Taranaki Investment Management Limited

Perpetual Investment Fund

Performance Report
Quarter Ended
31 December 2009

March 2010

Summary

As at the 31 December 2009 quarter, the total value of the PIF increased from $262.16m to $264.79m after release and expense payments.

The transition of the equity portfolio into exchange traded funds as outlined in the 2009 Strategic Asset Allocation review has been completed.

The PIF outperformed benchmarks in Europe and Pacific equities, US equities, cash, fixed income and alternative asset classes. It underperformed in emerging market equities.

Overall, the net performance when compared to benchmarks was (-0.09%). Asset allocation (-0.23%) and currency (-0.02%) were negative, while stock selection had a positive impact of (+0.16%).

Quarter Ended 31 December 2009
Performance Report Summary

	NZ$m
Opening Balance 30 September 09	**262.16**
+ Performance	8.62
- Release Payments	5.60
- Costs	0.39
Closing Balance 31 December 09	**264.79**
- Less NPDC Loan	9.17
Net PIF Balance at 31 December 09	255.62

Portfolio Return = 3.58%

Half Ended 31 December 2009
Performance Report Summary

	NZ$m
Opening Balance 30 June 09	**259.42**
+ Performance	17.12
- Release Payments	10.98
- Costs	0.78
Closing Balance 31 December 09	**264.79**
- Less NPDC Loan	9.17
Net PIF Balance at 31 December 09	255.62

Portfolio Return = 6.83%

Inception to 31 December 2009
Performance Report Summary

	NZ$m
Opening Balance 14 November 04	**259.40**
+ Performance	119.37
- Release Payments	107.23
- Costs	6.76
Closing Balance 31 December 09	**264.79**
- Less NPDC Loan	9.17
Net PIF Balance at 31 December 09	255.62

Portfolio Return = 7.66% pa

STRATEGY AND POLICY

Macro Environment

Australia, China and emerging Asia continue to increase activity, and solid growth is expected over the next few years.

However, major economic challenges remain for most developed economies and include:

- removal of monetary stimulus;
- reversal of low interest rates and quantitative easing before inflation accelerates;
- achieving a reduction in unemployment;
- achieving an increase in consumption; and
- management of Government fiscal policy and budget deficits.

Commodities

- Oil prices continued to rally throughout this quarter increasing 12.83%.
- Gold rose (+8.82%) for the quarter, with an all time high of US$1,215.35 per oz reached in early December.
- Hard commodity prices are increasing as demand recovers and industry restores inventory levels run down over the last year.
- Soft commodities are trending upwards, boosted by supply shortages and robust demand.

Strategic Asset Allocation

Alternative assets is the dominant asset class in the PIF. The majority of this being Tasman Farms Limited, Baring Private Equity Funds III and IV and Direct Capital Funds III and IV.

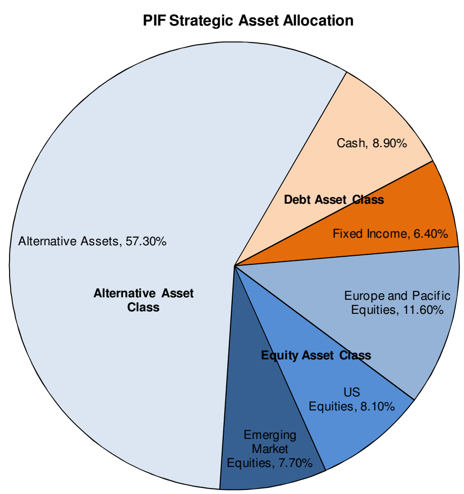
The PIF remains overweight in cash and fixed income and underweight in alternative assets compared to asset class ranges. This will move within recommended ranges as alternative assets increase through private equity capital calls, revaluations and future investments in new alternative asset opportunities.

