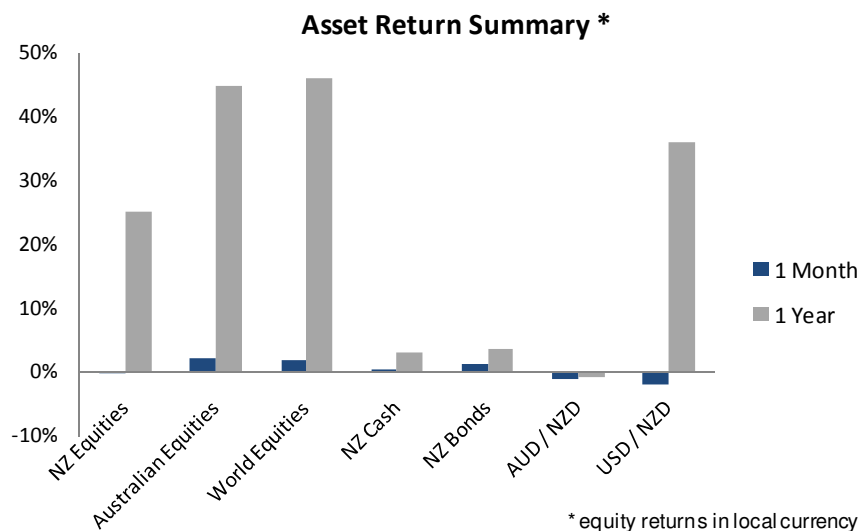






He weuweu takitini, he pū takitahi
One seed, many outgrowths; all great things start from something small

TMF Limited: Tirohanga ki te makete mō Hui tanguru 2010

Market Overview



February followed the themes of January, with concerns over Greece and China being centre stage, however fears seemed to have calmed as Greece prepares to put in plans for deficit reduction. Equity markets around the world generally produced positive returns as a result. A large number of companies announced profit results in February with many having good results.

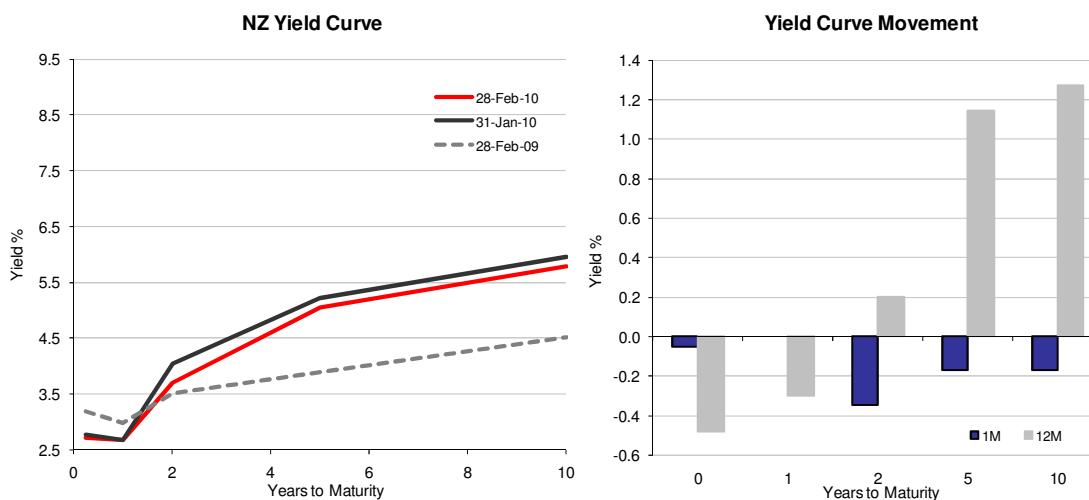
-  NZ Fixed Interest – up 1.1%. OCR still expected to rise in June.
-  NZ Equities – down 0.3%. NZX50 led lower by Telecom.
-  Australasian Equities – up 2.2%. Good profit results announced by a number of companies.
-  International Equities – up 1.9%. Fears about Greece softened, as recovery plans developed.

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NZ Cash & Fixed Interest

Bonds (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX 90 Day Bank Bill	565.91	0.2%	0.7%	1.4%	3.0%	6.6%	7.0%	6.5%
NZX Govt Bond Index	1,109.95	1.1%	2.0%	3.7%	2.4%	7.5%	6.8%	7.0%
NZX Composite A Grade	3,054	1.1%	2.2%	4.1%	3.7%	7.8%	7.1%	7.1%

The NZ economy had some encouraging results released in February, the emphasis is on the recovery still proceeding but at a mild pace. Consumer spending, the manufacturing sector, and business confidence all showed positive results. Countering this, unemployment rose to a 10 year high of 7.3%, housing sales fell 16%, and food prices increased 2.1%. These indicators suggested the RBNZ may need to re-evaluate any decision to raise interest rates in June, contributing to a fall in interest rates over the month. This movement is illustrated in the yield curve and table below. This led to positive returns for fixed interest portfolios. Our benchmark for fixed interest, the NZX Composite A Grade returned 1.1% slightly down on last month's result.



Interest Rates (basis points)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
90 Day NZ Bank Bill	2.71	-7	-9	-4	-48	-509	-413	-331
10 Year NZ Govt Bond	5.78	-22	-12	9	127	-1	-26	-134
10 Year US Govt Bond	3.61	-2	40	21	59	-95	-75	-281

NZ Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX50	3,156	-0.3%	1.0%	1.9%	25.1%	-7.9%	-0.3%	6.2%

A number of companies released good profit results in February including Nuplex, Ebos and Sky Network TV. Sky recorded a 19% increase in profit for the 6 months ending 31 December 2009. This was largely because of an increase in MYSKY HDi subscribers, helping to recover set up costs of the new system. The company has a good market position with 47% of New Zealand households having Sky.

