

Fund manager

Tyndall Investment Management New Zealand Limited (Tyndall).

Tyndall manages \$3.4 billion of funds for a diverse group of clients, including superannuation schemes, charitable trusts, KiwiSaver scheme providers, corporations and local government. Tyndall also offers services to financial intermediaries through wrap platforms. Tyndall is a wholly owned subsidiary of Nikko Asset Management Co., Ltd., a Japanese asset management group.

Tyndall offers investment management services in domestic sectors (equities, fixed interest and cash) through its Auckland-based investment team and employs offshore managers to manage global sectors (global equities, global bonds and alternative investments).

Portfolio Managers

Rickey Ward, Joint Domestic Equity Manager – 15 years tenure. Rickey joined Tyndall in April 1996, initially as an Equity Analyst and the Manager of the company's passive investment products, before being promoted to the more senior role of Domestic Equity Dealer in 1998. He has been involved within the investment industry for almost two decades in a variety of roles ranging from strategy, research and portfolio management. He is now the Joint Equity Manager, a role which he was promoted to in May 2001.

James Lindsay, Joint Domestic Equity Manager – 13 years tenure. James had a number of years experience in sharebroking prior to becoming an Australasian Equity Analyst at Royal & SunAlliance Asset Management in Wellington. He joined the Auckland based Tyndall team in 1999 as an Equity Analyst, before being promoted to the role of Joint Equity Manager in May 2001.

Fund launch

January 2010 (a similar portfolio has been operated by Tyndall since March 1992).

Investment objective

Over a rolling three year period, to target a return which exceeds the benchmark (NZX 50 Gross with Imputation Index) by 3% per annum, before fees.

Benchmark

NZX 50 Gross with Imputation Index

Investment philosophy

Tyndall is an active style neutral manager with a lower risk approach to investment. Tyndall's core domestic equity portfolio consists of approximately 30 investments and is constructed and managed with a blend of value and growth companies, with a modest Australian exposure (maximum 20% permitted).

Structure and taxation

The Fund vehicle is a Unit Trust and Portfolio Investment Entity (PIE) which is priced daily. Unit holders elect their own Portfolio Investment Rate. Information is provided to the IRD and unit holders on an annual basis.

PIE eligibility

Tyndall may take any action it deems appropriate to ensure the Fund remains eligible to be a PIE. This includes the ability of Tyndall to compulsorily withdraw a unit holder's units and pay the proceeds to that unit holder's nominated bank account.

Distributions

Semi-annual. Last business days of March and September.

Hedging policy

Assets and liabilities are hedged to NZD at the discretion of the Manager.

Investment guidelines

Below are the investment ranges for the asset classes in which the Fund will primarily invest.

Asset class	Range
New Zealand equities	75% – 100%
Australian equities	0% – 20%
Cash	0% – 5%

Management fees and other charges

A management fee of up to 0.75% per annum calculated as a percentage of the gross asset value of the Fund will be calculated and deducted from the Fund. This fee is calculated daily and is payable to Tyndall. The management fee may be reduced or waived at Tyndall's discretion.

A Trustee fee of up to 0.06% per annum calculated as a percentage of the gross value of the assets in the Fund will be calculated and chargeable to the Fund.

Tyndall and the Trustee may also recover expenses (including the Trustee fee) up to a maximum of 0.25% per annum from the Fund.

Brokerage charges

0.40%

Trustee

Public Trust

Custodian

Public Trust

Minimum investment

Initial investment \$5,000

Further investments \$1,000

The Manager may accept applications for investments below the minimum investment amount at its discretion.

Performance (NZD returns; before tax & fees)*

	Tyndall %	Benchmark %	Excess %
1 month	0.81	0.66	0.15
3 months	-0.45	-0.95	0.50
6 months	-1.99	-2.08	0.09
1 year	0.08	0.18	-0.10
2 years (pa)	2.61	3.42	-0.81
3 years (pa)	8.60	7.32	1.28
5 years (pa)	-1.79	-3.07	1.28
10 years (pa)	7.81	6.12	1.69

* Performance returns are returns achieved for similar mandated investment funds as reported to various actuarial investment performance surveys.

Benchmark: NZX 50 Gross with Imputation Index

Fund size

Fund: \$2.7 million

Strategy: \$244 million

Top 10 holdings

Fletcher Building	Chorus Limited
Telecom Corporation of NZ	Sky City Entertainment
Auckland International Airport	Mainfreight
Contact Energy	Infratil Limited
Sky Network TV	Guinness Peat Group

Number of holdings in portfolio **32**

Asset allocation

New Zealand equities	84.5%
Australian equities	12.5%
Cash	3.0%

Sector allocation

	Tyndall %	Index %
Consumer discretionary	17.1	16.4
Consumer staples	2.7	1.7
Energy	1.5	1.3
Financials	9.3	15.9
Healthcare	6.9	7.6
Industrials	15.1	14.4
Information Technology	0.3	0.2
Materials	16.3	14.1
Telecommunications	16.2	14.0
Utilities	11.6	14.4
Cash	3.0	-

Attribution to performance – January 2012

What helped	What hurt
Fisher & Paykel Healthcare	Vector Limited
Rio Tinto Limited	OceanaGold Corporation
Contact Energy	Goodman Fielder Limited

Largest deviations from Index

Overweight	Underweight
Cash	Kiwi Income Property
Chorus Limited	Westpac Banking Corp
Transpacific Industries	Contact Energy

Commentary

The year commenced in a similar vein to 2011, with investor sentiment erring on the side of optimism, despite overhanging concerns about global growth and economic recovery on corporate earnings. Last year's issues around the EU remain, however a steady flow of data from the US, which indicated a continued improvement, clearly outweighed any immediate impact that any possible failure within the Euro Zone might have. The month will be remembered for illiquidity, something that is typical of the January month and the re-emergence of investor appetite for investment risk. The NZ market enjoyed the flow-on effect, albeit to a lesser extent than others, with the NZX50 Index rising 0.66%.

Last year's worst performers occupied the top returners for January with **Rakon**, **Cavalier**, **Pumpkin Patch** as well as **NZ Exchange**, occupying the top spots. A stronger currency and potential index changes placed pressure on a number of others, with **Fisher and Paykel Healthcare** and **Contact Energy** all meeting increased selling pressure during the period and holding back any further gains for the NZX. Not surprisingly, given an increased appetite for investor risk, **Fletcher Building** rebounded from its lows, despite both making a modest purchase and suggestions of a further profit warning being imminent. Other notable returns came from the unloved **Chorus**, an offshoot from **Telecom**, which finally appears to have shrugged off the ever present selling pressure from overseas owners and **Kathmandu**, whose share price continues to slide on poor consumer spending data. Both companies have faced their fair share of concerns in recent times and investors are clearly voting with either their wallets or feet.

In corporate news, NZ Refining and Sanford issued profit warnings while **Rakon** was effectively given a 'speeding ticket' for its significant share price rerating. Air New Zealand CEO, Rob Fyfe, handed in his resignation and the successful lead managers for the government partial privatisation plans were announced. All in all, the month commenced with great fanfare, plenty of news, strong returns and a hint of scepticism for the upcoming reporting season.

In regard to performance in this portfolio, we are pleased to have produced a period of outperformance, particularly in light of such an unpredictable investment environment. Our managers concentrated on steadily increasing positions in **Chorus**, **Telecom** and **Guinness Peat Group** while reducing our **Auckland Airport**, **Contact Energy** and **Infratil** positions to fund these.

(bold denotes stock held in portfolio)

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