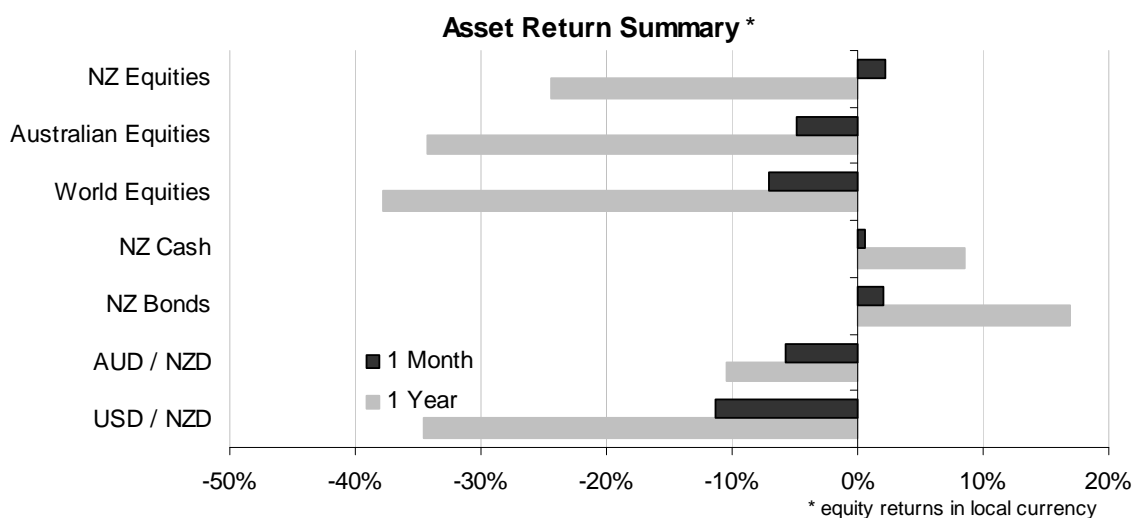


Tūngia te urarau, kia tupu whakaritorito te tupu o te harakeke
(Burn away that which hinders progress so that which is desirable
can grow and flourish)

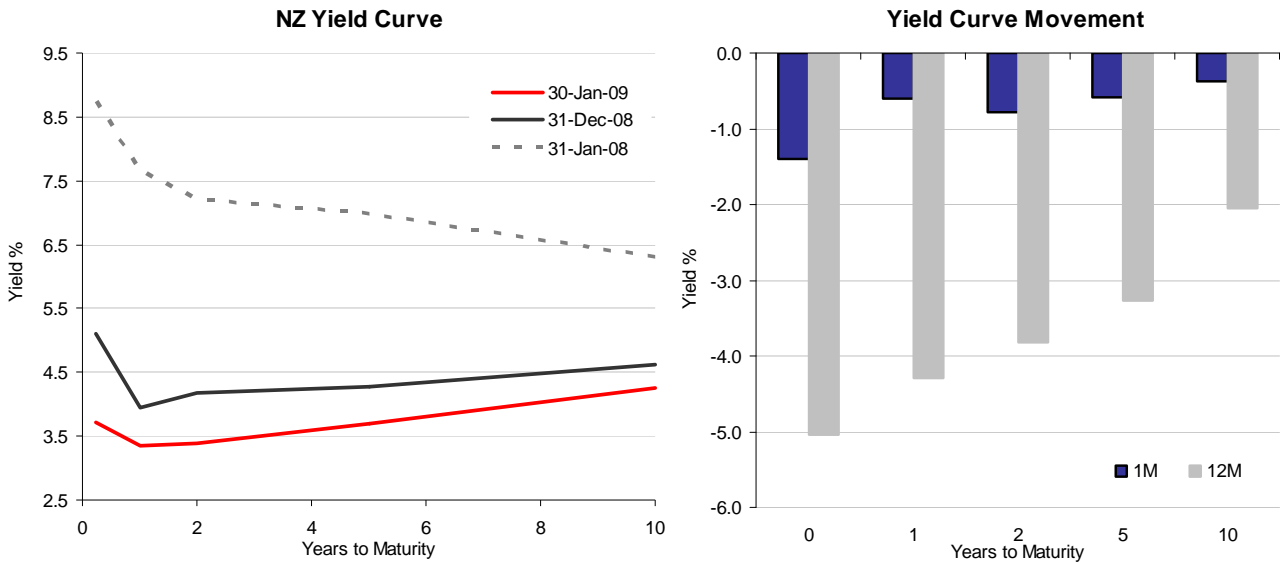
TMF Limited: Monthly Market & Sector Review – January 2009

