

Unit Trusts

Half-yearly review as at 30 June 2011



Asteron Unit Trusts are being wound up on 30 September 2011 and investment proceeds will be distributed to Unit Holders shortly after that date.

Investment Commentary

Shares rose early in 2011, but declined in the final two months of the period in response to a broad-based deceleration in global economic growth, leading to only small positive returns for the six months. The ongoing European sovereign debt crisis also dampened enthusiasm as Greece — seen as a test case for the durability of the Euro — came perilously close to default. As concerns over the economy grew, bond markets gained, driven by a strong rally in US Treasuries and German Bunds. Prices for energy and other commodities rose in the middle part of the period as a result of ongoing strife in several Middle Eastern countries. The NZ dollar surged against most other currencies, with particular strength against the US dollar.

The key event in New Zealand over the past six months was the second major earthquake in Christchurch on 22 February. This time, the earthquake had extremely tragic consequences, with significant loss of life and severe damage to the Christchurch Central Business District. Despite this, the Reserve Bank of New Zealand (RBNZ) has acknowledged that the NZ

economy is on a relatively firm footing. Key New Zealand data such as retail sales, Westpac's Consumer Confidence Survey and the current account have all been indicative of underlying economic resilience and momentum. The own activity indicator of the National Bank of NZ survey was broadly consistent with GDP growth picking up to a 4-5% pace over the next year. The Government's package for those Christchurch homeowners impacted the worst by the earthquake is positive as it brings forward the timing of part of the fiscal stimulus and rebuilding process.

While the RBNZ cut the Official Cash Rate to 2.5% after the earthquake, they have more recently indicated that a rate hike is getting closer and the hiking process may be more aggressive than previously expected. Short term interest rates initially moved higher. The subsequent comments from the RBNZ about the high level of the NZ dollar offsetting the need to hike rates, though, as well as the global ructions around the Greek debt crisis saw the market scale back some of their rate hike expectations.

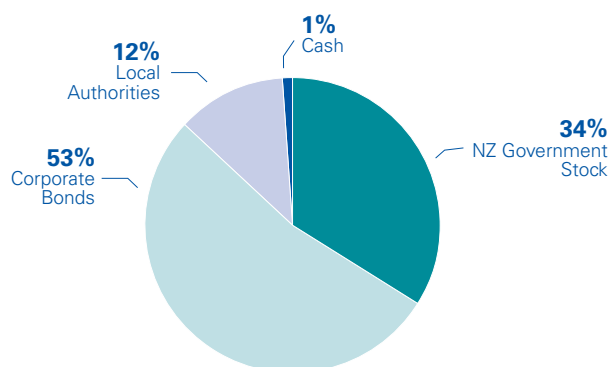
Distributions

The table below details the gross distributions (cents per unit) since December 2010. It is important to note that distributions are unrelated to the PIE Taxable Income on your holding and are classified as 'excluded income' for taxation purposes and should not be included in any tax returns. For further information, please contact your tax consultant, financial adviser, or our Client Services Department toll free on 0800 688 787.

Gross distributions (cents per unit) since December 2010	31 December 2010	31 March 2011	30 June 2011
New Zealand Fixed Interest Trust	1.5347	1.5339	1.4035
Corporate Bond Trust	1.5713	1.2700	2.2499
Socially Responsible Investment Trust	0.0592	0.8584	-
Asian Sharemarket Growth Trust	-	-	-



New Zealand Fixed Interest Trust



The **New Zealand Fixed Interest Trust** invests in a range of medium term fixed interest assets, including NZ Government Stock with a medium duration.

The **Corporate Bond Trust** invests in a range of fixed interest assets issued by New Zealand companies. From time to time the portfolio may include New Zealand Government securities, Australian Government securities and Australian corporate securities.

New Zealand Bond Market

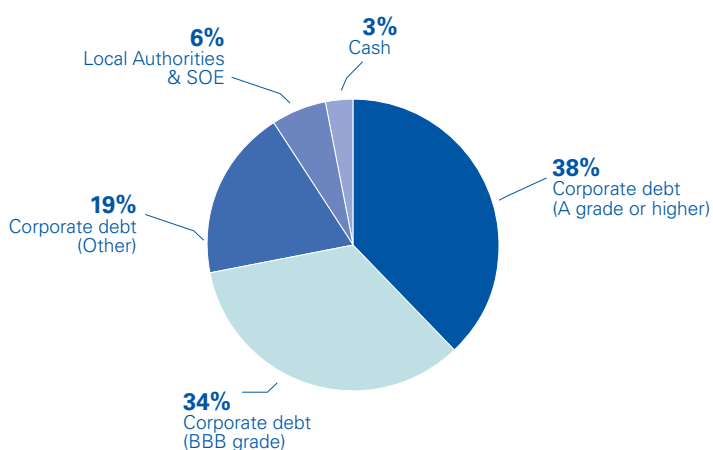
Six-monthly highlights:

- the NZ Government Bond Index rose a strong 5.5% over the period
- the 90-day Bank Bill rate only rose 1.5%
- the RBNZ had a 0.5% OCR cut after the earthquake, taking the rate back to 2.5%

New Zealand short term interest rates moved lower in yield in February following the earthquake, reinforcing the "lower for longer" policy stance. The 90-day rate finished 0.6% lower in yield at 2.6% and the 1 year swap rate 0.6% lower in yield at 2.9% over the first half of 2011.

