



OVERVIEW

GROSS RETURNS - For the September Quarter

- Conservative Pool 4.6%
- Balanced Pool 7.4%
- Growth Pool 8.3%

The sectors that made the best returns were Property Equities, ANZAC and Overseas Fixed Interest.

INVESTMENT MARKETS - For the September Quarter

Financial & Economic Issues

- The global economy emerged from recession, and equities again performed strongly during this quarter. The MSCI World Index of shares and the S&P 500 index of US shares both rose about 15% for the quarter. The world equity index has risen about 34% over the 6 months.
- Globally, GDP data has mostly rallied in the September quarter, and is especially pronounced in the Asian region. The graph opposite shows the change in GDP growth for New Zealand.
- Over the quarter, with confidence growing, investments flowed into the corporate bonds sector helping to fund businesses. The overweight in the fixed interest sector around the globe helped to keep yields low.
- The US dollar continued to weaken while the currencies of commodity countries, including New Zealand, strengthened.
- Unemployment has remained high in New Zealand. The aggressive policy stimulus aiding a recovering global economy may mean that the early signs of recovery are largely statistical in nature.
- The price of gold rose but that of oil held steady.
- Confidence built in the New Zealand residential property market with house prices at the end of September only a little below their 2007 peak.

* All returns in this report are provisional and before deduction of expenses and taxes.



INVESTMENT SECTORS

COMMENTARY

Cash and Short Term

The Official Cash Rate in New Zealand has remained unchanged at a record low of 2.5%. Many economic blocks kept their cash rate on hold to continue to provide substantial support for their economy's recovery. Those Official Cash Rates were: in Australia 3.0%, in Europe 1.0%, in UK 0.50%, in USA 0.25% and in Japan 0.1%.

Residential Mortgages

The Pension Board's floating rate dropped to 5.95% from 6.20% during the quarter, while the three year fixed rate increased for the second consecutive quarter to 7.3%.

New Zealand Fixed Interest

In New Zealand, the interest rate on the 10 year bond fell by 0.33 to 5.61. The portfolio therefore showed strong returns and outperformed benchmarks. Although the New Zealand economy emerged from recession in early September, there is some uncertainty around the recovery path and excess capacity warrants the RBNZ retaining OCR on hold at this low level until 2010.

Overseas Fixed Interest

Internationally, the financial system has stabilised and confidence is returning; yet many central banks have still maintained a soft easing bias in their Monetary Policy. The G20 has made it clear that policy stimulus is expected to remain in place for an extended period.

The global fixed interest market posted strong gains during the third quarter. The New Zealand 10 years bond yield dropped from 5.9% to 5.6%, Australia 5.6% to 5.3%, Europe's from 3.4% to 3.2%, USA from 3.5% to 3.3%, v Japan from 1.4% to 1.3%.

After hedging, the Overseas Fixed Interest Managers AMP and PIMCO substantially outperformed and recovered some previous periods of underperformance. Extensive research has been conducted on several managers, with the intention of changing one of the current managers.

Private Equity

Koinonia invest with two private equity managers who have produced differing results. One manager recently sold an investment and will distribute the proceeds. The other manager has decided to cease looking for further investments, and will wind the fund down over a period of years.

Australian and New Zealand Equities (ANZAC)

Within this sector, approximately 40% of investments are in New Zealand and 60% are in Australia, and the total return of 15.6% was slightly below the benchmark. New Zealand equities returned 10.2%, and Australian equities returned 19.4% after hedging.



INVESTMENT SECTORS continued

New Zealand Companies

Best – Fletcher Building, Sky Television and Fisher & Paykel Healthcare

Australian Companies

Best – Virgin Blue, United Group and Rio Tinto.

Overseas Equities

Overall, global equities posted strong gains in the September quarter. All major geographic sectors in their local currencies made sizable double digit positive returns except Japan. The portfolio performed well in local currencies during the September quarter against benchmarks.

Its NZD return after hedging was slightly behind the benchmark, but gained 8.0% for the quarter.

For the 3 months the portfolio's best sectors were Materials, Industrials and Utilities. The best benchmark sectors were Financials, Materials and Industrials.

Property Equities

Investments are held in a number of property companies in New Zealand and Australia. This sector produced a strong return and tracked well against benchmark in the September quarter. AMP NZ Office Trust is a third of the portfolio and it has risen 23% since the July low. For the quarter, the return was 18% and outperformed the benchmark.