ALTERNATIVE INVESTMENTS

- Alternative assets had a positive return of (+3.64%), outperforming the benchmark of (+3.59%).
- Alternatives were underweight which gave a negative (-0.49%) attribution against the Strategic Asset Allocation targets.
- The Tasman Farms Limited asset was not re-valued over the quarter. Valuation of this asset occurs annually at their May balance date.
- Barings have been re-valued and along with our Direct Capital investments provided the bulk of the alternative asset return.

PORTFOLIO ASSET ALLOCATION

Asset Class	Current Value ($)	Portfolio %	Benchmark
Alternative Assets (N)	151,943,688	57.4%	70.0%
Europe & Pacific Equity	30,778,158	11.6%	11.0%
Cash	23,535,280	8.9%	2.5%
US Equity (N)	21,356,692	8.1%	7.0%
Emerging Markets Equity	20,299,953	7.7%	7.0%
Fixed Income	16,873,028	6.4%	2.5%
	264,786,800	100.0%	100.0%



QUARTERLY PORTFOLIO RETURNS

TIML
Portfolio Valuation as at: 31-Dec-2009

Gross Internal Rate of Return

	2009Q1	2009Q2	2009Q3	2009Q4
Alternative Assets (N)	0.37%	-5.99%	2.03%	3.64%
Australian Equity	-1.58%	27.93%	85.57%	0.00%
Cash	1.46%	0.80%	-1.13%	1.33%
Emerging Mkt Equity	0.00%	0.00%	-1.65%	7.27%
Europe & Pacific Equity	0.00%	0.00%	10.86%	2.78%
Fixed Income	0.11%	4.38%	5.42%	2.65%
New Zealand Equity	-6.72%	14.54%	13.81%	0.00%
Non US Equity	-5.59%	11.91%	0.00%	0.00%
US Equity (N)	-22.43%	6.22%	3.88%	5.02%
	-1.80%	0.42%	3.14%	3.58%

Note:
A change in investment strategy took effect post 2009Q2 results.
Old asset classes are stated for historic portfolio completeness but are no longer active. The net effect of the strategy change is to increase the expected portfolio return over the long term.

MARKETS

All global equity markets continued to rally over the quarter

- New Zealand NZ50G (+ 2.19%),
- Australian ASX 200 (+2.68%),
- United States S&P 500 (+5.49%)
- UK FTSE 100 index (+5.43%)
- Hong Kong Hang Seng Index (+4.38%)

CURRENCY

- There was a minor negative movement over the quarter (-$30,764)
- Approximately two thirds of the PIF is now held in foreign currency
- As at 31 December 2009 the portfolio remained un-hedged. Partial hedging is being built in the March 2010 quarter as per the new TIML Investment and Treasury Policies

BENCHMARKING

Benchmarking

- The PIF out-performed its benchmarks in five of six asset classes this quarter including European Pacific equities, US equities, cash, fixed income, and alternative assets.

- The PIF under-performed in emerging market equities.

- Overall, the PIF was 0.09% under benchmark for the quarter.

- Equity performance was largely as expected as the PIF now utilises Exchange Traded Funds in its listed equity portfolios.