The NZ Government Bond Index slightly outperformed the swap index (which is a proxy benchmark for highly rated credit) over the period. Despite swap margins expanding, credit still managed a reasonable performance, with a severe shortage of new issuance. Demand was particularly strong for NZ corporate bonds in retail format across the credit spectrum as investors sought higher yields.

Corporate Bond Trust



Top 5 holdings:

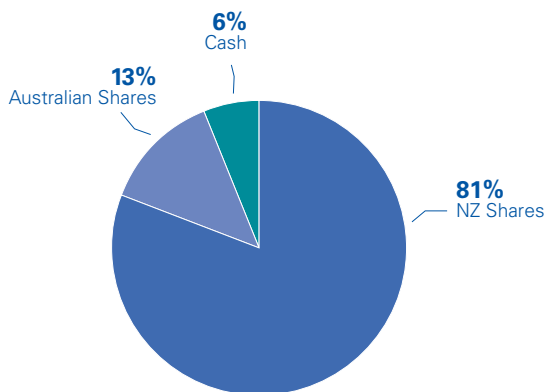
Works Bonds, Prime Infrastructure, Sapphire, GPG, Morgan Stanley

Trust	Fund size (\$m)	Latest sell price \$	Fund performance - period ending 30 June 2011								
			6 Months %	1 Year %	2 Years % pa	3 Years % pa	5 Years % pa	7 Years % pa	10 Years % pa	Since launch % pa	Launch date
NZ Fixed Interest	13.2	1.085	5.4	6.7	8.2	7.2	5.5	5.7	5.9	6.8	August 1994
Corporate Bond	19.8	1.014	3.2	7.0	8.5	5.8	4.8	5.3	6.0	7.0	August 1994

The Asteron Unit Trusts are Portfolio Investment Entities and returns are shown after management fees but before tax. Net returns reported before 1 October 2007 have been grossed up to an equivalent pre-tax figure.



Socially Responsible Investment Trust



Top 5 holdings:

Fletcher Building, Telecom Corp, Contact Energy, Auckland Intl Airport, Sky Network TV

New Zealand Sharemarket

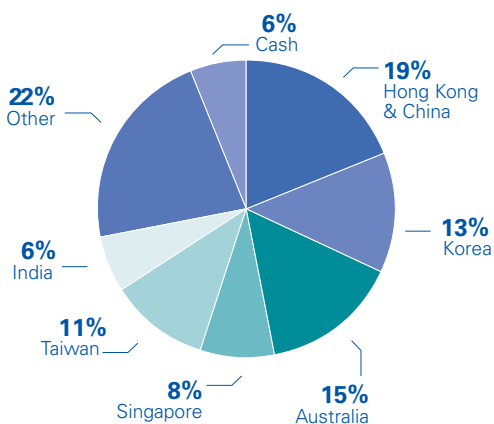
Six-monthly highlights:

- the NZX50 Gross Index rose a strong 4.8% over the period
- every month except June was a positive month
- March and April were the strongest performing months

Despite a weak June month, the New Zealand market finished the half year with the NZX 50 Gross Index close to 5% higher. While uncertainty remained around the impact of Christchurch to the country's accounts, the May budget, which focused on fiscal surplus and savings, provided further confidence that the economy was on a more sustainable growth path. Light trading volumes from May onwards continued to be a highlight with a number of share price movements magnified on small inflows.

Corporate news focused on takeover approaches, profit warnings and currency concerns. Post-result profit confessions commenced with Air NZ, Fletcher Building, Freightways, Methven and Tower all indicating a negative impact to company earnings due to the earthquake in Christchurch. Currency concerns, particularly the strong NZ dollar against the US dollar, weighed on the exporters, particularly Fisher and Paykel Healthcare, whose share price ended the period amongst the worst performers of the leaders.

Asian Sharemarket Growth Trust



Asian Shares

Six-monthly highlights:

- Asian markets started off 2011 weakly, were strong in the middle and fell at the end of the period
- Markets were mixed as a result
- This was a far weaker period than the previous six months

Asian shares slid amid concerns about inflation, monetary tightening and slowing global economic growth. The MSCI Emerging Asia Index declined 0.5%, with losses tempered by a strong rally at the end of June. The energy and materials sectors witnessed declines as prices for most commodities dropped.

Authorities in several large markets took further measures to rein in inflation. The Chinese economy grew at a better-than-expected rate of 9.7% in the first quarter, although a few brokerage houses downgraded their forecasts for growth. Consumer prices climbed an annualised 5.5% in May — the quickest pace in 34 months — and Chinese authorities raised the reserve requirement ratio for banks six times during the first half of 2011.

