



OVERVIEW

GROSS RETURNS - For the December Quarter

- **Conservative Pool** 1.9%
- **Balanced Pool** 2.7%
- **Growth Pool** 3.4%

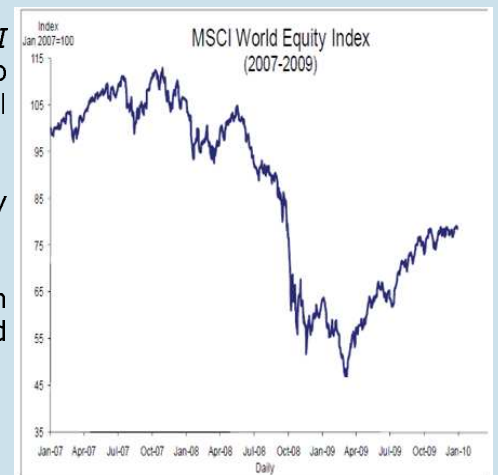
The sectors that made the best returns were Private Equity, ANZAC Equities and Overseas Equities.

INVESTMENT MARKETS - For the December Quarter

Financial & Economic Issues

World

- The world economy has just been through the worst financial crisis of the last half-century. Emerging markets such as China and India continued to experience rapid economic expansion. The United States and (probably) Europe have pulled out of recession, but recovery is still weak.
- In the last quarter of 2009, the equity markets moved relatively slowly but continued to improve. Dubai's debt problem caused markets to tumble in the early part of the quarter. This resulted in low investor sentiment and cautious market movement as concerns lingered. However, risk appetite quickly recovered on the results of a string of stronger than expected economic data in December
- The MSCI World Index had a moderate rise (see graph – MSCI World Equity Index). Materials and IT sectors were the top two contributors, with strong performances, while the Financial sector was the only one to suffer a downside in the period.
- The Government bond yields were all driven higher, generally by stronger economic data.
- In the December quarter, the US Dollar rallied modestly in reaction to a better than expected US employment report and other positive economic data.



New Zealand

- The NZ economy continued to recover with an unchanged Official Cash Rate of 2.5%. The annual inflation rate remained below 2%. However, the BNZ expects monetary stimulus may be removed around the middle of 2010.

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

- NZ Commodity prices, on which the New Zealand's economy is so dependent, rose again in the last quarter. Commodity prices have had a cumulative rise of 30% over the calendar year.
- The Kiwi dollar was mildly stronger in the last quarter of 2009.

Food For Thought

- The significance of China continues to grow. It has taken over from USA as the world's biggest emitter of greenhouse gases, has the largest car industry, and has superseded Germany as the world's largest exporter. China's foreign currency reserves are over double those of the next largest country which is Japan (see chart 'China holds massive foreign exchange reserves').
- These are signs of the rising dominance of Asia, and also the dependence of the 'West' on Asia.

INVESTMENT SECTORS COMMENTARY

Cash

The Official Cash Rate in New Zealand remained unchanged at a record low of 2.5%. Many major economies also held their official cash rates.

Residential Mortgages

The Pension Board's floating rate dropped to 5.85% during the quarter, while the three year fixed rate increased to 7.7%.

New Zealand Fixed Interest

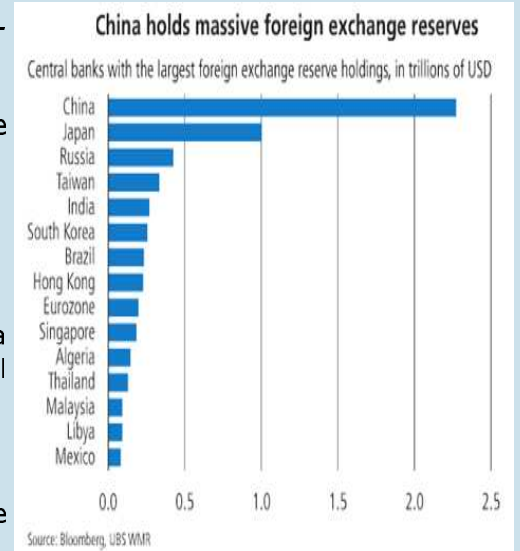
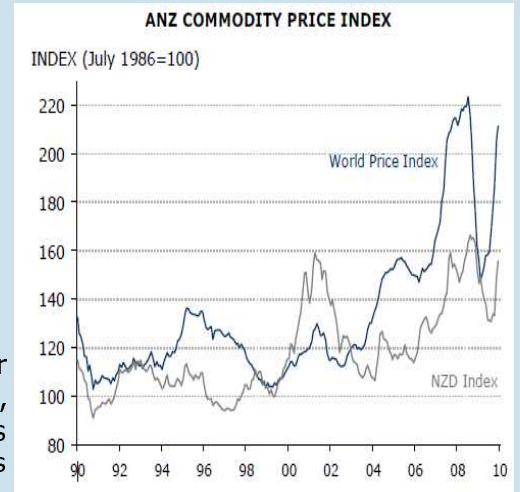
In New Zealand, the interest rate on the 10 year bond increased slightly to 5.81% causing a loss of value to the portfolio. After the payment of interest the portfolio overall made a modest return.