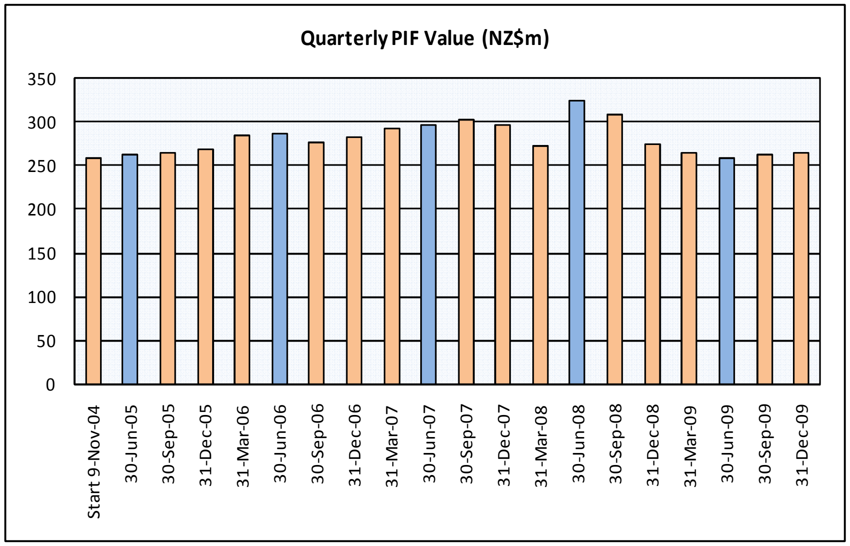
Performance Attribution

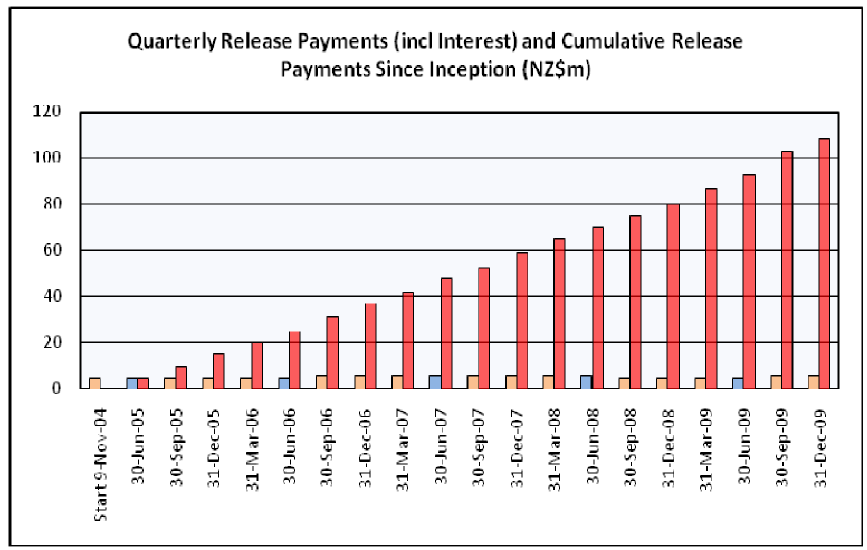
- Alternative assets under-performed against the expected return of our strategic asset allocation because the portfolio is underweight alternative assets compared to the target portfolio weightings.

