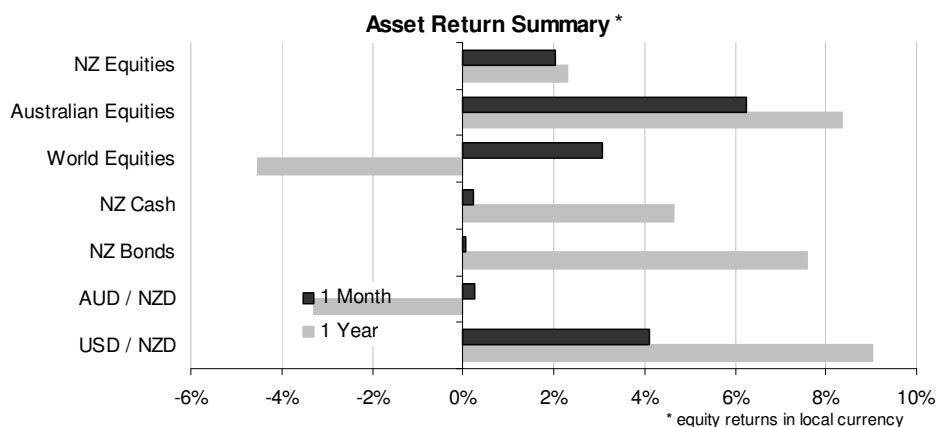


He weuweu takitini, he pū takitahi
One seed, many outgrowths; all great things start from something small

TMF Limited: Monthly Market & Sector Review – September 2009

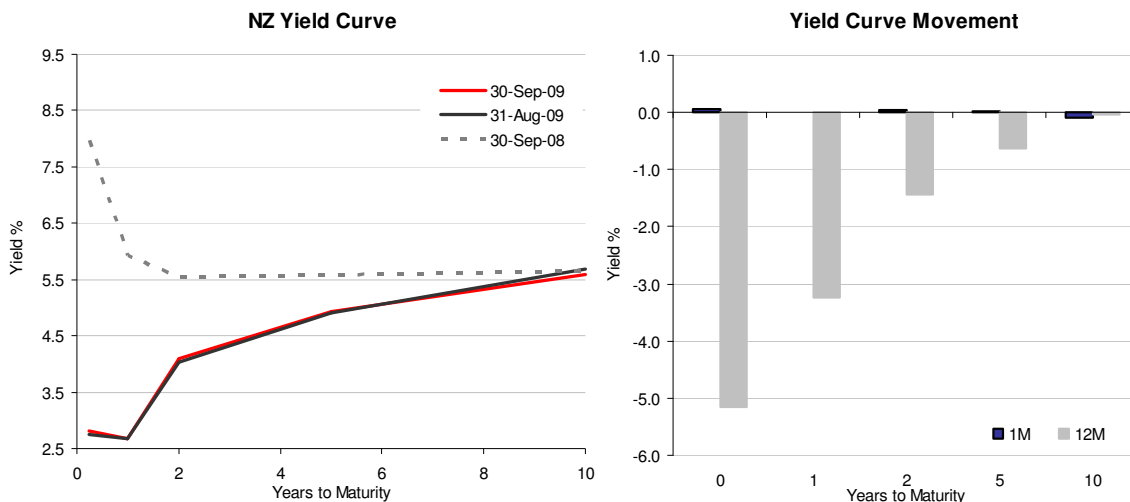
Market Overview



- Ongoing signs of a global economic recovery, monetary stimulus programmes and better than expected company results, has helped to sustain the rally in global equities over September.
- Despite stronger global equity markets, longer-term bond rates fell during September, reflecting the uncertainty and fragility of the economic recovery in the short-term. A shortage of quality corporate bonds helped to generate a slightly positive return from this sector over the month.
- The NZ dollar continued to gain over most other currencies, but was particularly stronger against the US dollar and Great British Pound. The strength of the NZ dollar has lowered the return for international equities measured in NZ dollar terms.
- NZ short-term interest rates were generally little changed over September.
- During September the NZ economy recorded a small positive growth of 0.1% for the second quarter, and technically speaking breaking the recession of 5 quarters.
- Fonterra lifted its dairy payout forecast for this season to \$5.10 per kg of milk solid, from the opening forecast of \$4.55. The higher payout, coupled with a hard line on costs, will ease the financial pressure some dairy farmers are facing. This is a positive development for the NZ economy.

