

### 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

July 2009 (a similar portfolio has been operated by Tyndall since 1996).

### Investment objective

To achieve a return that exceeds the benchmark return on an annual basis before fees, over a rolling three year period. The current benchmark return for the Fund is the Australasian Small Companies Composite Index plus 3.0% per annum.

### Composite index

The Australasian Small Companies Composite Index is a weighted average of the following three indices:

S&P/ASX Small Ordinaries Accumulation Index	70%
NZX Small Cap Growth Index (with imputation credits)	25%
NZX NZ Call Index	5%

### Investment philosophy

The Fund is managed by Tyndall's domestic equities team and is designed to provide investors with an exposure to New Zealand and Australian small companies, otherwise referred to as "emerging leaders". The Fund is skewed to Australian investments and is managed in a manner to provide investors with capital growth and a modest income over a medium investment time frame.

Investment positions are actively managed to provide unit holders with a moderate risk exposure to a diverse range of companies and sectors, contained within the Australasian small companies market.

### 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.

### Management fees and other charges

A management fee of 1.00% 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 recover expenses (including the Trustee fee) up to a maximum of 0.25% per annum from the Fund.

### Performance fee

In the Tyndall Small Companies Fund, a performance fee is payable to the Manager of an amount not exceeding 10% per annum of gains over and above the benchmark return for the Fund. The benchmark return which must be exceeded is the Australasian Small Companies Composite Index plus 3.0% per annum.

The performance fee is calculated after allowance for the management fee, the Trustee's fee or custodial fees and costs and expenses recovered from the Fund for the relevant Financial Year.

The cumulative performance fee for each Financial Year is accrued and adjusted on a daily basis and paid annually in arrears based on the actual performance of the Fund for that Financial Year. Any amount by which the Fund underperforms the Australasian Small Companies Composite Index (or any other index against which the benchmark return is measured) for any previous Financial Years must be recovered before the performance fee is payable for a Financial Year. Underperformance is calculated before allowance for the management fee, the Trustee's fee or custodial fees and costs and expenses recovered from the Fund for any such previous Financial Years.

### 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.

### Investment guidelines

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

Asset class	Target weight	Range
Australian smaller equities	70%	50% – 90%
New Zealand smaller equities	25%	10% – 40%
Cash	5%	0% – 10%

The Fund may also enter into forward currency and other derivative contracts to appropriately manage its foreign currency risk.

### Performance (NZD returns; before tax & fees)\*

	Tyndall %	Composite Index %	Excess %
1 month	7.83	4.88	2.95
<b>3 months</b>	<b>0.68</b>	<b>-0.96</b>	<b>1.64</b>
6 months	-4.84	-2.07	-2.77
<b>1 year</b>	<b>-8.50</b>	<b>-9.34</b>	<b>0.84</b>
2 years (pa)	2.30	2.93	-0.63
<b>3 years (pa)</b>	<b>17.90</b>	<b>15.44</b>	<b>2.46</b>
5 years (pa)	1.42	9.096	2.38

\* The Tyndall Small Companies Fund commenced operation in July 2009. Performance returns prior to this date are returns achieved for similar mandated investment funds as reported to various actuarial investment performance surveys.

### Fund size

Fund: \$4.7 million

Strategy: \$17 million

### Contributors to performance – January 2012

What helped	What hurt
Diligent Board Member Services	GPG plc
Ausdrill Limited	Kathmandu Holdings
NRW Holdings	Oakton Limited

### Top five holdings

Security	Sector
Transpacific Industries	Industrials
NRW Holdings	Industrials
Ausdrill Limited	Materials
Diligent Board Member Services	Information Technology
Summerset Group Holdings	Health Care

Number of holdings in portfolio

48

### Asset allocation

New Zealand small companies	28.9%
Australian small companies	64.1%
Cash	7.0%

### Commentary

Global equity markets rose strongly with most risk assets performing well in January after positive news came from within the EU on debt issues and US economic data appeared to be generally improving.

Small capitalisation companies in New Zealand did much better than the broader market, with a rise of 3.8% as measured by the NZX Small Cap index, compared with the NZX 50, index which rose 0.66%. A similar trend occurred in Australia where the S&P/ASX Small Ordinaries index rose an impressive 7.75% while the S&P/ASX 200 index rose 5.08%. The NZD appreciated 2.1% against the AUD over the month. The portfolio is effectively 100% hedged, therefore the AUD positions when measured in NZD had little impact on performance.

The Fund performed very well over the month of January, producing a return of 7.83%. A number of the Fund's stocks produced exceptional returns. This included **Diligent Board Member Services (DIL)**, after an extremely sound set of quarterly numbers saw the stock rise 30.6%. In addition, Australian stocks **Ausdrill (ASL)** rose 18.7%, mining and resources company **NRW Holdings (NWH)** was up 17.4% and oil and gas company **Roc Oil (ROC)** appreciated 33.3%.

The worst contributing stock in the fund was investment company **GPG**, which was down 5.1% on a lack of news on its asset sale program, movements in the currency and concerns about its exposure to the downturn in Europe. The managers made few changes to portfolio positions over the month.

Most measures of economic activity continued to point to a slowdown in business conditions both here and in Australia similar to data seen for the last quarter of 2011.

*(bold denotes stock held in portfolio)*

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