Forests

The values of the forests increased modestly.

The Moderated Emissions Trading Amendment Bill was sent to the Finance and Expenditure Select Committee at the end of September and contains within it uncertainties for the forestry industry particularly regarding future demand for and restrictions on sale of emissions units generated by post 1989 tree growth. The Investment Committee has yet to decide on a trading strategy for emissions units on the post 1989 forest (Hapua). The "free allocation" of units for the pre 1990 forests has not yet been progressed by Government.

Returns are from rentals after any direct costs have been deducted.

ASSET STRATEGY FOR THE DECEMBER 2009 QUARTER

All asset sectors in each investment pool are expected to be held at near their benchmark allocations.

One of the Overseas Fixed Interest managers will be changed.

Currency hedging has been increased to over 60% of Overseas Equities exposure and hedging on the Australian dollar equity exposure is over 30%.

November 2009



CONSERVATIVE POOL

INVESTMENT STRATEGY

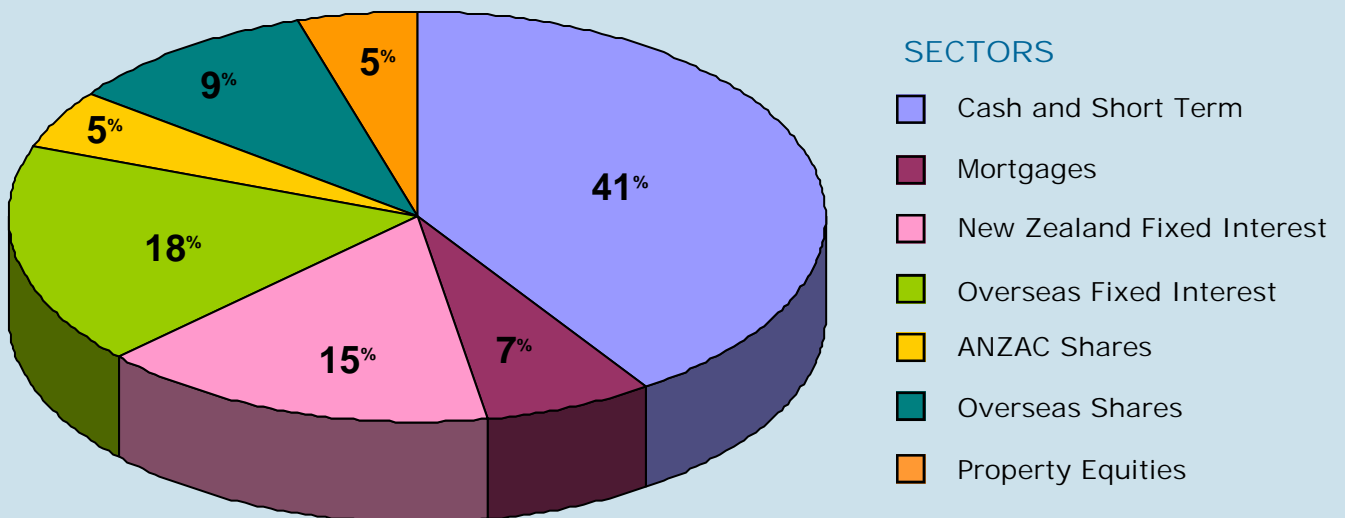
This pool invests mainly in Cash and Fixed Interest investments, with a small exposure to growth assets such as Shares and Listed Property.

Risk profile is intended to be low.

SECTOR RETURNS

INVESTMENT TYPE	GROSS RETURNS FOR THE SEPTEMBER QUARTER %
	Conservative
Cash and Short Term	0.4
Mortgages	1.5
NZ Fixed Interest	2.6
Overseas Fixed Interest	8.8
ANZAC Equities	15.7
Overseas Equities	8.1
Property Equities	17.9
TOTAL	4.6

