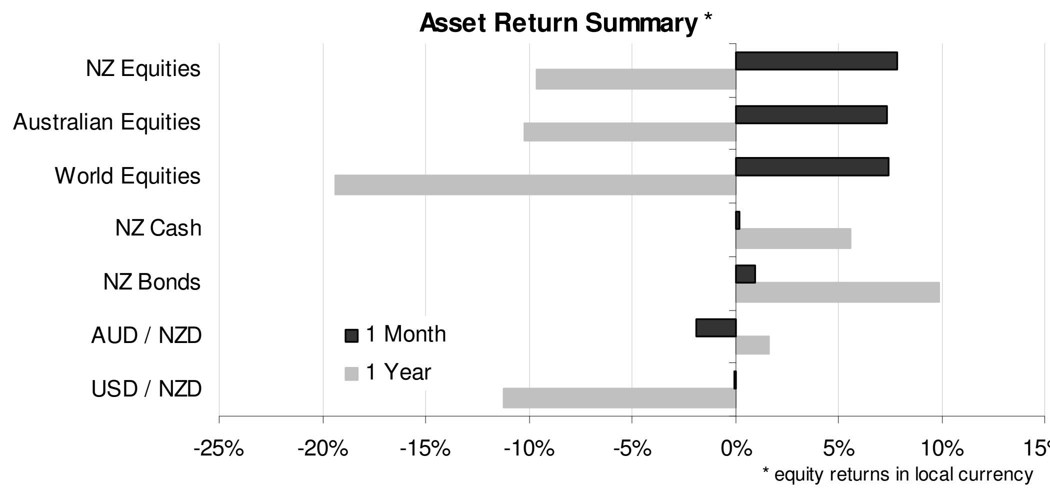
TAUPO MOANA FUNDS

TAUPO MOANA GROUP
funds capital investment

Iho taketaketia tō kaupapa
(Know what you're doing before you do anything)

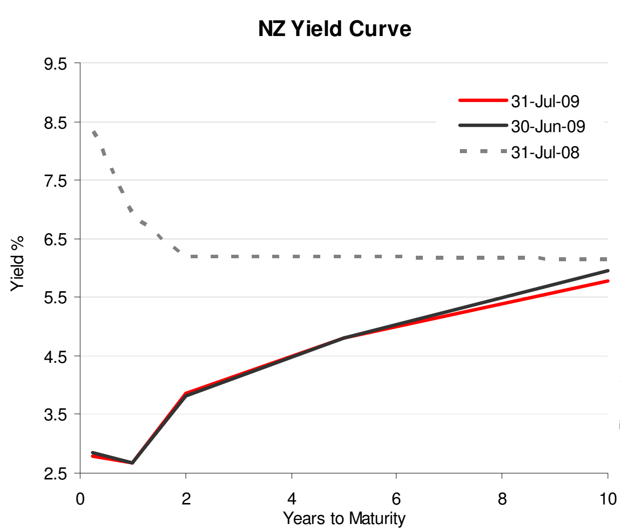
TMF Limited: Monthly Market & Sector Review – July 2009

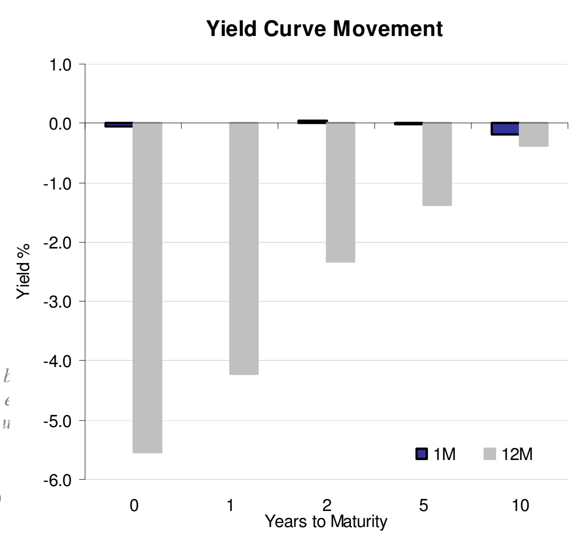
Market Overview



- The major highlight for the month of July has been the strong rebound in equity markets as investor confidence continues to grow. Equity indices showed a returns of over 7% for the month.
- The Reserve Bank of New Zealand (RBNZ) kept the Official Cash Rate (OCR) unchanged at 2.50%, largely as expected, on 30 July. Short-term interest rates were basically unchanged.
- New Zealand longer-term interest rates were little changed for the month of July from the close in June but did experience volatility during the course of the month. Corporate bonds outperformed government bonds for the month.