Telecom led the NZX50 to its negative return of 0.3%. Telecom had a tough month, with difficulties on its XT network, low profit guidance and the resignation of the company's Chief Technical Officer. The company decreased 2.1% over the month.

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Australian Equities

Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
ASX200 (Local)	32,576	2.2%	-0.6%	5.3%	44.7%	-3.2%	6.7%	8.4%
ASX200 (NZD)		3.4%	0.0%	10.7%	46.0%	1.1%	10.2%	8.6%
NZX50 / ASX200(NZD) comp		1.6%	0.5%	6.3%	35.6%	-3.4%	4.9%	7.4%

The ASX200 had a positive month, increasing 2.2%. As was the case in New Zealand, a number of companies reported good profit results in Australia. Rio Tinto announced an increase in profit of 33%. The company's share price increased as a combined result of the profit increase and the company's credit rating from Fitch rating agency, increasing to A- (from BBB+). The upgrade resulted from RIO reducing its debt levels.

Telecommunications (-10.23%) was the worst performing sector, with Telstra being the biggest contributor to the negative return. Telstra announced profit results during the month that were considered disappointing by the market.

World Equities

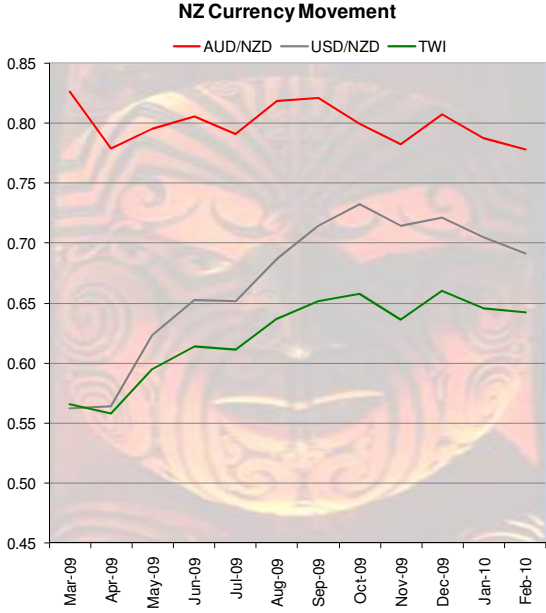
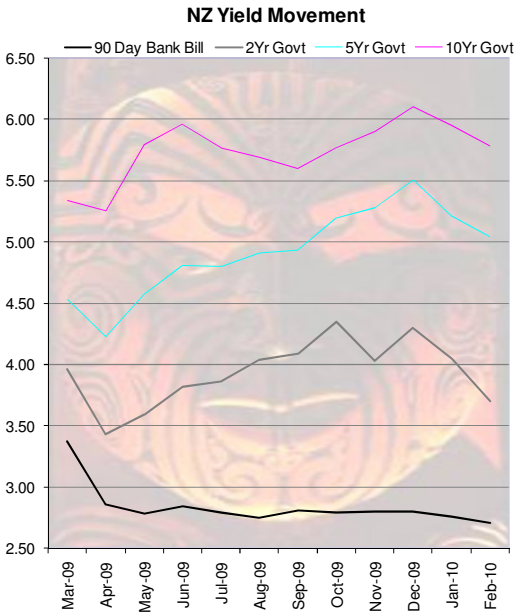
Equities (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
MSCI World (Local)	1,957	1.9%	1.9%	5.8%	46.1%	-7.6%	0.9%	-1.1%
MSCI World (NZD)		3.4%	2.3%	4.5%	13.4%	-6.3%	2.1%	-3.4%

The government deficit in Greece remains an issue, the deficit is currently four times the limit the EU allows. Greece is trying to put a plan in place to address the problem without any formal funding or guarantees from the EU. During February the EU announced support for Greece as it attempts to repair the damage. Fears were eased by the news that Germany may consider buying Greek government bonds, as an emergency course of action.

Various data released in the US made some cautious about the recovery. US consumer confidence decreased to the lowest level in 10 months and housing data released showed home sales fell for the third month in a row. However on a brighter note, there was a decrease in unemployment to 9.7%, whilst still high, this is the lowest level in 5 months.

China tightened monetary policy through raising the reserve requirements for banks again during February, this increase was unexpected. Markets have realised that the Chinese government are not trying to stop growth through this measure, they are merely trying to maintain growth at a sustainable level. This led to a smaller impact on international equities than the previous reserve increase in January. International equities rose 1.9% in February.

Property (gross return)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
NZX Property	2,044	1.0%	1.6%	3.4%	15.2%	-6.9%	3.8%	9.1%
ASX200 Property (Local)	19,150	1.5%	1.9%	2.8%	40.6%	-23.9%	-7.2%	3.6%
ASX200 Property (NZD)		2.7%	2.4%	8.0%	41.9%	-20.5%	-4.1%	3.8%
Currencies (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
AUD / NZD	0.7785	-1.2%	-0.5%	-4.9%	-0.9%	-4.3%	-3.2%	-0.2%
USD / NZD	0.6915	-1.9%	-3.3%	0.7%	36.0%	-0.4%	-0.8%	3.6%
NZ TWI	64.2	-0.6%	0.9%	0.8%	22.8%	-2.3%	-1.6%	1.8%
Commodities (% change)	Level	1M	3M	6M	1Y	3Y	5Y	10Y
Oil Prices (US\$/WTI)	79.66	9%	3%	14%	78%	9%	9%	10%
CRB Index	274.8	3%	-1%	8%	30%	-4%	-2%	3%



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

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