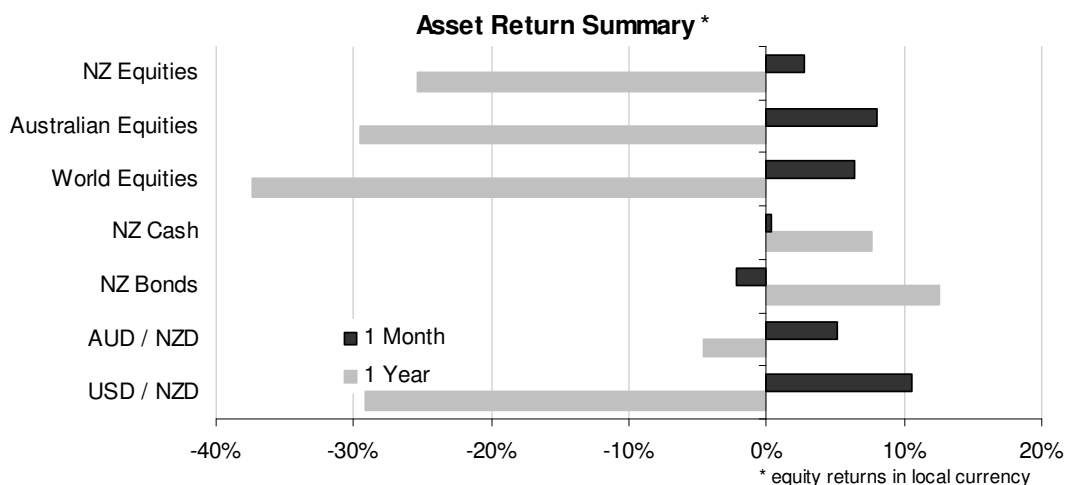


Hāhāea nga ripa o te pō, kia whiti ake ko te māramatanga
 (Shred away the darkness, let there be light)

