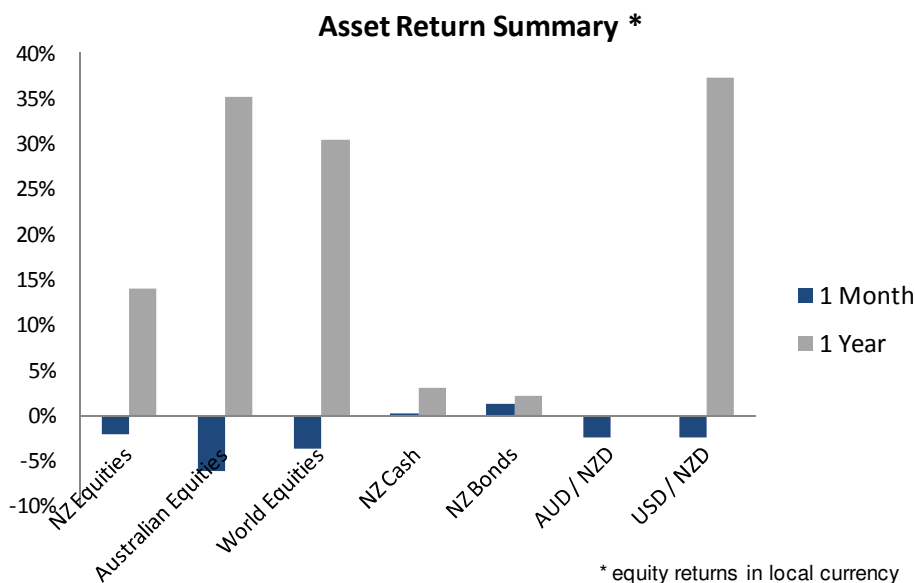


Hāhāea nga ripa o te pō, kia whiti ake ko te māramatanga
(Shred away the darkness, let there be light)

TMF Limited: Tirohanga ki te makete mō Kohitātea 2010

Market Overview



Negative developments in global financial markets pushed investors away from Equities in January into the safe haven of interest rates. All global equity markets suffered while NZ cash and bonds had a positive month:

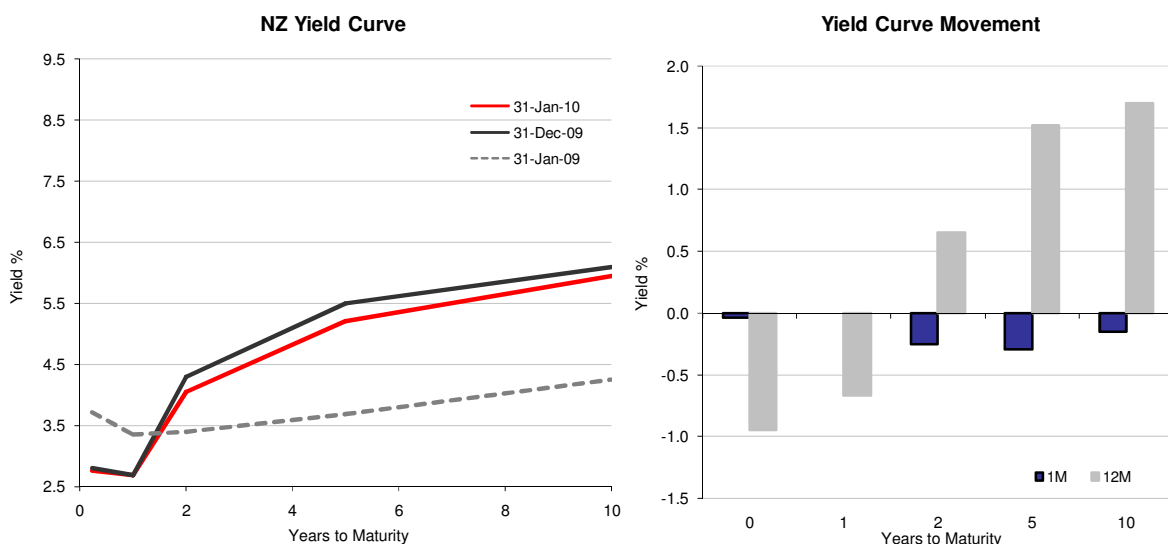
- The RBNZ announcement on 28 January left the Official Cash Rate at 2.5%.
- Our benchmark for Bonds (The NZX Composite A Grade index) increased 1.39% in January.
- NZ Equities fell 2.1% in January in conjunction with equity markets worldwide.
- Australian Equities suffered (-6.1%) as China increased bank regulation to reign in credit growth. Australia’s most successful sectors during the recovery, energy, and hard commodities were hit hard by this development.
- International Equities were down 3.6% (or -1.8% in NZD terms). Events in Europe and China coupled with comments by Obama about curbing Bank risk appetite all contributed to a move away from equities globally.