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NZ Cash & Fixed Interest



The Reserve Bank of New Zealand, in its September Monetary Policy Statement, reiterated its long-held view that it expects to keep the Official Cash Rate at or below the current level (2.50%) through until the latter part of 2010.

There is no doubt the economy (GDP) is growing again and that house prices are rising. More importantly, leading indicators are pointing to much stronger growth ahead. Consumer confidence, as surveyed by Westpac McDermott Miller jumped to a reading of 120.3 in September from 106 in June.

The news by Fonterra of the increase in the dairy payout is further evidence that the New Zealand economy has bottomed and is on the way to recovery. The next step is for consumers to increase spending, as confidence grows. However this may not happen as quickly due to the uncertainty of employment.

Short-term interest rates are expected to move higher from mid-2010 as the economic growth builds momentum.

NZ Equities

New Zealand equities ended September 2.0% higher, extending the 2.7% gain in August. The rise in second quarter GDP of 0.1%, above consensus forecasts, helped to lift confidence in NZ equities, which was also helped by rising international markets.

Retailers posted generally strong profit results with a conservative outlook on their future performance. However Fisher & Paykel Appliances reduced their 2010 profit guidance by a significant level, which the company attributed to depressed activity in the United States market.

Further capital raisings were announced with Pyne Gould Corporation announcing an underwritten \$237m capital raising as well as the intention of PGG Wrihson to potentially raise approximately \$200m.

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The benchmark NZX50 index has risen approximately 22% from the market lows in March, six months earlier. While we remain positive for the 2010 year performance, we expect the market to be volatile in the near term due to mixed economic signals.

Australian Equities

The Australian Equity market continued its strong performance during September finishing the month up 6.2% and up 35.2% in the six months from the end of March 2009.

The investor focus during September centred on interpreting the trends from the company profit reporting season and economic releases, which maintained a positive bias. The top performing sectors for the month were Financial (+9.9%), Consumer Discretionary (+10.6%) and Information Technology (+10.5%). The Materials, Energy and Telecoms sectors lagged.

The June quarter GDP report, released in September, was above consensus expectations, growing 0.6% for the quarter. The unemployment rate was steady at 5.8% for a third month, showing that the Australian labour market remains resilient to the broader downturn. Business confidence surveys were also positive.

Although the Reserve Bank of Australia kept interest rates on hold at 3.0%, the market is now pricing for an interest rate increase before year end.

Offshore Equities

International Equities were stronger in September, despite increasing US unemployment and mixed economic news. The MSCI World Index was up 3.1% in local currency but fell slightly (-0.1%) when measured in NZ dollar terms.