TMF Limited: Monthly Market & Sector Review – March 2009

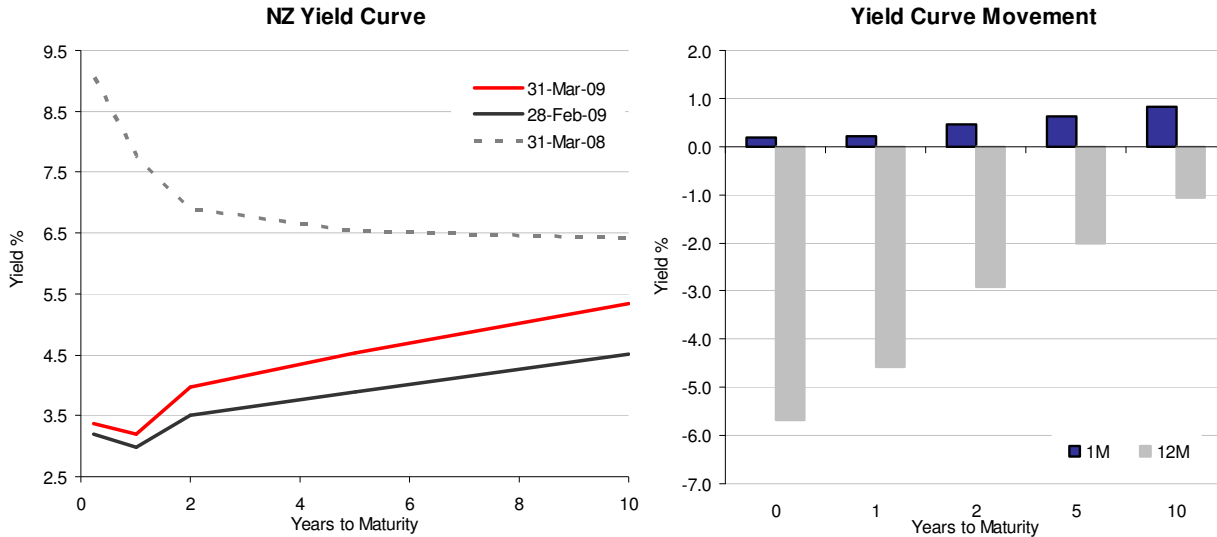
Market Overview



- Investors' outlook on the global economy improved radically in March. Positive comments from the Chief Executives at various banks (including Citigroup, Bank of America and Barclays) who said that earnings had got off on a strong start in 2009, helped to alleviate nervous investors.
- Equity markets in the US, Japan and Australia all gave returns greater than 7% in their local currencies. Financial stocks in particular rebounded strongly from their lows earlier in the year. NZ Equities ended March 2.7% higher, partially offsetting the 9.1% decline in February.
- The Reserve Bank of New Zealand (RBNZ) cut the cash rate by 0.5% at its March Official Cash Rate (OCR) Review. The cut was small compared to the series of cuts the RBNZ delivered over the past 8 months, as it cut rates from 8.25% to the present level of 3%. In their March Statement, the RBNZ signalled that its slowing down the pace of cuts and is reasonably reluctant to cut much more, and end point of 2.5% now seems likely.
- The US Federal Reserve announced a further quantitative easing by US\$1 trillion which included the buying of US government bonds. This helped the NZ Dollar (NZD) to recover from its lows, earlier in the month and trade significantly higher by month end. Part of the increase of the NZD was the general sense that the NZ economy will come out of the global recession in relatively good shape.
- The NZD rose over 10% for the month against the USD and also appreciated against the AUD. This reduced the return on the international equities.

- NZ interest rates rose during March as the realisation that the RBNZ was close to the end of their easing program and a concern that the steps taken in the US could eventually raise inflation.

NZ Cash & Fixed Interest



At the March Monetary Policy Statement the RBNZ sent a strong signal that it is very close to the end of its easing cycle. Expectations are for the cash rate to be cut to 2.5%, which is higher than markets had been previously expecting, which caused longer rates to increase.

In addition, there has been upward pressure on bond yields globally as markets anticipate a large increase in the supply of bond issuance from both corporates and governments over the next year.

With the RBNZ signal that the Official Cash Rate (OCR) is near the bottom of the cycle, there has been an increased demand to fix mortgage rates at the current lower levels. This demand is placing upward pressure on the swap rates, particularly in the 2-5 year range. Swap rates have increased strongly over the second half of March, which has led to an increase in the longer-term mortgage rates. Banks had to rebalance their balance sheets to match the shift in customer preference. This caused wholesale interest rates to leap, including corporate bond rates which are priced in relation to the swap rates.

The size and quickness of the rise in longer-term rates led to the RBNZ commenting on 1 April, ".....we believe the rise in longer-term interest rates is unwarranted and inconsistent with the monetary policy outlook"

The core expectation is for the long-term rates to reverse some of their recent surge, but there are no guarantees. Although fourth quarter GDP came in at -0.9%, the fourth consecutive quarterly contraction in local activity, the fall was marginally lower than the -1.1% expectation. Business survey expectations are proving to be largely negative, hinting that a mid-year economic turnaround could yet be elusive.

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NZ Equities

NZ equities ended March 2.7% higher for the month but 4.6% lower for the quarter. Price movements were generally driven by international markets. However, the rise in March did not match the large increases on the US, Japanese and Australian markets.

The quarter was driven not only by the profit results, released mainly over February, but also over the state of balance sheets and the need for increased capital for several companies. Contact Energy raised \$550m in a retail bond offering, Pike River Coal successfully raised \$45m. After a failed institutional placement, Nuplex announced it would seek \$133m via a rights issue. The stock ended the month down 39%.

In early April, Fletcher Building announced capital raising and other companies are likely to follow.

NZ retailers (Hallenstein Glassons, Briscoes and The Warehouse) posted results that were more or less in line with expectations, which exhibited tight margins due to the coupled effect of weak demand and necessary discounting to clear inventory.

On the economic front, sentiment remains weak. In particular the National Bank Survey of Business Opinion shows activity expectations consistent with a deep recession. Residential construction activity slumped further in the fourth quarter of 2008, falling 13.4% for the quarter and 31.4% for the year.

On a positive note, REINZ data showed that house sales improved in February +8.3% but -17.8% for the year.

Australian Equities

March was the most significantly positive month in almost nine years for equity markets. The US, Japan and Australia all gave returns greater than 7% for the March month. Returns for the quarter however remain negative.

In Australia, small caps outperformed large caps by a large margin in March as investors displayed an increased appetite for risk supporting further signs of market recovery.

The Technology, Bank and Resource sectors outperformed in March while the Telecom, Healthcare and Consumer Staples sectors lagged behind.

Aluminium recovered this month increasing by 5.81% while oil gained 8.15% and copper was up 17.43% over the month. There seems to have been enough of an increase in aggregate global demand to put upward pressure on selected commodity prices. Gold on the other hand had declined.