Market Overview



- The major news item during January 2009 was the cut of the Official Cash Rate (OCR) by the Reserve Bank of New Zealand (RBNZ). The OCR was reduced by 1.50% to 3.50%. It was the second 150 basis point reduction in a row.
- Major reasons for the magnitude of the OCR cut were the deteriorating global economic situation as well as lower inflationary pressures. Further rate cuts were dependent on future economic variables, but were likely to be lower than the 150 basis point move in January.
- Economic commentators are now calling for the OCR to fall somewhere in the range of 2.0 to 2.50% by the middle of the year.
- The New Zealand dollar (NZD) was lower in January, falling from over 0.57 to 0.51. This was a result of the lower interest rates as well as weak economic data.
- NZ equities recovered in January, against the tide of weakening global markets. The NZX50 index ended up 2.2% versus the MSCI World index, which was lower by 7.1% in local currency terms.
- New Zealand interest rates fell further in January, resulting in good returns for bonds for the month. This was against international trends, which saw the US ten-year bond rise to 2.87% increasing by 62 basis points for the month.

NZ Cash & Fixed Interest



Financial markets were a little surprised by the extent of the RBNZ’s cut of 150 basis points in the OCR. However the expectations for rates have dropped further since the RBNZ announcement. The impact has been to push interest rates even lower. The weak Quarterly Survey of Business Opinion (released in January) was a further factor which helped interest rates to fall and resulted in the slide of the New Zealand dollar against most major currencies.

The major move was the 90-day bank bill rate which fell from 5.1% to 3.75% for the month. Longer bonds also dropped in yield but to a lesser extent.

NZ Equities

The NZ market rose in January despite weaker international equity markets. The local market benefitted by a strong performance in Telecom which rose 16.2% for the month. Other defensive names including SKY TV and Vector also had a good month. Worst performers for the month were GPG and Rakon.

While a quiet month in terms of announcements, Contact Energy warned of a deterioration in profits due to abnormal wholesale market conditions as well as higher gas costs.

Australian Equities

The S&P/ASX 200 lost 4.88% in January. Health care, telecommunications and consumer staples continued to outperform domestic cyclicals and financials. Banks continued to underperform on concerns of rising bad debts and potential capital raisings. Gold prices rose but by less than it did in December, as investors continue to seek an insurance against deleveraging and central bank money printing.

Offshore Equities

The world economy is experiencing its worst downturn since the mid-1970s. All economies are either in recession or close to it. Markets appear unconvinced that policymakers can stem the tide of deleveraging in the short term. Not enough capital has yet been injected into

The information contained in this report is given in good faith and has been derived from sources believed to be accurate. However neither TMF Limited (“TMF”) and its associated companies nor any of their employees or directors gives any warranty of reliability or accuracy nor accepts any responsibility arising in any other way for errors or omissions.

the banking system, and US house prices continue to fall because of oversupply. There continues to be uncertainty around the timing and sufficiency of the government bailout package. Also, we do not know how extensive future lending regulations will be or how much damage has been done to credit demand from de-leveraging.

Europe and Japan are in recession. Both economies are highly leveraged to world growth because of anaemic domestic demand, and both have recently capitulated under the weight of slowing world growth. It is unclear whether or not policymakers have enough willingness or ammunition to properly address the crisis.

