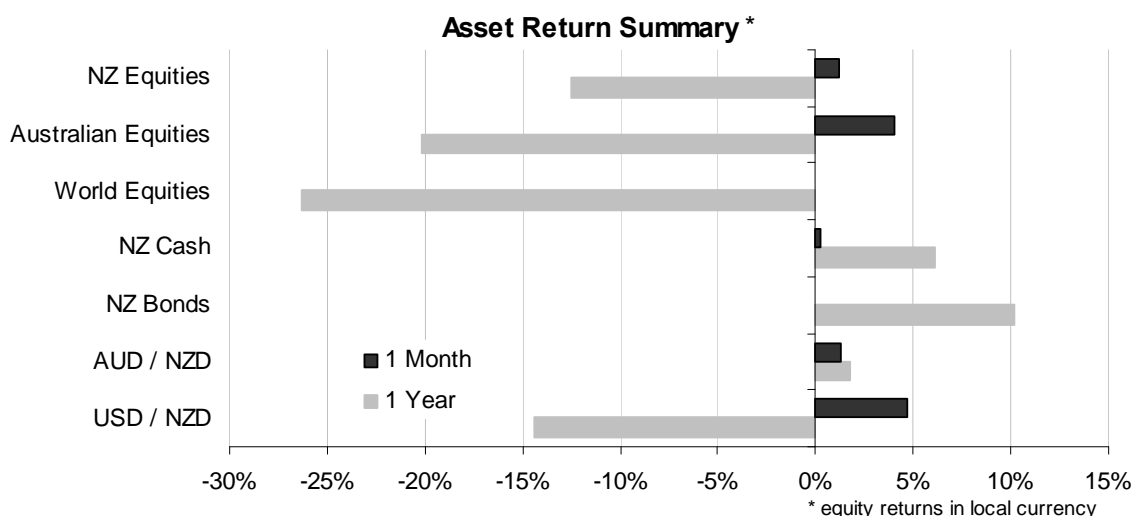


**Na te hau mārire, me te wai marino, ka rere te waka**  
 With gentle winds and a calm sea the canoe will sail at pace  
 'When conditions are good things progress with ease'

**TMF Limited: Monthly Market & Sector Review – June 2009**

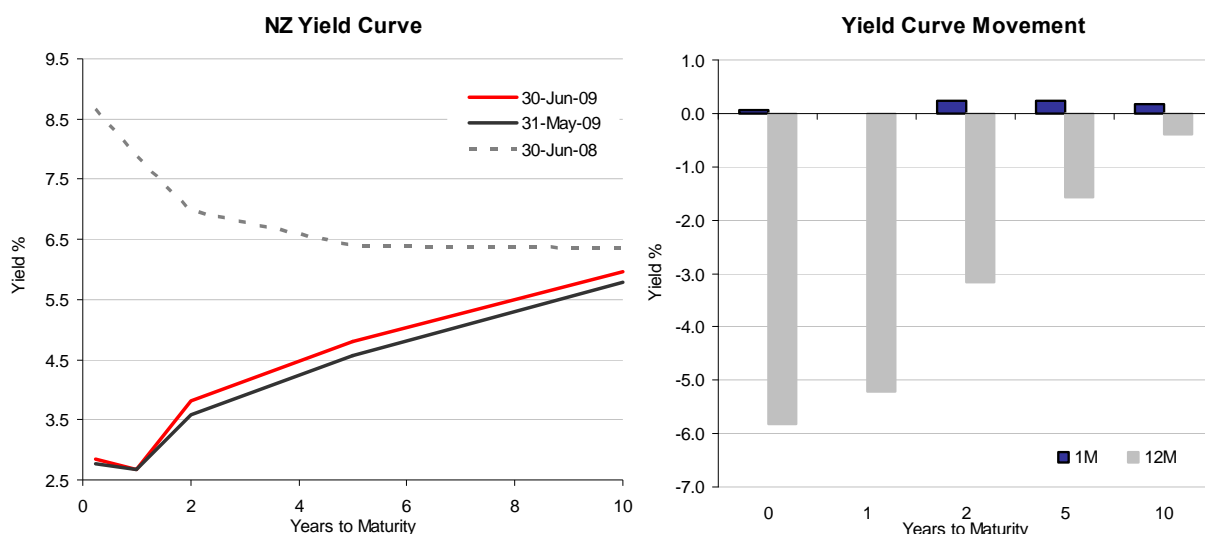
**Market Overview**



- June can be viewed broadly as a month of consolidation with volatility generally lower than earlier in the year.
- Longer-term interest rates drifted up over the month but short term rates were fairly stable as the Reserve Bank of New Zealand kept the Official Cash Rate unchanged at their June review.
- Local equity markets were a little higher for the month as investor confidence continued to improve. International equities were slightly lower in June.
- The New Zealand dollar continued to rise in June, due to further USD weakness, but at a slower pace than the previous month. This was in spite of negative economic growth (GDP) data released for the March quarter at the end of June.

