

Harbour Australasian Wholesale Unit Trust

Investment Guidelines as at 29th January 2010

Investment Strategy

Active investment in New Zealand and Australian listed equities.

Source of Expected Premium

Research driven stock selection, driven by a combination of fundamental, macro and quantitative research.

Performance Objective

To achieve a gross return of 5.0% per annum above the benchmark over full market cycles.

Benchmark

Russell/JB Were Tradeable Gross Index.

Risk Tolerance

Expected tracking error of 400-700 basis points.

1. Authorised Investments

- 1.1. Investment in shares, warrants, rights, options in companies and index products that are;
 - 1.1.1. listed on the New Zealand Stock Exchange (or have been publicly announced that they will be listed on the New Zealand Stock Exchange); or
 - 1.1.2. listed on the Australian Stock Exchange (or have been publicly announced that they will be listed on the New Zealand Stock Exchange).
- 1.2. Investments in Convertible Debt Instruments, provided the equity to which they convert satisfies the requirements of Item 1 above.
- 1.3. Options and exchange traded futures in respect of the type referred in Item 1 above.
- 1.4. Investments in partly paid shares in respect of the type referred in Item 1 above provided that the shares are included or are to be included in the benchmark; or that the aggregate amount of the unpaid portion is fully covered by cash or cash equivalents.
- 1.5. Spot and forward foreign exchange contracts.
- 1.6. Cash and cash equivalents.

2. Prohibitions

- 2.1. Borrowing is not permitted.
- 2.2. Leverage is not permitted.

2.3. Short selling is not permitted.

3. Exposure Limits

	Minimum percentage of the Net Asset Value of the Portfolio	Maximum percentage of the Net Asset Value of the Portfolio
New Zealand Equities and Australian Equities plus Net Delta Weighted Exposure to Derivative Securities	90%	100%
Australian Equities	0%	40%
Net Delta Weighted Exposure to Derivative Securities	0%	30%
Cash and Cash Equivalents	0%	10%
Individual company in the Benchmark	0%	Benchmark weight +10%
Individual company not in the Benchmark where its market capitalisation is greater than NZ\$500m	0%	8%
Individual company not in the Benchmark where its market capitalisation is less than NZ\$500m	0%	3%

4. Underwriting and sub-underwriting

- 4.1. Underwriting or sub underwriting of share issues in a company in respect of Item 1 above, is permitted up to a maximum exposure of 5% per security or where the company is not in the Benchmark and where its market capitalisation is less than NZ\$500m this is limited to a maximum exposure of 3% per security.
 - 4.2. Total portfolio underwriting and sub underwriting is to not exceed 10% of the Net Asset Value of the Portfolio. For the avoidance of doubt, the underwriting commitment has to be backed by cash, or securities which can be readily sold to meet the underwriting commitment.
5. Foreign exchange, money market and cash transactions will be limited to registered banks as defined in Section 2 of the Reserve Bank of New Zealand Act 1989 and rated at least A1 by Standard and Poor's Corporation.