

# HARBOUR AUSTRALASIAN EQUITY INCOME FUND

## Fund Fact Sheet, April 2012

### Manager Profile

Harbour is an active, research-based asset manager. Harbour employs a combination of fundamental, quantitative and macro research approaches when selecting New Zealand and Australian equities for inclusion in portfolios.

Harbour formed in January 2010, however the investment team having previously worked together for up to ten years as the NZ Equity team at a large global investment manager. The management team with an average of 17 years professional investment experience managing funds for large government institutions, corporate superannuation funds, charities and mezzanine platform providers (such as KiwiSaver funds).

### Australasian Equity Income Fund Objective

To generate attractive levels of income each quarter from a diversified portfolio of New Zealand and Australasian listed equities as well as cash and fixed interest securities. The Fund intends to pay distributions on a quarterly basis.

### Fund Outline

The Fund has an actively managed strategy that invests predominately in New Zealand and Australian listed securities that are expected to generate attractive dividend yields as well as cash and fixed interest securities.

The portfolio, by generally holding 40-60 securities, is expected to be more diversified than typical equity portfolios reflecting the intention to provide a more consistent yield for investors. Therefore portfolio returns may not always be highly correlated to the equity market.

The portfolio has the capacity to defensively invest up to 35% in cash, government and corporate bonds. It is intended that cash, government and corporate bonds will be utilised after taking into account economic and sector risk characteristic, and where yields may diverge from expected equity yields.

### Investment Style

The investment process melds a strong quantitative selection process across Australasia with a quality and fundamental overlay. Each potential investment is then subject to five further quantitative tests including dividend and cash flow yields, dividend growth potential, and relative valuation criteria. A final portfolio of about 40-60 names is then subject to two further quality tests and a fundamental analyst score to assist in refining both the number of stocks and portfolio construction.

### Investor Suitability

This Fund is predominantly equity based so total returns may be volatile. This Fund may be suitable for investors with a long-term investment horizon seeking income with the potential for capital growth.

### Performance to 30 April 2012

Period	Month
<b>Fund</b>	<b>2.3%</b>
NZX50 Index Excl. Imputation	1.3%
NZX Portfolio Index Excl. Imputation	1.3%
ASX200 Industrials in NZ\$	2.5%

Returns are before tax, and excluding fees. Fund return does not include imputation credits which may be available to some investors

### Contact Information

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### Fund details

Portfolio Investment Entity Registered: Yes

Unit pricing: Daily

Investment objective: To generate attractive levels of income each quarter from a diversified portfolio of New Zealand and Australasian listed equities as well as cash and fixed interest securities.

Investment guidelines: 65-100% Australasian equities; 0-35% cash, government and corporate bonds.

Currency: New Zealand dollars

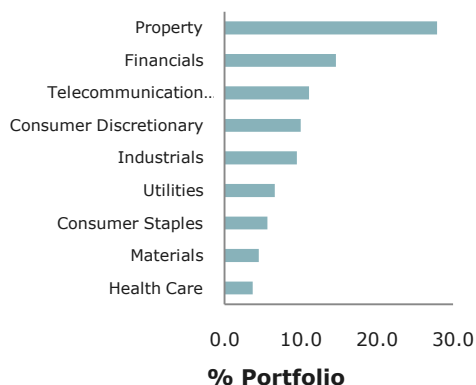
Hedging: 90-95% hedging of non NZ dollar exposure

Management fee: 0.90%pa

Entry/Exit fees: No

Distribution policy: As soon as practicable after the distribution periods ending 31 April, 30 June, 30 September and 31 December in each year to unit holders.

### Absolute Sector Weights



### Top 10 Holdings

Telstra  
Chorus  
Telecom  
CBA  
Spark Infrastructure  
Argosy Property  
Ancor  
Westpac  
NAB  
Charter Hall Retail

### Fund Facts as at 30 April 12

Unit Price: 1.081  
Gross Running Yield: 7.2%\*  
Australian Weight: 57%  
New Zealand Weight: 43%  
Number of Securities: 48  
Allocation to Fixed Income: None

\*Gross running yield is indicative based off month end prices and dividend forecasts at that time. Actual yield based off distributions may differ.

### Current Strategy Comment

The NZ and Australian markets continued their strong run with both markets returning 1.4% in April. Despite the gains over the month the sector winners within both markets had a defensive bias with Telco's and property providing strong returns. The portfolio returned 2.3% in the month outperforming both markets.

Earnings expectations particularly in Australia continued to face pressure with several companies guiding down over the month. Many cited weather as a problem (Boral, Bradken), but also the Australian consumer environment continues to be tough. JB Hi Fi in particular provided and earnings downgrade reflecting the tough environment consumer discretionary retailers are currently facing. Headline sales were ok but margins continue to be crimped with aggressive discounting required to compete.

Inflation numbers across both markets showed that this is not an immediate concern for the reserve banks and that inflationary pressures are contained. Employment in Australia was unexpectedly strong with the unemployment rate remaining unchanged at 5.2%. NZ building consents and business confidence further highlighted the gradual improvement in conditions in NZ.

Corporate news in NZ was dominated by many of the property trusts providing updates on property valuations and the acquisition by AMP office Trust of the Bowen Campus in Wellington. Telecom also announced the appointment of Simon Moutter as its new CEO. Moutter is currently CEO of Auckland International Airport.

Key contributors to performance in the month were positions in Telecom (+8.5%), Telstra (+7.6%), Charter Hall (+13.5%) and banking and diversified financial companies such as Westpac, NAB, CBA and IAG.

### Disclaimer

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