however the slowing in momentum of recent domestic data was noted. Weaker than expected inflation results for the third quarter also gave the RBNZ more time, before the next OCR rise is required (*the OCR is used as a tool to influence economic activity and hence influence inflationary pressure*). The RBNZ still intends to lift the OCR at some point if global uncertainty improves, we expect the next increase to be well into 2012.



Interest Rates (basis points)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
90 Day NZ Bank Bill	2.73	-13	-22	5	-46	-441	-487	-220
10 Year NZ Govt Bond	4.52	13	-49	-92	-71	-150	-124	-164
10 Year US Govt Bond	2.17	25	-65	-115	-46	-184	-244	-213

NZ Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	3,325	-0.5%	-2.1%	-5.5%	0.6%	5.6%	-2.6%	6.0%

Negative returns from two of the largest companies in the NZ share market, Telecom (-4.0%) and Fletcher Building (-14.2%), influenced the negative return for October. Fletcher Building, Methven and Cavalier all reported weaker sales or earnings during the month. These results highlighted the impact of weaker residential building activity in NZ and Australia. The delayed Christchurch rebuild is also having an impact on the building industry.

Shares that helped our portfolio: Diligent Board Member Services (+59.8%), Pacific Edge Ltd (+31.6%)

Shares that hurt our portfolio: Fletcher Building (-14.2%), Cavalier Corporation (-4.5%)

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Australian Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
ASX200 (Local)	32,431	7.2%	-1.3%	-8.7%	-3.7%	6.9%	-0.2%	7.3%
ASX200 (NZD)		10.3%	3.0%	-12.0%	-2.0%	11.6%	2.3%	8.0%

Equities in Australia followed the global direction in October, reflecting the positive steps taken towards restoring the Greek financial position. Resources, Energy and Financials led the index, as these sectors will benefit the most from restoring global economic health.

An improving inflation outlook in Australia left the door open for the RBA to cut the Official Cash Rate (OCR) in November. Recent weakening in the domestic economy in terms of growth and employment has led to calls for the OCR to be lowered, to provide relief to consumers and businesses.

Shares that helped our portfolio: Myer (+31.6%), Seek (+20.2%)
 Shares that hurt our portfolio: Wotif.com (-4.2%), Woolworths (-1.5%)

International Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
MSCI World (Local)	2,085	8.5%	-4.9%	-10.1%	0.2%	7.7%	-2.6%	2.5%
MSCI World (NZD)		4.0%	1.9%	-11.0%	-3.4%	-0.3%	-4.8%	-2.2%

International equities staged an impressive recovery in October after announcement from EU leaders that they had formed a plan to address the debt crisis. Solid US data also helped improve sentiment, with a pickup in economic growth for the third quarter.

Late in the month EU leaders announced details of what the plan would include:

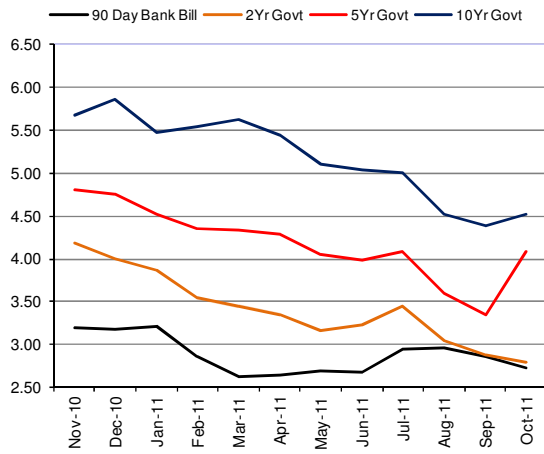
- bondholders take a 50% reduction in capital value on Greek sovereign debt.
- increasing the size of the European Financial Stability Facility to \$1 trillion, designed to stop the threat of contagion across Europe.
- increasing the amount of capital held by European Banks.

After the initial euphoria wore off, markets began to doubt on the last day of the month that these measures would be successful and some gains in equity markets were pulled back. This trend has continued into November. Investors are realising that there is not a quick fix for this situation. We continue to expect volatility in the current sensitive environment.

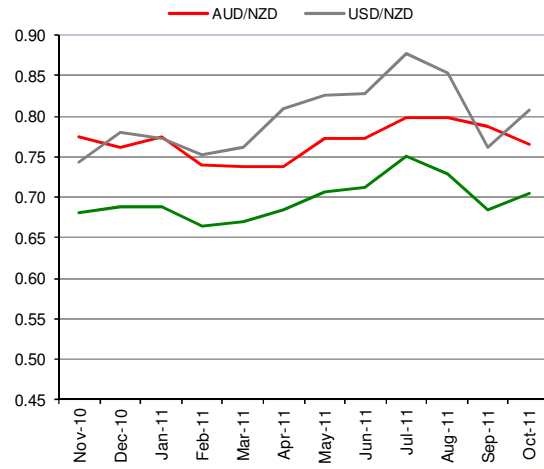
Shares that helped our portfolio: Xstrata (+23.9%), Occidental Petroleum (+22.5%)
 Shares that hurt our portfolio: Johnson & Johnson (-4.7%), PG & E Corporation (-4.4%)

Property (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	2,402	-0.7%	1.0%	5.8%	9.0%	8.5%	1.8%	9.0%
ASX200 Property (Local)	791	3.7%	0.5%	-8.3%	-8.0%	-8.2%	-18.4%	-5.7%
ASX200 Property (NZD)		6.6%	4.8%	-11.7%	-6.4%	-4.2%	-16.4%	-5.1%
Currencies (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
AUD / NZD	0.7659	-2.8%	-4.1%	3.8%	-1.7%	-4.2%	-2.4%	-0.7%
USD / NZD	0.8074	6.1%	-8.0%	-0.3%	5.3%	11.1%	3.9%	6.9%
NZ TWI	70.4	2.9%	-6.1%	2.9%	5.2%	5.9%	1.1%	3.6%
Commodities (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US\$/WTI)	93.19	18%	-3%	-18%	14%	11%	10%	16%
CRB Index	319.8	7%	-7%	-14%	6%	6%	1%	6%

NZ Yield Movement



NZ Currency Movement



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