

HARBOUR AUSTRALASIAN EQUITY 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).

Fund Outline

The investment objective of the Fund is to achieve a gross return of 5.0% per annum above the benchmark return over full market cycles, gross of fees and tax. The benchmark is the Russell/JB Were Tradeable Gross Index. The Fund provides actively managed exposure to New Zealand and Australian listed equities. The Fund typically holds 25 to 35 listed equities and can hold up to 40% in Australian equities.

Investment Style

Harbour believes in a growth orientated active investment management approach to generate out-performance for a client's portfolio. Harbour's investment process combines the talents of individual in-house analysts (fundamental ratings) with a quantitative and macro-economic based investment process that seeks to identify the key out-performance indicators for companies.

Independent Research House Ratings



Morningstar Take

"Headed by experienced and dynamic investor Bascand, the group of five quantitative and qualitative investors are seasoned players, senior members having worked together as a unit for more than five years."

Kiwi investors looking for a high-quality approach run by a very experienced group of professional investors need look no further than Harbour Australasian Equity."

The Morningstar Take summarises Morningstar's overall opinion of a fund manager's strategy and capabilities in an asset class.

Lonsec Take

"The '**Highly Recommended**' rating indicates that Lonsec has high conviction that the fund or product can achieve its objectives and, if applicable, outperform peers over an appropriate investment timeframe. The Manager or product has strong competitive advantages in people, process and product design and has no areas of material weakness. The investment is a preferred entry point to access this asset class or strategy."

van Eyk Take

"High quality portfolio manager, who is well supported by competent quantitative and qualitative analysts." **

Performance to 30 April 2012

| Period | Fund (%) | Benchmark (%) | Relative (%) |
|---------|----------|---------------|--------------|
| Month | 0.43 | 1.57 | (1.14) |
| Quarter | 6.19 | 7.63 | (1.44) |
| Year | (3.58) | 4.06 | (7.64) |

Returns are before tax and excluding fees. The benchmark is the Russell JB Were Net Index

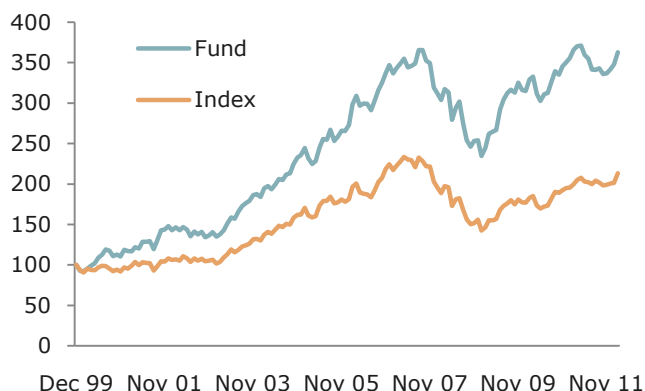
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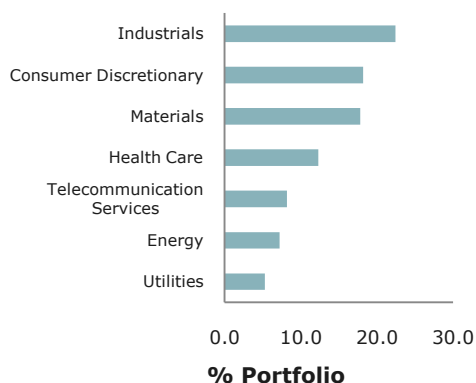
Phone: 09 307 5731

Performance Of The Investment Strategy Since January 2000 to April 2012

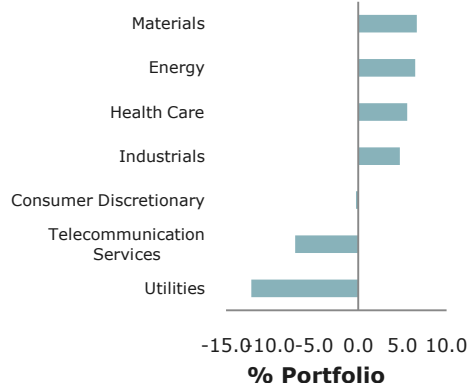


Index and fund rebased to 100. Benchmark is the Russell JB Were Gross index. Prior to September 2004 the index was the NZSX40 Index. Performance represented is gross of tax and fees.

Absolute Sector Weights



Sector Weights vs. Benchmark



Top 10 Holdings

Fletcher Building
 Auckland Airport
 Mainfreight
 Sky TV
 Contact Energy
 Sky City Entertainment
 Chorus
 Telecom
 Ryman Healthcare
 Fisher&Paykel Healthcare

Current Strategy Comment

Broadly speaking data and company announcements in the US remain supportive of both earnings improvements and equity valuations. And this backdrop is over-shadowing a likely further round of earnings downgrades through the confession season in Australia in coming weeks and months.

The New Zealand economic outlook has improved further. Households are planning to build more houses, farmers are seeing balance sheets improve significantly, and exporters are seeing an improving US and Asian economic environment.

The New Zealand equity market rose by 1.3% in April 1, with a parallel lift in the Australian market. However, both markets lagged the US market, which lifted as about 75% of US companies reported better earnings.

Over April, improving confidence in the Chinese economy saw a lift in Australian resource stocks, and an expectation that the Reserve Bank of Australia would reduce interest rates lifted the banking stocks.

That said the brightest spots remain focussed on companies doing business in the US economy. We expect companies like Mainfreight, Brambles, CSL and Fletcher Building to report improving US earnings.

In Australia meanwhile, domestic companies reported rather severe ongoing margin compression. Retailers and some building companies provided profit warnings. Locally, carpet manufacturer Cavalier cut profit forecasts and cancelled their final dividend, as did retailer Kirkcaldies. These sectors remain tough.

Surprisingly to our thinking, Telecom continued to march higher, probably pushed by their buy-back although the appointment of a new Chief Executive may have reduced uncertainty. Telecom in our opinion has become "expensive". We have taken the opportunity to reduce exposure to Telecom significantly, reinvesting in companies with, in our opinion, stronger medium term growth.

Fund details

Portfolio Investment Entity Registered: Yes
 Application: Platform only
 Unit pricing: Daily
 Investment objective: 5% above equity benchmark over full market cycles (gross of fees and tax).
 Benchmark: Russell/JB Were Tradeable Gross Index
 Investment guidelines: 0-10% cash, 90-100% Australasian equities (max. 40% Australian equities)

Currency: New Zealand dollars
 Hedging: Tactically to hedge non NZ dollar exposure
 Management fee: 1.0%
 Performance fee: 10% of alpha in positive markets
 High watermark: Yes
 Entry/Exit fees: No
 Distribution policy: Intention not to make distributions given growth focus.

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**van Eyk Source

Harbour Asset Management Australian and New Zealand Equity Review, van Eyk May 2011, page 3

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