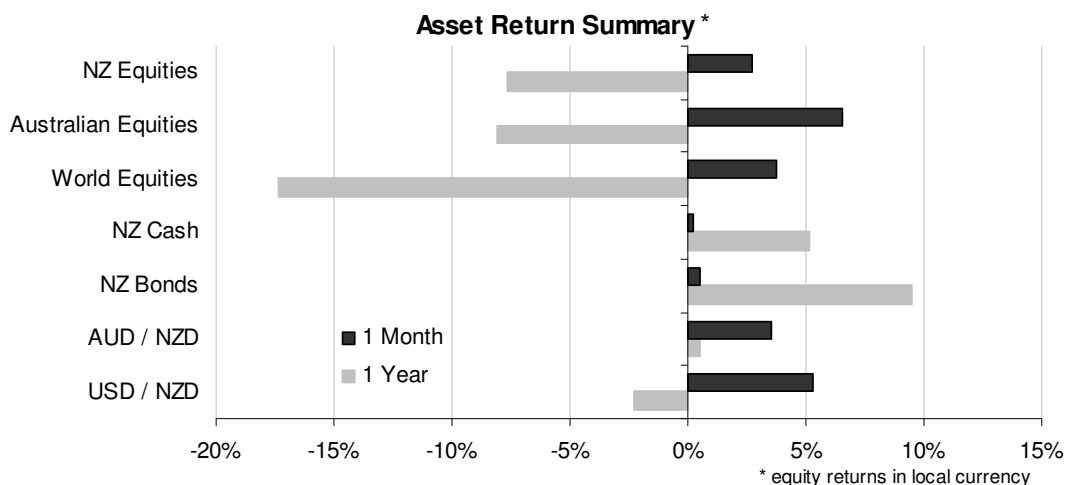


E rapu te rapu, e whai te whai
(Seek and you shall find)

TMF Limited: Monthly Market & Sector Review – August 2009

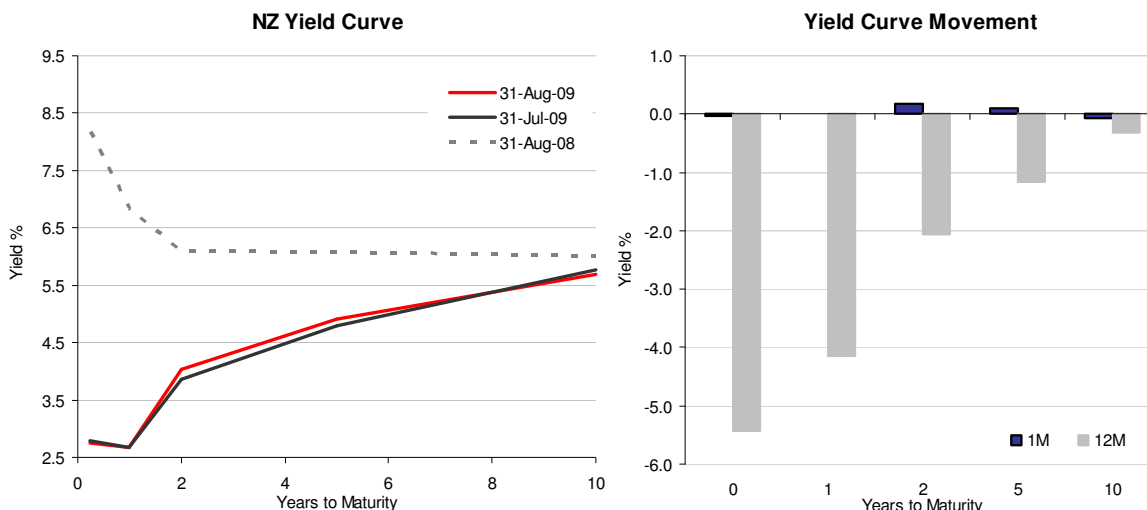
Market Overview



- Global equity markets rose sharply over the early part of August in response to better-than-expected economic data. However the equity markets gave back some gains in the middle part of August as investors sold to realise profits. Concerns that Chinese authorities may curb investment lending added to the weakness.
- New Zealand fixed interest yields had mixed results over August. While global bond yields fell noticeably during the month, NZ bond yields only fell slightly in the longer part (10 year+ maturities) of the yield curve. Short to middle term bonds rose over the month.
- Despite the mixed direction of NZ bonds, the bond index showed an overall small positive return for the month.
- Money market rates remained fairly static over August, producing a net small positive return.
- The New Zealand dollar (NZD) experienced a broad-based appreciation over August. The NZD was particularly strong against a still weak United States dollar (USD) and Great British Pound (GBP). The rise in the NZD offset sharemarket gains in overseas markets, reflected in a slightly lower MSCI index in NZD terms.