HISTORIC COMPARISONS

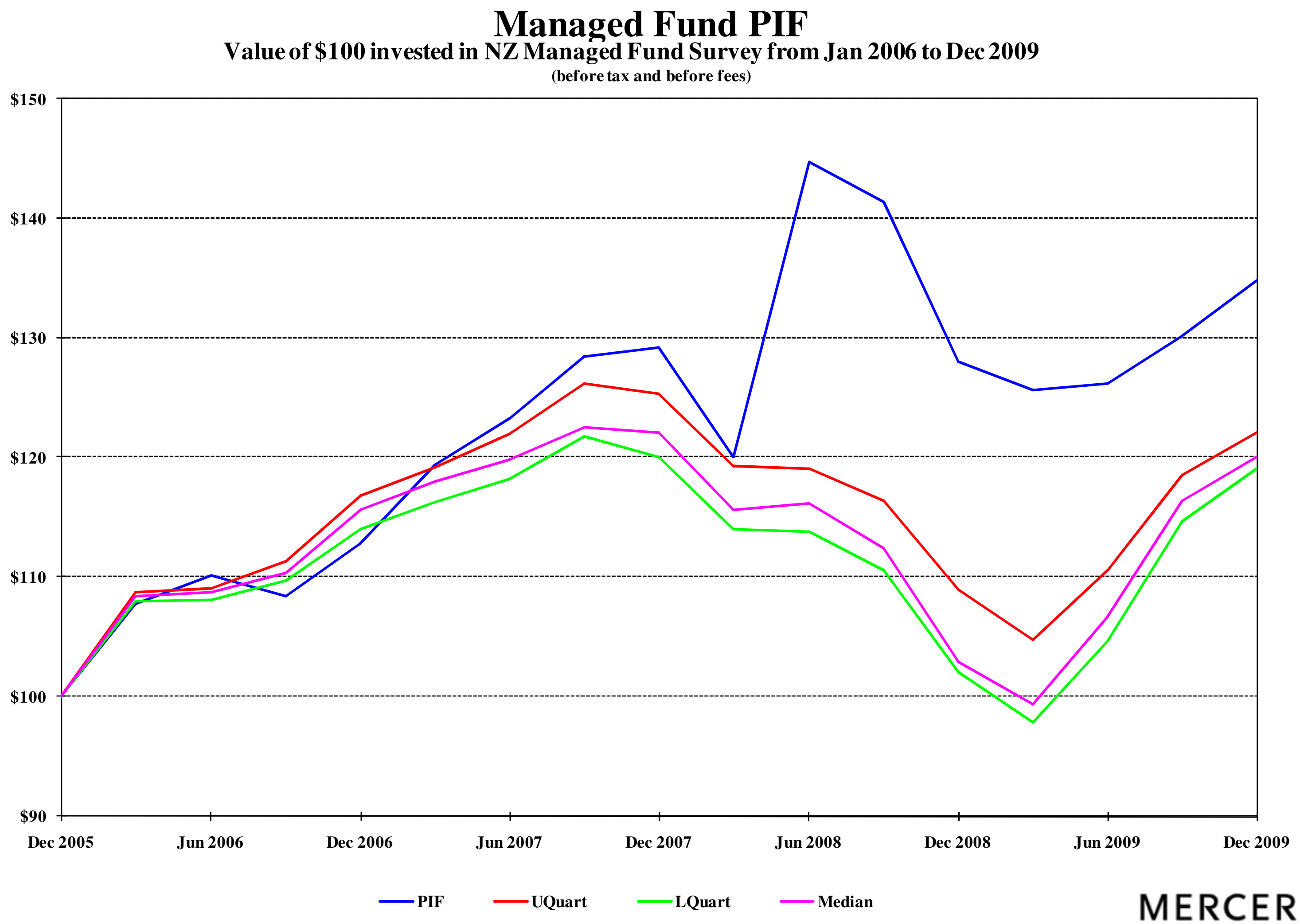
- The PIF closing value was NZ$264.79m, up on last quarter's closing value of NZ$262.16m.
- The PIF paid release payments to NPDC totalling NZ$5.60m for the quarter.
- Costs for the quarter amounted to NZ$0.39m.
- The PIF has paid out NZ$107.2m since inception to New Plymouth District Council. This consists of quarterly release and interest payments.

HISTORIC COMPARISONS *(cont.)*





PIF Managed Fund



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Outlook

- The rally in equity markets, decreased volatility indexes, improved inter-bank liquidity, and turning lead indicators are all positive signals.
- The emphasis of central banks and Governments has now shifted to dealing with the real economy and the repercussions of the global recession. We believe equity markets will continue to drift sideways for a time with large sector rotations while the strength of the recovery is tested.
- Unemployment, ongoing corporate credit issues, consumer confidence and inflation fears all remain significant risks going forward.
- We believe the PIF is positioned well in relation to macroeconomic risks with the TFL investment giving exposure to soft commodities and property upside and Barings giving exposure to China, India and non- Japan Asia.
- Direct Capital is providing exposure to mid-size unlisted New Zealand Companies and other equity exposures are effectively spread across indexes in US, European and Pacific, and emerging economies.
- A focus on retaining liquidity and cashflow continues to be emphasised to counterbalance the relative illiquidity of the alternative assets.

Taranaki
Investment
Management
Limited

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