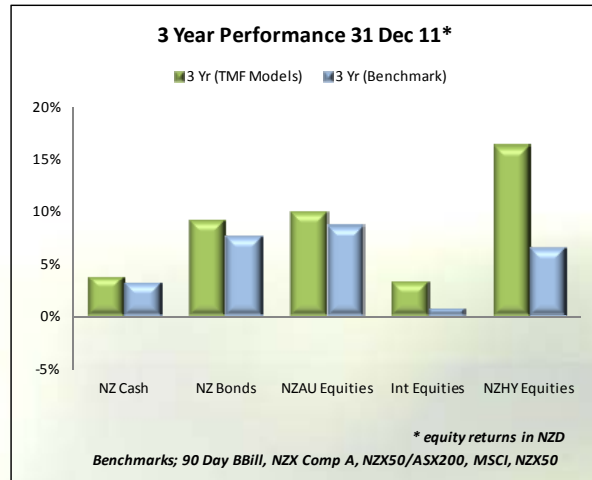
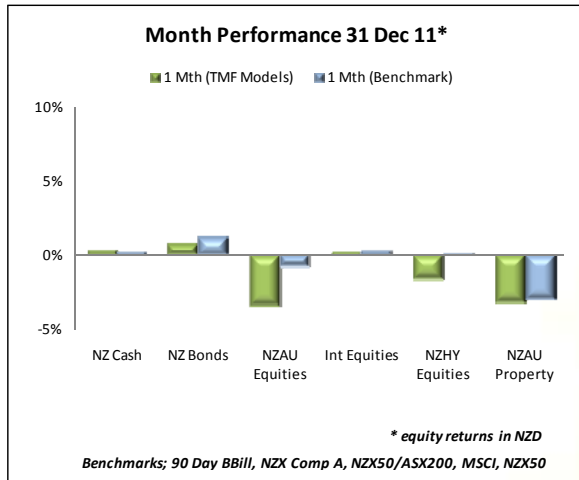


He weuweu takitini, he pū takitahi
(One seed, many outgrowths; all great things start from something small)

TMF Limited: Tirohanga ki te makete mō Hakihea 2011

Market Overview



The European debt crisis continued to dominate headlines in December. Volatile equity markets fell after the EU leaders summit disappointed and then recovered as the European Central Bank provided ‘cheap’ funding for European banks and improving economic data emerged from the US. Global concerns continued to provide strong ‘safe haven’ demand and positive returns for fixed interest. In NZ, the RBNZ left the OCR on hold at 2.5%, with uncertainty in global economic conditions expected to keep our central bank on the sideline until late 2012.

Benchmark Movements:

-  NZ Fixed Interest up 1.3%
-  NZ Equities: up 0.1%
-  Australian Equities: down -1.7% (NZD), down -1.4% (local currency).
-  International Equities: up 0.3% (NZD), up 0.6% (local currency).

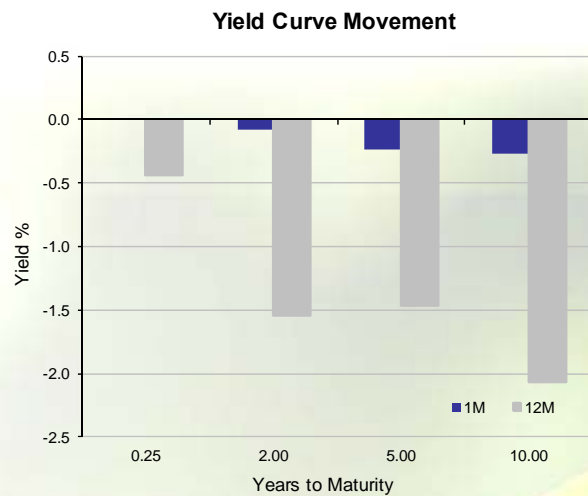
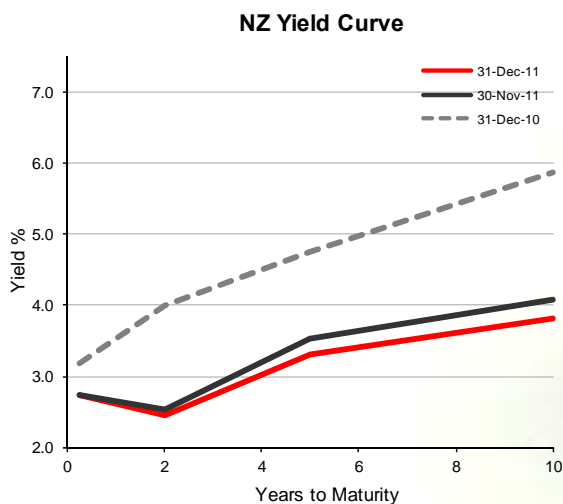
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NZ Cash & Fixed Interest