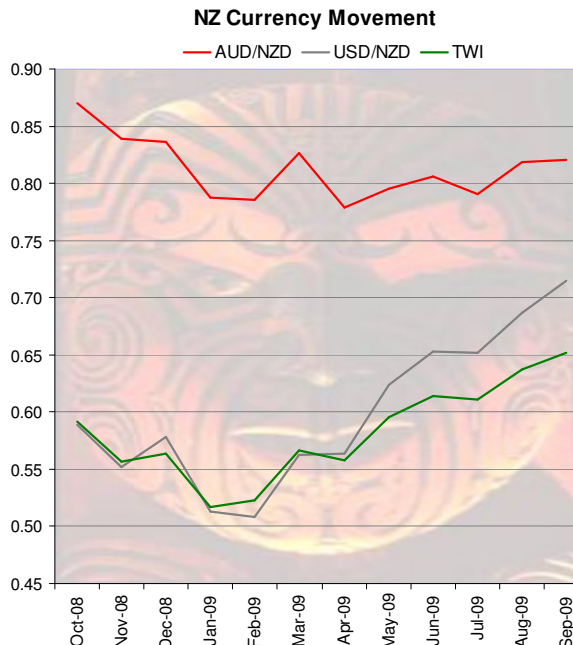
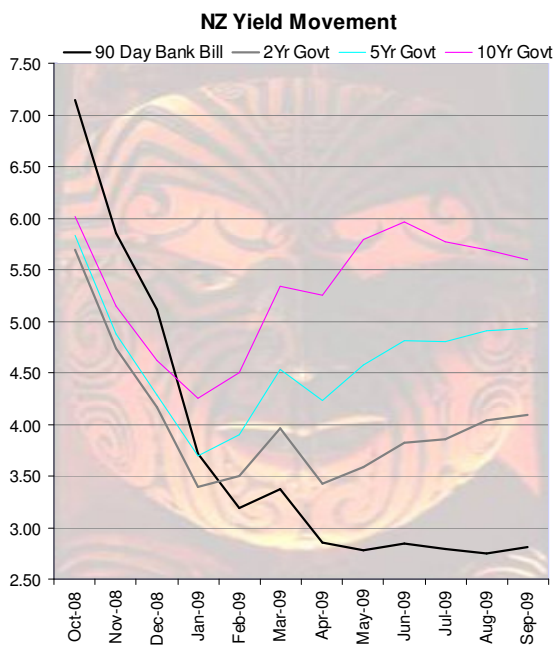
The US Dow Jones Industrial index recorded its fifth positive monthly return since its March bottom while the Chinese market, which had a negative result in August, recovered in September to return 3.8% over the month. Most of the Asian markets had better results than the US and the European indices, with Japan the main exception with a negative return.

The US dollar continued to depreciate against all major currencies during the month, with the Great British Pound being the only exception.

Global economic recovery has largely reflected the impact of the high stimulatory global monetary and fiscal policy settings. As a result, earnings are likely to be revised up over the near term. Furthermore, it appears that investors remain generally underweight equities, creating a potential source of demand when they look to rebalance their portfolios.

Market Data Summary

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	3,161	2.0%	13.1%	22.0%	2.3%	-4.1%	2.2%	6.4%
ASX200 (Local)	32,870	6.2%	21.5%	35.2%	8.3%	1.7%	10.0%	9.7%
ASX200 (NZD)		6.0%	19.3%	36.1%	12.0%	3.8%	12.9%	9.4%
MSCI World (Local)	1,906	3.1%	14.8%	33.7%	-4.5%	-6.2%	2.2%	-0.1%
MSCI World (NZD)		-0.1%	7.2%	11.5%	-10.4%	-7.1%	2.2%	-2.3%
NZX50 / ASX200(NZD) comp		4.0%	16.2%	29.1%	7.2%	-0.2%	7.5%	7.9%
Bonds (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	559.35	0.2%	0.7%	1.5%	4.6%	7.3%	7.3%	6.6%
NZX Govt Bond Index	1,076.25	0.6%	1.8%	1.3%	7.2%	7.0%	6.7%	6.8%
NZX Composite A Grade	2,936	0.05%	1.5%	1.9%	7.6%	7.0%	6.8%	6.8%
Property (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	2,065	4.5%	17.1%	18.1%	-0.3%	-1.9%	6.5%	8.7%
ASX200 Property (Local)	20,459	9.8%	30.5%	50.2%	-23.7%	-18.3%	-4.4%	4.5%
ASX200 Property (NZD)		9.5%	28.1%	51.2%	-21.1%	-16.6%	-1.9%	4.1%
Currencies (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
AUD / NZD	0.8207	0.3%	1.8%	-0.7%	-3.3%	-2.1%	-2.6%	0.4%
USD / NZD	0.7149	4.1%	9.6%	27.2%	9.0%	3.0%	1.3%	3.3%
NZ TWI	65.2	2.4%	6.2%	15.2%	2.8%	-0.3%	-0.8%	1.8%
Interest Rates (basis points)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
90 Day NZ Bank Bill	2.81	6	-3	-56	-515	-481	-391	-207
10 Year NZ Govt Bond	5.60	-9	-36	26	-5	-7	-54	-134
10 Year US Govt Bond	3.31	-9	-22	60	-54	-133	-83	-259
Commodities (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US\$/WTI)	70.61	1%	1%	42%	-30%	4%	7%	11%
CRB Index	259.4	2%	4%	18%	-25%	-5%	-2%	2%



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

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