AVERAGE INVESTMENT ASSETS PERCENTAGES FOR THE SEPTEMBER 2009 QUARTER





BALANCED POOL

INVESTMENT STRATEGY

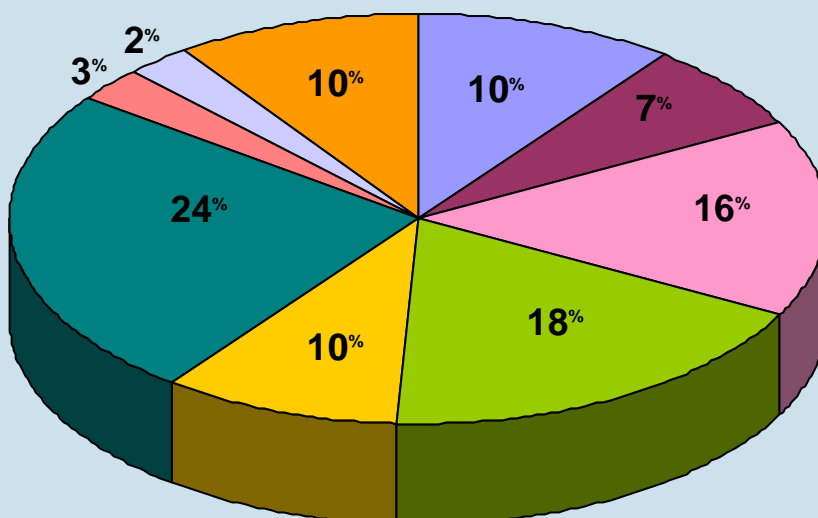
This pool has a moderate exposure in Cash and Fixed Interest investments, and a moderate exposure to growth assets such as Shares, Listed Property and Private Equity.

Risk profile is intended to be medium

SECTOR RETURNS

INVESTMENT TYPE	GROSS RETURNS FOR THE SEPTEMBER QUARTER %
	Balanced
Cash and Short Term	0.4
Mortgages	1.5
NZ Fixed Interest	2.6
Overseas Fixed Interest	8.7
Private Equity	-0.2
ANZAC Equities	15.6
Overseas Equities	8.0
Property Equities	17.9
Forests and Land	1.5
TOTAL	7.4

AVERAGE INVESTMENT ASSETS PERCENTAGES FOR THE SEPTEMBER 2009 QUARTER



SECTORS

- Cash and Short Term
- Mortgages
- New Zealand Fixed Interest
- Overseas Fixed Interest
- ANZAC Shares
- Overseas Shares
- Forests and Land
- Private Equity
- Property Equities



GROWTH POOL

INVESTMENT STRATEGY

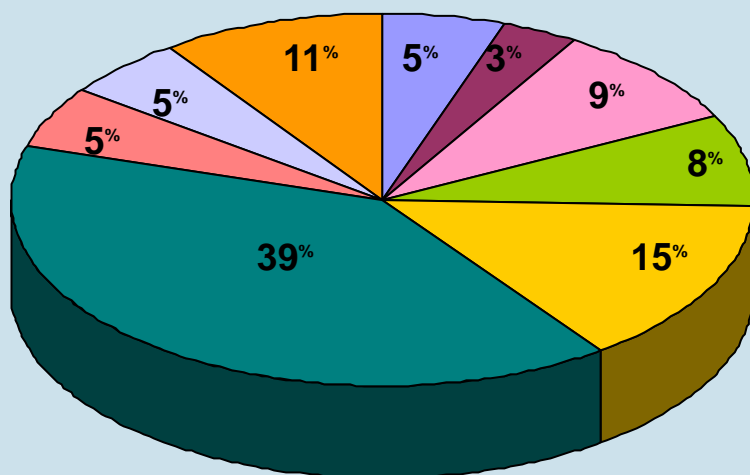
This pool invests mainly in growth assets such as Shares, Listed Property and Private Equity, with a small exposure to Fixed Interest and Cash.

Risk profile is intended to be medium to high.

SECTOR RETURNS

INVESTMENT TYPE	GROSS RETURNS FOR THE SEPTEMBER QUARTER %
	Growth
Cash and Short Term	0.4
Mortgages	1.5
NZ Fixed Interest	2.6
Overseas Fixed Interest	8.7
Private Equity	-0.2
ANZAC Equities	15.6
Overseas Equities	8.0
Property Equities	17.8
Forests and Land	1.5
TOTAL	8.3

AVERAGE INVESTMENT ASSETS PERCENTAGES FOR THE SEPTEMBER 2009 QUARTER



SECTORS

- Cash and Short Term
- Mortgages
- New Zealand Fixed Interest
- Overseas Fixed Interest
- ANZAC Shares
- Overseas Shares
- Forests and Land
- Private Equity
- Property Equities



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