NZ Cash & Fixed Interest





The statement from the Reserve Bank of New Zealand maintains that the NZ economy remains week with the outlook “highly uncertain”. Healthy growth is not expected anytime soon and the economy will be patchy until the end of the year.

The Reserve Bank also commented that the high level of the NZ dollar is unhelpful in achieving growth and “brings additional economic risks”. The Reserve Bank stressed that the Official Cash Rate (OCR) was to stay at current levels (2.50%) or lower, until the later part of 2010. This potentially can lead to further cuts in the OCR, especially if the NZ dollar remains high.

Longer-term bonds were modestly lower in yield for the month, however that masked the fairly high volatility in interest rates experienced in July, especially with corporate bonds.

NZ Equities

The NZX50 Index rose by 7.9% in July, adding to the 1.2% gain in June. The New Zealand market followed leads from the major international equity markets which were also up strongly in July.

Investors are becoming more confident that the worst is now behind us and that positive growth will begin to emerge from the domestic recession.

Economic data releases and surveys are beginning to show a slightly more positive environment. Retail Sales for May was up 0.8% and the NZIER Quarterly Survey of Business Opinion showed an increase in expected activity in the second quarter of 2009 from the low levels in the first quarter.

Profit guidance from companies was mixed. Sky City Casino increased its profit guidance by approximately 10%, however on the other hand Methven reduced its profit guidance by 15 to 20%.

The best performing stocks in July were Fisher & Paykel Appliances (+29.9%), Cavalier (+27.8%) and Nuplex (+26.7%). The worst performing NZX 50 stocks were PGG Wrightsons (-17.7%) and Restaurant Brands (-4.8%).

Australian Equities

The Australian equity market (ASX200) finished the month up 7.3%; its highest level since October/ November 2008. Investor focus continued to shift to sectors and stocks which were considered to benefit from the improving macro-economic environment, both domestically and offshore. Forecasts for Chinese growth and commodity prices in particular continued to increase providing a favourable backdrop for resources.

The Industrial, Material and Consumer Discretionary sectors outperformed strongly during July, while investors continued to reduce exposures to Healthcare.

The economic data in July continued to surprise investors on the upside. Retail sales, consumer sentiment and employment data were stronger than expected.

Offshore Equities

International equities performed strongly during July, following data which showed a broadly improving macroeconomic environment. The MSCI World index in local currency rose 7.4% for the month.

European indices were the biggest gainers out of the major markets, increasing by 8-11% over July, the US market rose by 7.4% with the Japanese market increasing 4%.

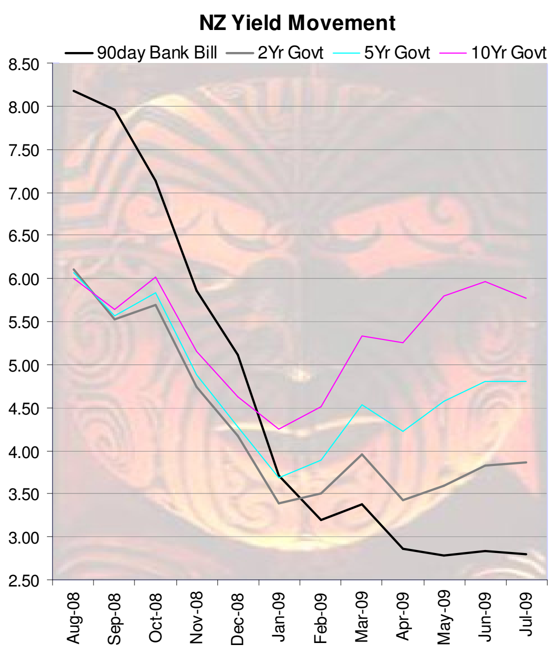
The Chinese economy has returned to growth, which has been positive for prices of aluminium, copper and nickel over the month as demand is expected to increase.