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NZ Cash & Fixed Interest



The Reserve Bank of New Zealand (RBNZ) delivered the last interest rate cut of 50 basis points cut to the Official Cash Rate (OCR) on 30 April. The RBNZ kept the OCR on hold at 2.50% as widely expected on July 30, and the next review is 10 September.

The 90-day bank bill rate was fairly steady over August trading a range around 2.75-2.80%. Competition between banks for domestic retail funding, kept bank term deposit rates at relatively high levels.

Data showed New Zealand’s unemployment rate rising a full percentage point to 6.0 percent in the June quarter – the highest since September 2000. At the same time, annual private sector wage growth has slowed to 2.6 percent, according to the Labour Cost Index, which is the lowest since 2005 and indicates the pressure on household incomes.

The NZ Government announced that the retail deposit guarantee scheme, which was due to expire in October 2010, will be extended to December 2011 with some minor technical changes.

NZ Equities

New Zealand equities ended August 2.7% higher, extending the 7.9% gain in July. August was dominated by the local reporting season, as various companies released their earnings results.

Despite the unemployment rate increasing, other economic data releases showed some improvement, helping to improve the sentiment of company performance in the future. Retail sales volumes rose in the June quarter (+0.4%) and residential building consents were positive in July. Net migration into New Zealand was up, with less people departing the country. The National Bank Business confidence survey also showed a large pick-up for August, with the construction industry the most optimistic with a net 64 percent expecting better times ahead.

Companies that performed well during August included Nuplex, Pumpkin Patch, AMP and Mainfreight. Underperformers included NZ Refining, PGG Wrightsons and Pike River Coal.

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Australian Equities

Australian equities had a strong performance for the month of August, returning 6.6% in Australian currency. The market closed at its highest level in nine months.

The company reporting season saw more companies give positive earnings surprises than negative earnings surprises, with the majority of companies reporting in line with expectations.

The best performing sector was the real estate trusts followed by the financial sector, with the four major banks share prices rising sharply. Although commodity prices rose during August, the material sector (BHP and Rio Tinto) did not perform well over the month.

Economic data continued to surprise investors on the upside. Housing prices and employment data were stronger than expected while consumer confidence increased to its highest level since October 2007.

The Reserve Bank of Australia kept its key interest rate steady at 3.0%, as expected.