Bonds (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	596.92	0.2%	0.7%	1.4%	2.9%	3.1%	5.3%	5.9%
NZX Govt Bond Index	1,311.94	1.4%	3.8%	7.4%	13.3%	7.2%	8.2%	7.3%
NZX Composite A Grade	3,599	1.3%	3.4%	6.7%	12.4%	7.5%	8.3%	7.3%

Fixed interest had positive returns for December as Eurozone concerns drove safe haven demand, in particular demand for NZ Government bonds. Yields continued to fall on NZ Government bonds, which ended the year with a positive 13% performance.

The RBNZ left the Official Cash Rate on hold in December at 2.5%. Global concerns over the effects the European debt crisis may have on our economy and global growth, are keeping the RBNZ on hold. Expectations of the next OCR increase have now been pushed well into the second half of 2012. The NZ economy continues on its modest recovery, with third quarter GDP (growth) figures exceeded expectations at 0.8% with a boost from the Rugby World Cup.



Interest Rates (basis points)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
90 Day NZ Bank Bill	2.75	2	-11	8	-43	-236	-499	-211
10 Year NZ Govt Bond	3.81	-27	-58	-123	-206	-81	-213	-299
10 Year US Govt Bond	1.89	-19	-3	-129	-141	-36	-282	-318

NZ Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	3,275	0.1%	-2.1%	-5.0%	-1.0%	6.4%	-4.2%	5.2%

Equities in NZ had a small positive return for the month, to end 2012 down 1%. Retailers (Hallensteins Glassons -6.7%, The Warehouse -5.1%, Kathmandu -29.8%) and the construction industry (Cavalier -11.9%, Methven -4.4%) are struggling as a result of soft demand, especially for those companies linked to Australia. Kathmandu announced in December that it was lowering earnings expectations, reflecting the effects of softer consumer spending and difficult retail conditions.

Shares that helped our portfolio: Freightways (+9.9%), Ryman Healthcare (+4.9%)
 Shares that hurt our portfolio: Pacific Edge Limited (-17.4%), Cavalier Corp (-11.9%)

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Australian Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
ASX200 (Local)	30,879	-1.4%	2.1%	-9.7%	-11.1%	7.6%	-2.3%	6.2%
ASX200 (NZD)		-1.7%	5.6%	-8.3%	-11.1%	11.0%	0.8%	6.8%

Equities in Australia fell 1.4% in December as struggling retailers (Kathmandu, JB Hi-fi, Myer) led the index lower. Continued soft demand is affecting the retail sector reflecting that the non-mining economy in Australia is in a difficult period. The RBA cut the Official Cash Rate by 25 basis points to 4.25% to stimulate the local economy and also due to concerns of the impact that the European debt situation may have on the economy. Increasing unemployment to 5.3% may also put pressure on the RBA to cut rates in the future.

Shares that helped our portfolio: Ramsay Healthcare (+3.5%), Woolworths (+1.6%)

Shares that hurt our portfolio: JB Hi-fi (-27.6%), Myer (-18.9%)

International Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
MSCI World (Local)	2,071	0.6%	7.8%	-8.2%	-5.5%	9.3%	-3.4%	1.7%
MSCI World (NZD)		0.3%	5.3%	-4.5%	-5.3%	0.7%	-4.2%	-2.7%

International equity markets had small positive returns for December after another volatile month of the European Sovereign debt crisis dominating market sentiment.