Monthly Market Insight

Latest Dairy Farming News (as presented by the BNZ)

Fonterra's downgrade in its payout forecast, to \$5.10/kg milksolid (from the previous forecast of \$6/kg, and last season's \$7.90/kg) will have come as a massive shock to farmers and rural suppliers alike. Spokespeople for both groups were reported in the media prior to the announcement as being hopeful that the forecast would be no lower than \$5.50/kg, and that anything below this level would spark a significant contraction in New Zealand's rural economy.

The surge in dairy conversion following last season's boom (which picked up from where the boom of the 2001/2002 seasons, when payouts last tipped \$5/kg, left off) spawned a host of new contracting firms as well as providing a massive boost to existing operators. In turn, the flow-on impacts of that new money saw a transformation of the main streets in any number of rural towns.

The viability of much of this new activity could now be called into question, with the flow of money from dairy farms into the rural economy likely to be reduced to a trickle.

Compounding farmers' misery, a correction in farm prices, long the risk, now looks even more probable. The surge in dairy prices, and expectations that 2006/07's payout of \$7.90/kg was a sign of things to come, saw farm prices boom, jumping over 60% in the year to April 2008. Though farm prices have since retraced some ground (now around 18% below their peaks), they remain more than 50% above 2005/06 levels. More importantly, current farm prices seem well overvalued in relation to the rates of return now implied by existing profit levels.

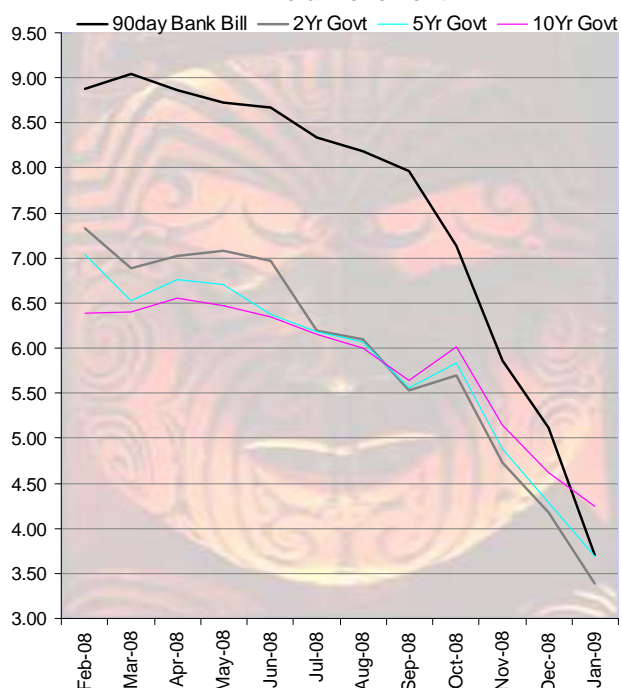
Where to from here for the payout? Perhaps Fonterra's statement that the global dairy industry "is in for a difficult 12 to 18 months" provides some guidance. Notably, global dairy markets have shown some signs of stabilisation in recent weeks, with milk powder prices essentially flat (if not up slightly) since mid-December. Butter and cheese prices, meanwhile, look set to continue to fall, possibly for a number of months, given the apparent lags between the various products.

Recent moves by the EU to reinstate export subsidies (and the prospect of retaliatory moves by the US) could undermine global dairy prices further, with obvious negative consequences for the local payout.