Offshore Equities

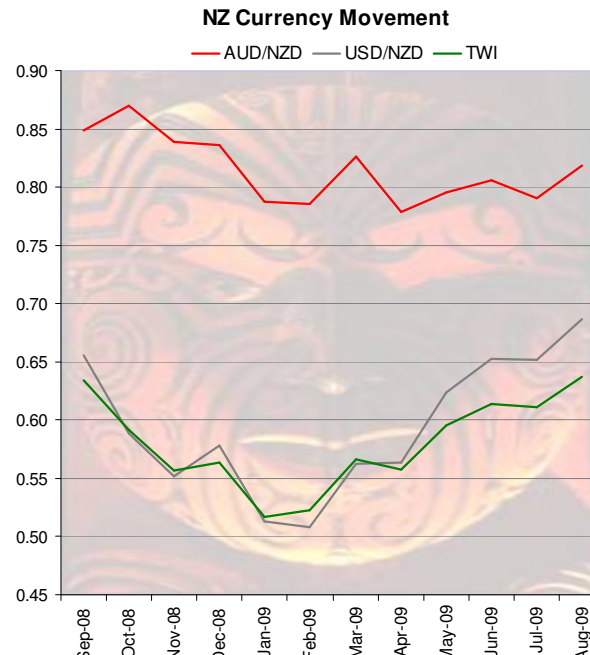
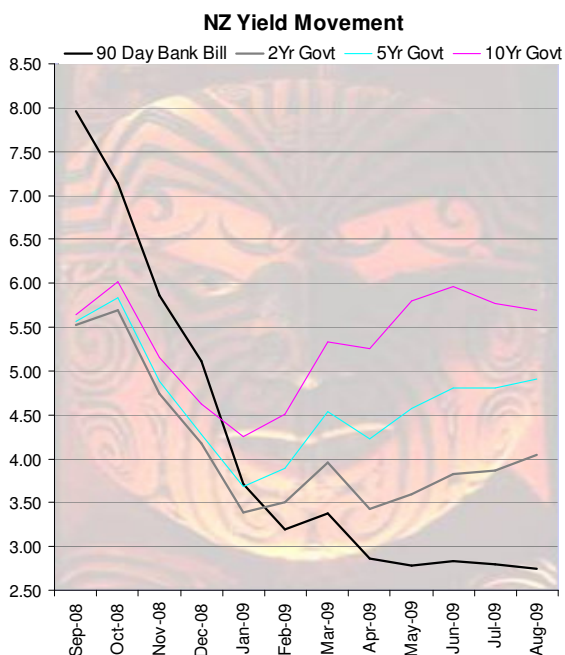
World industrial production growth picked up sharply as companies increased their stock holdings after a period of holding lower stock levels. This increase in demand was a positive influence to world equity markets, which rose strongly during August. The European equity markets were the best performers followed by the United States. The Japanese market was up marginally during August at 1.3%.

We will need to see signs of strong demand recovery to maintain optimism about growth in the future.

Although international equities performed positively over August, the strength of the New Zealand dollar lowered returns in New Zealand dollar terms.

Market Data Summary

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	3,098	2.7%	12.1%	22.8%	-7.6%	-4.1%	2.4%	5.7%
ASX200 (Local)	30,939	6.6%	18.9%	37.4%	-8.1%	0.1%	9.5%	8.9%
ASX200 (NZD)		3.0%	15.6%	31.9%	-8.5%	1.4%	12.3%	8.8%
MSCI World (Local)	1,849	3.7%	11.3%	38.0%	-17.4%	-6.5%	1.9%	-0.5%
MSCI World (NZD)		-1.1%	2.0%	8.6%	-15.3%	-6.9%	1.9%	-2.4%
NZX50 / ASX200(NZD) comp		2.8%	13.8%	27.4%	-8.1%	-1.4%	7.4%	7.2%
Bonds (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	558.15	0.2%	0.7%	1.6%	5.2%	7.4%	7.4%	6.6%
NZX Govt Bond Index	1,070.07	0.4%	0.8%	-1.3%	8.8%	6.9%	6.7%	6.8%
NZX Composite A Grade	2,935	0.48%	1.4%	-0.4%	9.5%	7.2%	6.9%	6.9%
Property (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	1,977	3.6%	15.2%	11.4%	-0.8%	-3.3%	5.8%	7.8%
ASX200 Property (Local)	18,638	16.0%	24.3%	36.8%	-34.5%	-19.8%	-6.0%	3.3%
ASX200 Property (NZD)		12.1%	20.8%	31.3%	-34.9%	-18.7%	-3.6%	3.2%
Currencies (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
AUD / NZD	0.8186	3.5%	2.9%	4.2%	0.5%	-1.3%	-2.5%	0.1%
USD / NZD	0.6867	5.3%	10.2%	35.1%	-2.3%	1.8%	1.1%	2.9%
NZ TWI	63.7	4.3%	7.1%	21.8%	-3.0%	-0.6%	-0.8%	1.4%
Interest Rates (basis points)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
90 Day NZ Bank Bill	2.75	-4	-3	-44	-543	-474	-374	-214
10 Year NZ Govt Bond	5.69	-8	-10	118	-32	-7	-49	-135
10 Year US Govt Bond	3.40	-12	-7	38	-43	-134	-73	-258
Commodities (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US\$/WTI)	69.96	1%	6%	56%	-40%	0%	11%	12%
CRB Index	253.7	-1%	0%	20%	-35%	-8%	-2%	2%



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

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