International equity markets weakened over the first half of December reflecting disappointment at the outcome of the EU leaders summit on December 9. Agreements achieved at the EU leaders summit underwhelmed markets, which had held high expectations and sparked a sell off in equity markets.

This was then offset later in the month on December 21 by a rally in equity markets, sparked by:

- Action from the European Central Bank to provide 'cheap' 3 year loans to European banks. Over 500 European banks borrowed 489 billion euros from the ECB, as the central bank assisted with increasing liquidity in the European banking system.

- A more positive tone to US economic data, with US housing and labour market data beating expectations, boosting optimism about the US economy avoiding a recession.

International Equity markets ended the December quarter up 7.8% after a negative September quarter (-14.8%), to be down -5.5% for the year.

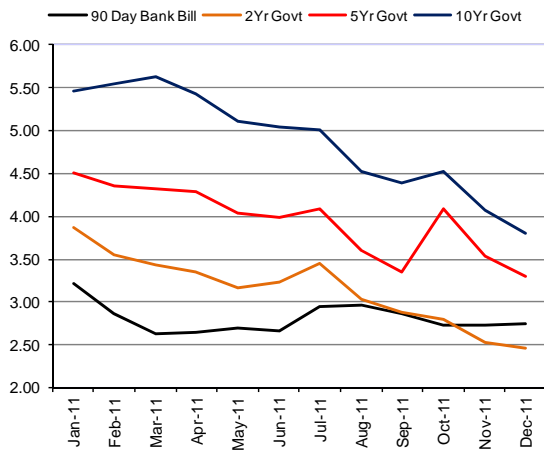
Shares that helped our portfolio: General Electric (+14.0%), Google (+8.1%)

Shares that hurt our portfolio: Oracle (-17.9%), Schlumberger (-9.0%)

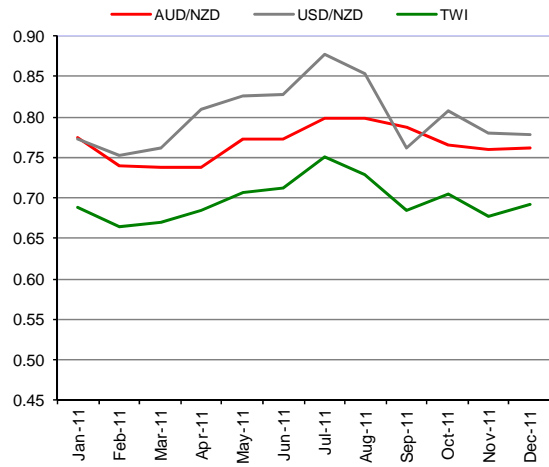
Property (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	2,408	-1.2%	-0.4%	1.2%	11.2%	8.7%	-0.5%	8.2%
ASX200 Property (Local)	778	-4.2%	1.9%	-7.7%	-7.4%	-4.7%	-20.4%	-5.9%
ASX200 Property (NZD)		-4.5%	5.4%	-6.3%	-7.4%	-1.7%	-17.8%	-5.3%
Currencies (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
AUD / NZD	0.7614	0.3%	-3.3%	-1.5%	-0.1%	-3.1%	-3.1%	-0.6%
USD / NZD	0.7777	-0.3%	2.2%	-6.1%	-0.3%	10.4%	2.0%	6.5%
NZ TWI	69.1	1.9%	1.0%	-2.9%	0.3%	7.1%	-0.1%	3.2%
Commodities (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US\$/WTI)	98.83	-2%	25%	4%	10%	30%	10%	17%
CRB Index	305.3	-3%	2%	-10%	-8%	10%	0%	5%

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NZ Yield Movement



NZ Currency Movement



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