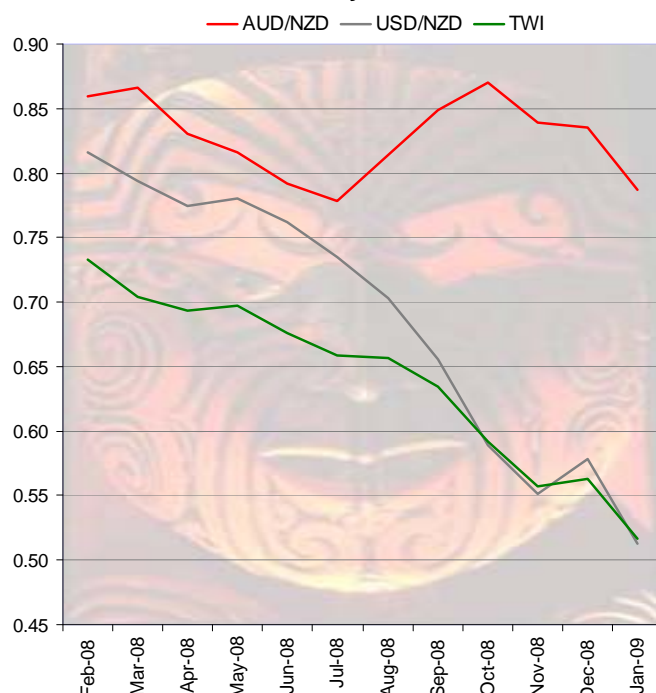
Market Data Summary

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	2,774	2.2%	-1.7%	-16.8%	-24.4%	-6.1%	2.3%	5.0%
ASX200 (Local)	23,592	-4.9%	-11.0%	-27.0%	-34.3%	-6.6%	6.0%	6.6%
ASX200 (NZD)		1.0%	-1.6%	-27.9%	-26.7%	-1.9%	8.4%	7.5%
MSCI World (Local)	1,472	-7.1%	-11.8%	-33.5%	-37.8%	-12.6%	-2.7%	-2.2%
MSCI World (NZD)		2.9%	1.1%	-11.3%	-10.5%	-3.4%	2.7%	-1.3%
NZX50 / ASX200(NZD) comp		1.6%	-1.6%	-22.4%	-25.6%	-4.0%	5.4%	6.2%
Bonds (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	547.84	0.5%	1.7%	3.9%	8.5%	8.3%	7.7%	6.7%
NZX Govt Bond Index	1,087.25	2.1%	8.9%	11.6%	16.8%	8.5%	7.6%	6.8%
NZX Composite A Grade	2,954	2.1%	8.5%	11.1%	16.9%	8.5%	7.6%	6.8%
Property (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	1,845	-1.5%	-1.8%	-10.9%	-18.6%	-2.0%	5.9%	6.6%
ASX200 Property (Local)	16,258	-9.7%	-19.0%	-37.0%	-51.7%	-19.8%	-5.5%	1.7%
ASX200 Property (NZD)		-4.2%	-10.5%	-37.7%	-46.1%	-15.8%	-3.3%	2.6%
Currencies (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
AUD / NZD	0.7873	-5.8%	-9.5%	1.2%	-10.4%	-4.7%	-2.2%	-0.8%
USD / NZD	0.5131	-11.3%	-12.9%	-30.1%	-34.6%	-9.0%	-5.2%	-0.4%
NZ TWI	51.7	-8.2%	-12.7%	-21.5%	-28.0%	-9.5%	-4.9%	-1.0%
Interest Rates (basis points)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
90 Day NZ Bank Bill	3.71	-140	-343	-463	-504	-386	-184	-42
10 Year NZ Govt Bond	4.25	-37	-177	-190	-206	-156	-178	-118
10 Year US Govt Bond	2.87	62	-114	-112	-80	-166	-129	-179
Commodities (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US\$/WTI)	41.68	-7%	-39%	-66%	-55%	-15%	5%	13%
CRB Index	220.4	-4%	-18%	-47%	-40%	-14%	-3%	2%

NZ Yield Movement



NZ Currency Movement



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

The information contained in this report is given in good faith and has been derived from sources believed to be accurate. However neither TMF Limited ("TMF") and its associated companies nor any of their employees or directors gives any warranty of reliability or accuracy nor accepts any responsibility arising in any other way for errors or omissions.