Chinese shares eked out a 1% gain despite tighter credit conditions weighing on financials and industrials. Indian stocks shed 8.5% amid disappointing corporate earnings. South Korea rose by nearly 2% as several automakers posted robust profits.

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			6 Months %	1 Year %	2 Years % pa	3 Years % pa	5 Years % pa	7 Years % pa	10 Years % pa	Since launch % pa	Launch date
Socially Responsible	2.2	1.147	1.8	9.7	8.1	1.8	-0.5	4.7	-	7.5	September 2002
Asian Sharemarket	2.4	1.187	-5.3	5.6	5.1	-5.6	-1.8	5.6	3.3	2.3	August 1994

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Future Prospects

As inflation rates have increased in the much-hyped BRIC's economies (Brazil, Russia, India and China), the local authorities have been forced into attempting to tighten their own domestic monetary and fiscal regimes. Initially, their actions appeared relatively ineffective but as the global economy has deteriorated, these tightening measures seemed to have gained traction. Brazil and India are showing the first signs of a slowdown while in China we are confident that an economic hard landing has occurred, despite the still relatively upbeat message offered by some of the economic data. It seems to us that industrial production growth in China may only be around 5% year-on-year and even this seems to be heavily reliant on the domestic public sector housing boom that is continuing.

In a stagflationary environment in which global volume growth is weak but inflation rates are still relatively high as a result not only of high commodity prices but also the BRIC's inflation problems and the rise in sales taxes in the West, it is natural that the weakest systems are being 'found out'. As Warren Buffet noted during the LTCM/Emerging Market Crisis of 1998, "when the tide goes out you find out who is swimming naked" and at present the tide is clearly ebbing and thus revealing where the weak spots are. The periphery of Europe has been an obvious casualty but so too have some of the other more vulnerable economies, such as Australia, which seems finally to be succumbing to a recession following years of unsustainable credit-driven growth.

This is not an attractive backdrop for risk assets and, for those interested in capital preservation, at least in nominal terms, this weak economic environment should be ringing alarm bells. We must note, though, that ever since the global authorities embarked on their first 'monetary experiments' as far back as the second quarter of 2008, financial markets can rise almost regardless of the fundamentals. For example, as the world had already entered into its worst recession for generations in mid-2008, asset markets

apparently boomed on the belief that the omnipotent authorities would somehow save the situation, which of course they did not in reality.

In our view, this year markets have repeated this triumph of optimism over reality by ignoring the slowdown and inflation problems, largely we suspect because of the pressure caused by massive inflows of money into the financial system. As a result of the Federal Reserve's and others' monetary policy actions, effective borrowing rates for would-be speculators were at times negative during the second quarter and this allowed a disconnect to form between the booming financial sectors and the struggling real sectors.

Unfortunately, these easy money policy chimeras are now coming to an end. By mid-August, we suspect that the Federal Reserve's Quantitative Easing Policy (QEP) experiments will be over, the Treasury Department's rather intriguing under-funding of its deficits at the expense of its cash reserves will be over and the sheen will have worn off the European Union's latest proffered bailout for the struggling periphery. With the BRICs still constrained by their own problems, we suspect that the global liquidity cycle will therefore begin to turn down towards the end of this quarter, thereby posing a headwind to asset prices. Indeed, as the Federal Reserve finally exits its QEP and the US Treasury begins to issue bonds once again (something it has avoided in recent months despite its large deficits), we may find that not only does liquidity tighten but nominal bond yields rise as well, something that the sharemarkets may take a dim view of in light of their own concerns over the outlook for slower earnings growth ahead in the weaker global economic environment. In the currency markets, this phase of 'risk off' investing may lead to a preference for the former 'liability' currencies of US dollar, Yen and perhaps even the British Pound. Overall, the next quarter or so may provide some interesting times for investors.

Notes:

1. The performance of each fund is calculated from the movement in the sell price, with distributions reinvested, over the period shown. Performance returns for periods of less than one year are non-annualised. Returns for periods of one year or more are shown as compound annual rates of return. Returns shown are historical and are not necessarily an indication of future performance.
2. The Asteron Unit Trusts are Portfolio Investment Entities (PIEs) and returns are calculated after management fees but before tax. Net returns reported before to 1 October 2007 have been grossed up to an equivalent pre-tax figure. Tax will be charged to each investor based on their Prescribed Investor Rate (PIR).
3. This information is of a general nature and is not personalised to your situation. If you would like advice which takes account of your particular financial situation or goals, please contact your financial adviser. The information under the headings Investment Commentary, New Zealand Bond Market, NZ Sharemarket, Global Share and Bond Markets and Future Prospects, has been supplied by Tyndall Investment Management New Zealand Limited (Tyndall) and

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4. The range of Asteron Unit Trusts are unit trusts for the purposes of the Securities Act 1978 ("Securities Act") and Securities Regulations 2009 ("Regulations").
5. Asteron Unit Trusts are being wound up on 30 September 2011 and investment proceeds will be distributed to Unit Holders shortly after that date.
6. To obtain a copy of the latest published Investment statement for information purposes only phone toll free 0800 688 787.