Offshore Equities

While March was generally a positive month for international equities, performance for the quarter and year are strongly negative.

The US equity markets rebounded strongly in March after positive news on bank profitability and further quantitative easing by the US Federal Reserve lifted sentiment. US President Obama declared the G20's March meeting would be the turning point for the global economy and the IMF expects the global economy to pull itself out of recession in 2010.

Europe and Japan are in severe recession. Reflecting the weak state of domestic demand, these economies have been highly sensitive to the downturn in exports and the US economy. There is also a concern that the European banking system could come under further pressure as defaults rise in Eastern Europe.

Leading indicators suggest that Chinese growth momentum is improving. However the export sector still remains vulnerable.

The world economic climate remains uncertain and difficult. Investors continue to be cautious as they evaluate new developments in a volatile environment.

Monthly Market Insight

ASB Bank reports on the New Zealand Housing Market.

Lower mortgage rates and the improvement in sentiment towards housing have not had much apparent effect on the housing market to date, with sales turnover still steady into early 2009 and prices continuing to edge down. We still expect house prices to fall over much of 2009. The weak state of the economy and mounting job losses will weigh on the market, and the current air of uncertainty is weighing on decision-making.

For the past six months the ASB Housing Confidence Survey has reported increasingly favourable perceptions towards house buying, yet the housing market has shown very few signs of recovering to date. There will be a variety of reasons for this. One is also in the survey: ongoing expectations that house prices will fall, which makes for little urgency amongst buyers. Higher deposit criteria will be another aspect.

But increasingly an air of uncertainty about the direction of the economy is taking hold on decision-making by all and sundry at present. Taking on added debt to buy a house at present does mean taking more perceived risk in the current climate, with job security one key source.

Notwithstanding the huge decline in interest rates, we still expect the housing market will remain weak over the course of 2009. Lower interest rates may well have put a floor under turnover and could aid some recovery in housing turnover during the year.

Nonetheless, we continue to expect house prices to fall over much of this year, though at a slightly more gradual pace than was the case last year.

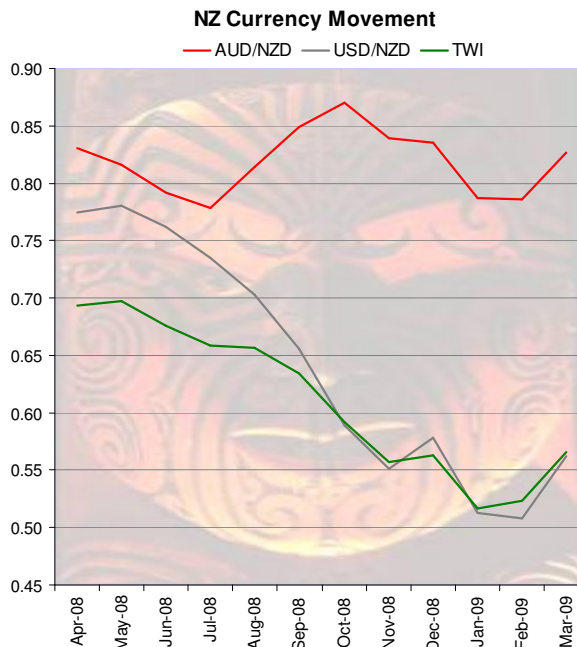
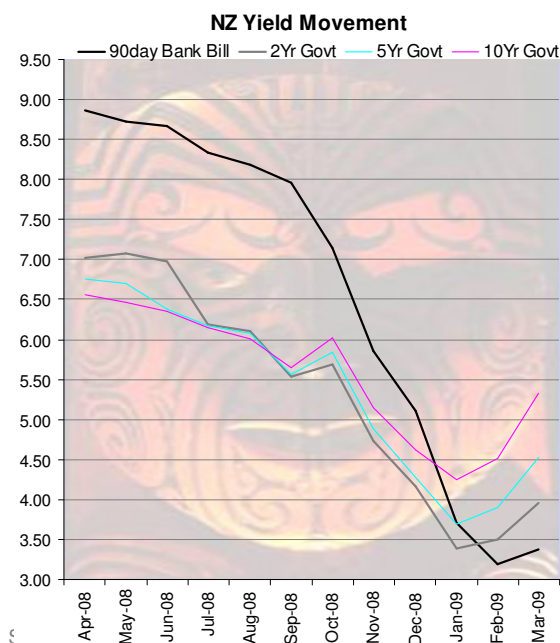
Factors hampering the market this year include: still-considerable supply of houses on the market; the prospect of ongoing forced sales as the economic environment takes its toll; buyer caution remaining until there is a perception NZ is through the worst. The reality is, the NZ economy is likely to remain in recession throughout 2009.