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**NZ Cash & Fixed Interest**



The Reserve Bank (RBNZ) held the cash rate steady at its June Official Cash Rate (OCR) Review on the 11<sup>th</sup> of June. We are at or near the end of a remarkable easing cycle in which the RBNZ has slashed the cash rate from 8.25% to currently 2.5%. The OCR is at its lowest rate since it was introduced in 1999.

The RBNZ noted that international economic activity is stabilising and international financial conditions are improving. The RBNZ also noted the recovery in the housing market and net migration. Nonetheless, the RBNZ continued to emphasise the weak economic outlook and see risks remain weighted to the downside.

Longer-term rates continued the drift up in yield in June, mainly driven from international influences of larger government borrowing programs.

Economic data released during June shows the NZ economy continuing to slide with the March quarter GDP (Gross Domestic Product– the country’s income earned from production in NZ) falling 1.0%, the fifth consecutive fall and slightly larger than general predictions.

**NZ Equities**

NZ equities ended June a little higher than the end of May. The theme of raising capital continued to dominate, as companies seek to reduce debt and strengthen their balance sheets.

The fall in GDP for the March quarter (as described above) saw large declines in manufacturing, retailing, transport and communications. The construction sector GDP result was a slight positive.

While the GDP data release confirmed the slowing economy for the March quarter, the outlook for future growth is more optimistic, however a quick rebound is unlikely.

**Australian Equities**

The Australian equity market performance for June was positive, ending up in Australian currency terms 4% higher and in NZ currency terms up 2.6%.

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The healthcare, financial and telecommunications sectors outperformed, while the utilities, resources and materials sectors lagged.

Economic data in June continued to show signs of improvement. Consumer sentiment rose 12.7% and new motor vehicle sales were higher than market expectations. The key uncertainty is the sustainability of the market recovery.

### Offshore Equities

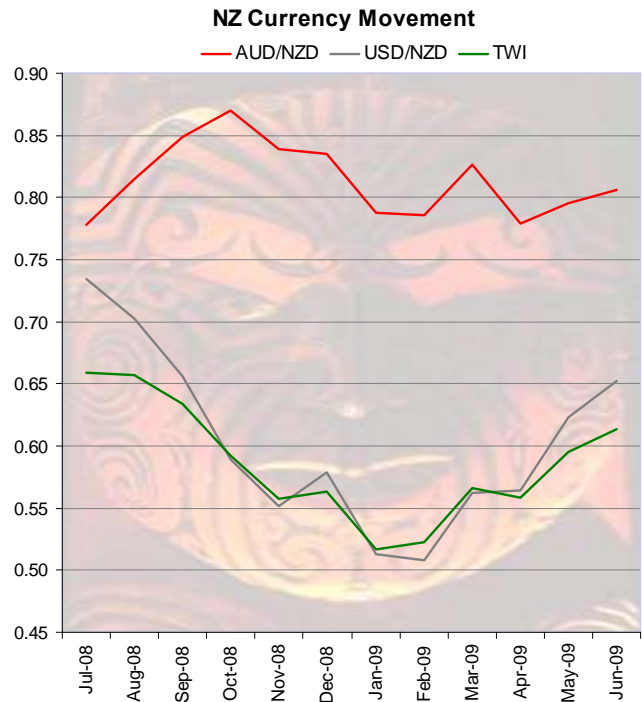
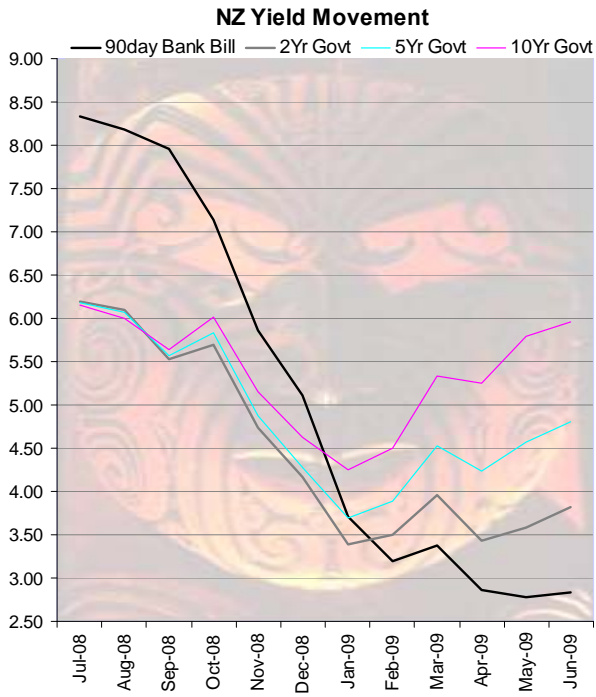
After a strong performance by International equities over May, markets consolidated over June with the MSCI World Index slightly lower in local currency (-0.1%), but 4.9% lower in NZ dollar terms due to a stronger NZ dollar.