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NZ Cash & Fixed Interest

The RBNZ left the Official Cash Rate (OCR) unchanged on 28 January at 2.5%. The RBNZ maintains that they expect to increase the OCR in the middle of 2010 (we think June 10).

A softer than expected CPI figure (-0.2%) takes annual inflation down to 2%, pushing interest rates lower and encouraging investors back into fixed rate bonds. Fixed Interest returns were +1.39% in January.



Interest Rates (basis points)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
90 Day NZ Bank Bill	2.78	-2	-1	-1	-93	-489	-399	-299
10 Year NZ Govt Bond	6.00	-10	23	23	175	-1	-4	-144
10 Year US Govt Bond	3.63	-22	22	11	76	-120	-51	-305

Bonds (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	564.61	0.2%	0.7%	1.4%	3.1%	6.7%	7.0%	6.5%
NZX Govt Bond Index	1,097.66	1.4%	2.2%	3.0%	1.0%	7.3%	6.6%	7.0%
NZX Composite A Grade	3,020	1.39%	2.3%	3.4%	2.2%	7.7%	6.9%	7.1%

NZ Equities

A number of indicators released in January point to the NZ economy still being on the road to recovery but risk appetite and sentiment remain fragile. Consumer confidence has increased according to the latest ANZ Roy Morgan consumer confidence survey, reaching a 3 year high. The results of the December Performance of Manufacturing Index were released in January and showed the manufacturing sector expanded for the first time since 2007.

The NZX50 decreased 2.1% in January. The four largest contributors to the index, Telecom (-4.8%), Westpac Bank (-3.2%), Auckland International Airport (-4.9%) and Fletcher Building (-0.6%), all had negative returns for the month. During January, Auckland International Airport (AIA) purchased a 24% holding in North Queensland Airports. In order to fund this purchase AIA announced a rights issue. Shareholders are entitled to purchase 1 share for every 16 that they hold at a discounted price of \$1.65.

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Australian Equities

The ASX200 peaked during January to its highest level since September 2008 before falling to record a negative return for the month of -6.1%. China's decision to reduce their banks ability to extend credit had an immediate impact on demand for hard commodities. Hard commodities refer to commodities that are typically mined such as metals, crude oil or coal. Up until now Australia have benefitted from their proximity to China and their natural supply of Hard commodities.

BHP Billiton were the largest contributor to the ASX200's negative performance. BHP is involved in mining coal, iron, gold and various other metals, as well as petrol exploration. The fall in the price of these products directly affected the company's performance. The energy sector (-9.8%) was the worst performing sector on the Australian Stock Exchange.