Several structural issues argue against a strong rebound in house prices. House prices are still on the high side relative to incomes – more a case of simply being expensive rather than extremely expensive. Related to that, rental yields are still low in an absolute sense even if they are starting to look attractive relative to where current interest rates have dropped to.

Globally the credit environment will be different in years to come. The past global credit and associated housing booms have to be looked as an exception to the norm, with credit set to be a far weaker driver of asset prices than was the case until recently.

Market Data Summary

| Equities (gross return) | Level | 1M | 3M | 6M | 1Y | 3Y | 5Y | 10Y |
|-------------------------------|----------|-------|--------|--------|--------|--------|-------|-------|
| NZX50 | 2,590 | 2.7% | -4.6% | -16.2% | -25.4% | -11.2% | 0.0% | 4.2% |
| ASX200 (Local) | 24,310 | 8.0% | -2.0% | -19.9% | -29.5% | -7.2% | 5.5% | 6.5% |
| ASX200 (NZD) | | 2.7% | -0.9% | -17.7% | -26.1% | -6.1% | 6.6% | 6.7% |
| MSCI World (Local) | 1,425 | 6.4% | -10.0% | -28.6% | -37.4% | -14.3% | -3.5% | -2.7% |
| MSCI World (NZD) | | -2.7% | -9.4% | -19.6% | -18.9% | -11.2% | -0.5% | -2.8% |
| NZX50 / ASX200(NZD) comp | | 2.7% | -2.7% | -16.9% | -25.7% | -8.7% | 3.3% | 5.5% |
| Bonds (gross return) | Level | 1M | 3M | 6M | 1Y | 3Y | 5Y | 10Y |
| NZX 90 Day Bank Bill | 551.11 | 0.3% | 1.1% | 3.1% | 7.7% | 8.1% | 7.6% | 6.7% |
| NZX Govt Bond Index | 1,062.93 | -2.0% | -0.2% | 5.9% | 12.4% | 7.3% | 6.7% | 6.5% |
| NZX Composite A Grade | 2,881 | -2.2% | -0.5% | 5.6% | 12.6% | 7.1% | 6.6% | 6.5% |
| Property (gross return) | Level | 1M | 3M | 6M | 1Y | 3Y | 5Y | 10Y |
| NZX Property | 1,749 | -1.5% | -6.6% | -15.6% | -20.3% | -4.4% | 4.1% | 6.3% |
| ASX200 Property (Local) | 13,618 | 0.0% | -24.4% | -49.2% | -57.6% | -25.1% | -9.9% | 0.3% |
| ASX200 Property (NZD) | | -4.9% | -23.5% | -47.9% | -55.6% | -24.2% | -8.9% | 0.5% |
| Currencies (% change) | Level | 1M | 3M | 6M | 1Y | 3Y | 5Y | 10Y |
| AUD / NZD | 0.8262 | 5.2% | -1.1% | -2.6% | -4.6% | -1.2% | -1.0% | -0.3% |
| USD / NZD | 0.5621 | 10.6% | -2.8% | -14.3% | -29.2% | -2.9% | -3.1% | 0.6% |
| NZ TWI | 56.6 | 8.2% | 0.5% | -10.7% | -19.6% | -3.6% | -2.9% | -0.3% |
| Interest Rates (basis points) | Level | 1M | 3M | 6M | 1Y | 3Y | 5Y | 10Y |
| 90 Day NZ Bank Bill | 3.37 | 18 | -174 | -459 | -554 | -410 | -214 | -133 |
| 10 Year NZ Govt Bond | 5.34 | 83 | 72 | -31 | -105 | -36 | -44 | -46 |
| 10 Year US Govt Bond | 2.71 | -31 | 46 | -114 | -74 | -215 | -115 | -254 |
| Commodities (% change) | Level | 1M | 3M | 6M | 1Y | 3Y | 5Y | 10Y |
| Oil Prices (US\$/WTI) | 49.66 | 11% | 11% | -51% | -51% | -9% | 7% | 11% |
| CRB Index | 220.4 | 4% | -4% | -36% | -43% | -13% | -5% | 1% |



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