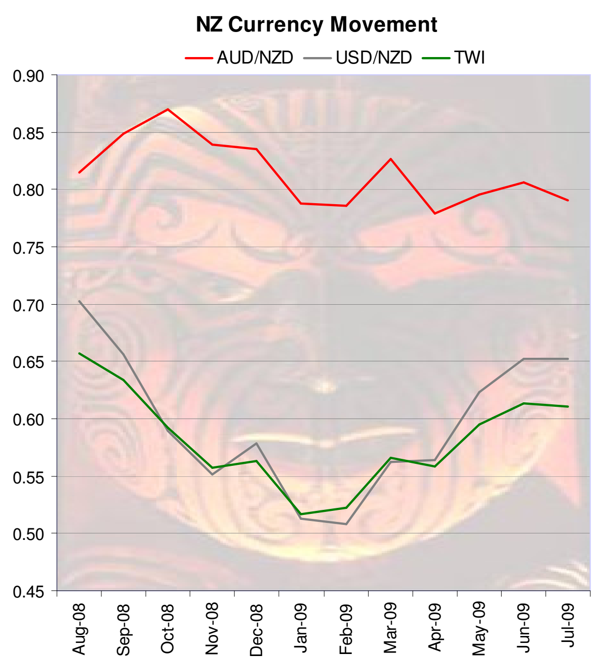
Business and consumer surveys in Europe suggest improving sentiment, while in the United States, manufacturing data was ahead of expectations.

The major question being asked by investors is whether the improvement is sustainable and have prices moved too high too quickly?

Market Data Summary

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	3,016	7.9%	10.1%	8.7%	-9.6%	-5.6%	1.6%	5.3%
ASX200 (Local)	29,032	7.3%	13.1%	23.1%	-10.2%	-1.0%	8.3%	8.0%
ASX200 (NZD)		9.3%	11.4%	22.5%	-11.6%	-0.3%	11.3%	8.3%
MSCI World (Local)	1,783	7.4%	13.4%	21.1%	-19.4%	-6.9%	1.2%	-0.9%
MSCI World (NZD)		8.5%	1.8%	-0.5%	-11.7%	-7.3%	1.7%	-2.1%
NZX50 / ASX200(NZD) comp		8.6%	10.7%	15.6%	-10.6%	-2.9%	6.4%	6.8%
Bonds (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	556.84	0.2%	0.7%	1.6%	5.6%	7.5%	7.4%	6.6%
NZX Govt Bond Index	1,065.78	0.8%	-0.4%	-2.0%	9.4%	7.1%	6.8%	6.7%
NZX Composite A Grade	2,921	0.97%	0.2%	-1.1%	9.9%	7.3%	7.0%	6.8%
Property (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	1,909	8.3%	13.5%	3.4%	-7.8%	-4.3%	5.7%	7.3%
ASX200 Property (Local)	16,062	2.4%	11.2%	-1.2%	-37.8%	-22.7%	-8.5%	1.9%
ASX200 Property (NZD)		4.4%	9.5%	-1.6%	-38.8%	-22.2%	-5.9%	2.2%
Currencies (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
AUD / NZD	0.7908	-1.9%	1.5%	0.4%	1.6%	-0.7%	-2.7%	-0.3%
USD / NZD	0.6520	0.0%	15.6%	27.1%	-11.2%	1.8%	0.6%	2.1%
NZ TWI	61.1	-0.5%	9.5%	18.2%	-7.3%	-0.3%	-1.2%	0.7%
Interest Rates (basis points)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
90 Day NZ Bank Bill	2.79	-5	-7	-92	-555	-470	-353	-194
10 Year NZ Govt Bond	5.77	-19	52	152	-38	-9	-54	-84
10 Year US Govt Bond	3.52	-1	36	65	-47	-147	-98	-240
Commodities (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US$/WTI)	69.45	-1%	36%	67%	-44%	-2%	10%	13%
CRB Index	257.5	3%	16%	17%	-38%	-10%	-1%	3%





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