

HARBOUR NZ CORPORATE BOND FUND

Fund Fact Sheet, April 2012

Fund Outline

The Fund is designed to provide access to favourable income yields through a diversified portfolio of primarily investment grade fixed income securities, denominated in New Zealand Dollars.

It aims to outperform the ANZ Corporate A-Grade Index after fees on a rolling 12 month basis.

The Fund is a registered PIE. Distributions are paid to investors quarterly.

Investment Style

The Fund aims to capture the credit and liquidity premium attached to corporate bonds, bank securities and local authority stock. This comes in the form of higher yields than are normally available from bank deposits or Government Stock.

The Fund holds a buffer of Highly Liquid securities to accommodate client-driven cash flows and payment of distributions. This helps to minimise transaction costs and enables most corporate bonds to be held to maturity.

The primary sources of risk management are diversification, credit research and constraints on exposures such as subordinate-ranking securities.

Manager Profile

The Harbour Fixed Income team was formed in January 2011:

Christian Hawkesby (Director, Head of Fixed Income) joined Harbour from the Bank of England, where as Head of Market Intelligence he advised on monetary policy and financial stability, and ran the special Corporate Bond Scheme.

Mark Brown (Director, Fixed Income Portfolio Management) has extensive local and international experience. He has led fixed income portfolio management teams in New Zealand for 16 years and has studied and worked in the US and UK.

Investor Suitability

Investors with a medium to long-term investment horizon, seeking a low level of capital volatility and an income level commensurate with the yield on corporate bonds. The Manager aims to deliver a low or low to medium risk profile.

Independent Research House Rating

Morningstar Take

Neutral

"Harbour New Zealand Corporate Bond is a plain vanilla corporate bond vehicle with some serious analytical firepower behind it which sticks closely to a buy-and-hold approach".

Performance to 30 April 2012

Period	Fund (%)	Benchmark (%)	Relative (%)
Month	0.89	1.19	(0.30)
3 months	1.70	1.39	0.31
Year	6.68	7.58	(0.90)
Since inception	7.30	7.46	(0.16)

Returns are before tax and excluding fees. Returns include imputation credits. The benchmark is the ANZ Corporate A-Grade Index. Numbers are rounded. Inception date is 22 January 2009.

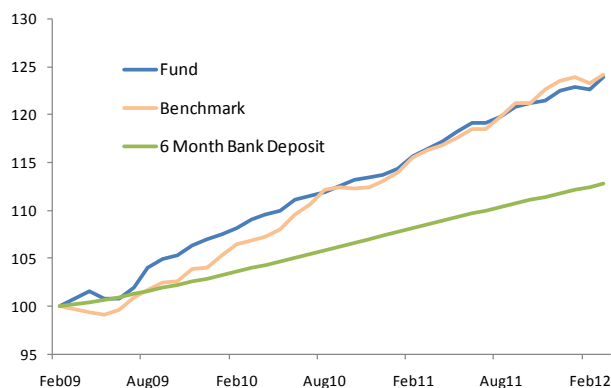
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Performance Of The Investment Strategy From February 2009 to April 2012



Index and fund rebased to 100. Performance represented is gross of tax and fees. Benchmark: ANZ Corporate A-Grade Index.

Portfolio Data as at 30 April 2011

Summary Statistics		Ratings		Top 10 Exposures	
Portfolio NAV \$m	\$82.8	AAA	2.3%	Bank of New Zealand	9.9%
Ave Mark-to-market yield	5.07%	AA	57.3%	ANZ Bank	9.7%
Index Average Yield	4.44%	A	26.8%	Rabo Bank	9.5%
Fund Modified Duration (years)	2.26	BBB	9.2%	ASB Bank	8.1%
Fund Spread Duration	2.37	BBB	0.00%	New Zealand Government	7.8%
Index Mod. Duration	2.58	NR	4.4%	Westpac Banking Corp	6.7%
Average Credit Rating	A+			Fonterra	5.0%
Number of Issuers	47			Wellington Airport	3.3%
				Auckland Airport	2.9%
				Watercare	2.4%

Current Strategy Comment

Interest rates in New Zealand and overseas continued to fall over April, continuing the momentum from the end of March.

Global interest rates fell sharply, due to familiar themes, including doubts about the US economic recovery, concerns about European sovereigns, and worries about a hard landing in China.

In New Zealand, interest rates also fell after the Reserve Bank's Official Cash Rate (OCR) Review. The Bank acknowledged that "the domestic economy is showing signs of recovery" and that "that recovery will strengthen as repairs and reconstruction in Canterbury pick up later in the year". But the Bank also hinted at the possibility of cutting its official rate from 2.5% if the NZ currency remained stubbornly high. In response, market pricing now implies that expectations have shifted from interest rate hikes in early 2013 to the chance of interest rate cuts in mid 2012.

The fall in interest rates in Australia has been even more dramatic, after a string of weak economic data and the Reserve Bank Australia (RBA) surprising markets with a 50 basis point cut of its official interest rate to 3.75%. Both Australian and New Zealand government bonds continue to be sought after by global investors as an attractive alternative to other sovereign bond markets.

Despite the challenging environment in Europe, global credit markets have been relatively stable through April. New Zealand credit spreads on senior financial credit were broadly unchanged, after a strong performance through Q1 2012. Some reset securities underperformed on the month, which is common in a falling interest rate environment.

Distribution History					
	Cents per Unit		Cents per Unit		Cents per Unit
25 June 2009	1.15	30 June 2010	1.65	28-Jun-11	1.5944
28 September 2009	1.35	29 September 2010	1.22	28-Sep-11	1.56
18 December 2009	1.76	20 December 2010	1.5608	20-Dec-11	1.28
24 March 2010	1.19	25 March 2011	1.62	28-Mar-12	1.31

Fund details

Portfolio Investment Entity Registered: Yes

Application: Platform only

Unit pricing: Daily

Investment objective: To outperform the benchmark after fees on a rolling 12 month basis.

Benchmark: ANZ Corporate A-Grade Index

Currency : All securities to be denominated in New Zealand dollars. No foreign currency exposure is permitted.

Investment guidelines: Minimum credit rating BBB-, maximum aggregate unrated securities 5%, minimum Highly Liquid securities 5%, maximum aggregate Subordinate and Perpetual ranking debt 20%. Management fee: 0.60% p.a.

Entry/Exit fees: None.

Distribution policy: Quarterly distributions are paid and are reflective of the yields earned from the securities held in the Fund.

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