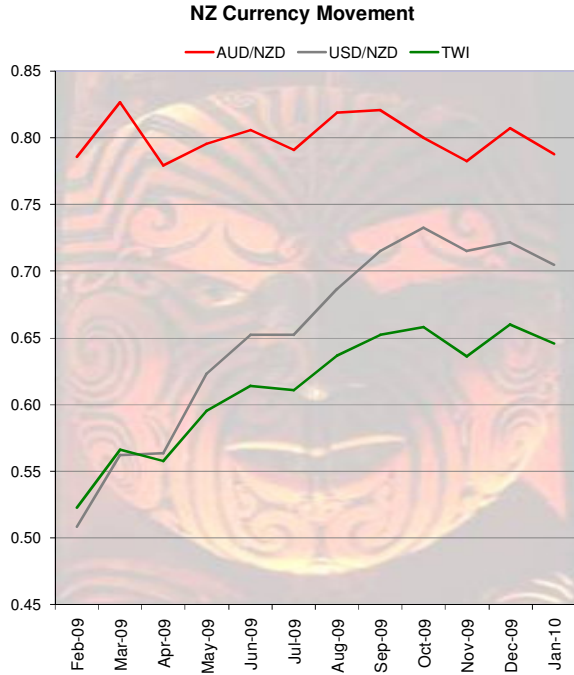
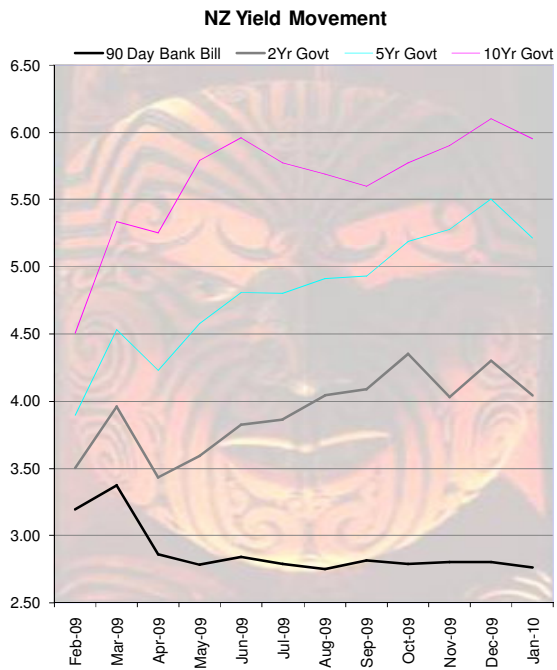
World Equities

After recording a 3.7% increase in December, International Equities were down 3.6% in January. This was the largest fall since February 2009. A few key items led world markets down over the month, China's influence on extending credit, Obama proposes curbing US bank risk taking activities, Europe went under the microscope as Greece's fiscal deficit blows out to 13% of GDP, and similar concerns for Spain and Portugal could lead to sovereign rating downgrades.

All sectors in the US market had negative returns. The financial sector was hit particularly hard. Disappointing jobs data was announced showing the US had lost 85,000 jobs net in December. This coupled with retail and house sales data that was lower than expected show that whilst the US may be out of the worst of the recession, it may take some time to recover.

A 2.3% rally in the NZDUSD down from 0.74 to 0.70 helped reduce the negative performance in NZD terms to -1.8% for January.

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	3,165	-2.0%	-1.6%	4.9%	14.1%	-8.7%	0.6%	5.9%
ASX200 (Local)	31,886	-6.2%	-0.9%	9.8%	35.2%	-3.4%	6.7%	8.3%
ASX200 (NZD)		-3.9%	0.6%	10.2%	35.1%	0.7%	10.0%	8.2%
MSCI World (Local)	1,920	-3.6%	3.0%	7.7%	30.4%	-8.6%	1.0%	-1.2%
MSCI World (NZD)		-1.8%	5.6%	-0.1%	-0.6%	-8.1%	1.8%	-3.6%
NZX50 / ASX200(NZD) comp		-3.0%	-0.5%	7.6%	24.6%	-4.0%	5.3%	7.0%
Property (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	2,023	-3.4%	-3.7%	6.0%	9.6%	-7.1%	3.8%	8.7%
ASX200 Property (Local)	18,875	-2.9%	1.4%	17.5%	16.1%	-24.4%	-7.9%	4.1%
ASX200 Property (NZD)		-0.5%	3.0%	17.9%	16.0%	-21.2%	-5.1%	3.9%
Currencies (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
AUD / NZD	0.7879	-2.4%	-1.5%	-0.4%	0.1%	-4.1%	-3.0%	0.2%
USD / NZD	0.7048	-2.3%	-3.8%	8.1%	37.4%	0.8%	-0.2%	3.6%
NZ TWI	64.6	-2.1%	-1.8%	5.7%	25.0%	-2.0%	-1.3%	1.9%
Commodities (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US\$/WTI)	72.89	-8%	-5%	5%	75%	8%	9%	10%
CRB Index	265.6	-6%	-2%	3%	21%	-4%	-1%	2%



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

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