European markets were generally weaker for the month while the United States was up slightly with Japan being the best performer for June out of the major markets.

Commodity prices continued to increase in June and have risen very strongly since the end of March. The question remains whether commodity prices have risen too quickly in relation to the health of the major economies around the world. While China is experiencing good growth, albeit lower than last year, the major economies of the United States, Europe and Japan are unlikely to rebound strongly in the short term.

### Market Data Summary

<b>Equities (gross return)</b>	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	2,796	1.2%	7.9%	3.0%	-12.5%	-8.0%	0.7%	4.8%
ASX200 (Local)	27,054	4.0%	11.3%	9.1%	-20.1%	-3.8%	6.9%	7.4%
ASX200 (NZD)		2.6%	14.1%	13.1%	-21.5%	-3.3%	9.6%	7.4%
MSCI World (Local)	1,660	-0.1%	16.5%	4.8%	-26.3%	-8.9%	-0.9%	-1.8%
MSCI World (NZD)		-4.9%	4.1%	-5.7%	-17.7%	-10.3%	-0.6%	-2.9%
NZX50 / ASX200(NZD) comp		1.9%	11.0%	8.0%	-17.0%	-5.6%	5.1%	6.1%
<b>Bonds (gross return)</b>	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	555.50	0.2%	0.8%	1.9%	6.2%	7.7%	7.5%	6.7%
NZX Govt Bond Index	1,057.53	-0.3%	-0.5%	-0.7%	9.8%	6.8%	6.7%	6.6%
NZX Composite A Grade	2,893	-0.07%	0.4%	-0.1%	10.2%	7.0%	6.8%	6.7%
<b>Property (gross return)</b>	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	1,763	2.7%	0.8%	-5.9%	-18.6%	-6.3%	3.8%	6.6%
ASX200 Property (Local)	15,683	4.6%	15.2%	-12.9%	-42.3%	-22.7%	-8.4%	2.2%
ASX200 Property (NZD)		3.2%	18.1%	-9.7%	-43.3%	-22.3%	-6.1%	2.2%
<b>Currencies (% change)</b>	Level	1M	3M	6M	1Y	3Y	5Y	10Y
AUD / NZD	0.8058	1.3%	-2.5%	-3.6%	1.8%	-0.5%	-2.5%	0.0%
USD / NZD	0.6523	4.7%	16.0%	12.8%	-14.4%	2.6%	0.7%	2.1%
NZ TWI	61.4	3.2%	8.5%	9.1%	-9.2%	0.2%	-1.0%	0.6%
<b>Interest Rates (basis points)</b>	Level	1M	3M	6M	1Y	3Y	5Y	10Y
90 Day NZ Bank Bill	2.84	6	-53	-227	-583	-462	-333	-192
10 Year NZ Govt Bond	5.96	17	62	134	-39	12	-35	-66
10 Year US Govt Bond	3.53	6	82	128	-46	-162	-109	-228
<b>Commodities (% change)</b>	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US\$/WTI)	69.89	5%	41%	57%	-50%	-2%	14%	14%
CRB Index	250.0	-1%	13%	9%	-46%	-10%	-1%	3%



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

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