Overseas Fixed Interest

The global fixed interest markets posted small positive gains during the quarter, despite investors reduced aversion to risk late in the year which caused bond yields to rise. The Board's fixed interest managers AMP and PIMCO continued to outperform. Wellington Management has been substituted for AMP as a manager. The Wellington fund is mainly invested in bonds of high credit quality.

Private Equity

This sector has two private equity managers in charge of three funds. The sector returns includes distributions from sales of investments, movements in the valuations of the investments, and costs of management.





Australian and New Zealand Equities (ANZAC)

Within the Anzac sector, approximately 40% of investments were in New Zealand and 60% in Australia. New Zealand returned 4.9% and Australia 5.0% in NZD for the quarter. The combined return after hedging was 4.8% which continued to be ahead of the benchmark.

New Zealand Companies

Best – Auckland International Airport, Freightways, Port of Tauranga.

Australian Companies

Best – Rio Tinto, BHP Billiton, Mirrabooka.

Overseas Equities

The global equity market continued to recover but at a moderated pace in the fourth quarter of 2009. A string of positive global economic data contributed to its upward trend. The Board holds an investment in AMP Responsible Investment Leaders Fund and as well manages its own portfolio.

The New Zealand dollar return of 5.0% after hedging was ahead of benchmark.

Property Equities

The Board's Property Equities portfolio is allocated approximately 50% to New Zealand and 50% in Australia and produced a small negative return in the last quarter in 2009, but for the year to date the return continued to remain strong at 15.4% outperforming the benchmark hugely.

Forests

The values of the forests decreased slightly, mainly due to increased transport costs.

Further amendments to Emissions Trading legislation became law before Christmas. The Investment Committee has decided to apply for carbon credits (NZUs) from Hapua Forest. Any sales strategy after March 2010, which has yet to be decided, is likely to be conservative.

ASSET STRATEGY FOR THE MARCH 2010 QUARTER

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

Currency hedging has been decreased to around 55% on Overseas Equities and 30% on Australian Equities. Overseas Fixed Interest is 100% currency hedged.

February 2010

INVESTMENT STRATEGY

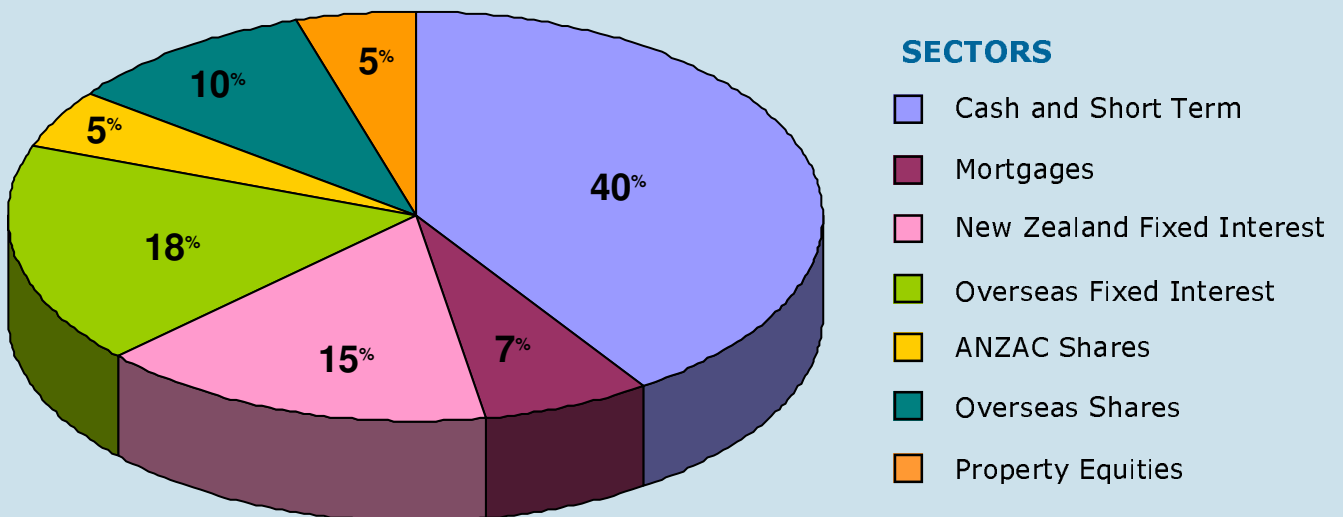
This pool invests mainly in Cash and Fixed Interest investments, with a small exposure to growth assets such as Shares and Listed Property.

Risk profile is intended to be low.

SECTOR RETURNS

INVESTMENT TYPE	GROSS RETURNS FOR THE DECEMBER QUARTER %
	Conservative
Cash and Short Term	1.0
Mortgages	1.3
NZ Fixed Interest	1.5
Overseas Fixed Interest	2.7
ANZAC Equities	4.8
Overseas Equities	4.9
Property Equities	-1.2
TOTAL	1.9

AVERAGE INVESTMENT ASSETS PERCENTAGES FOR THE DECEMBER 2009 QUARTER



INVESTMENT STRATEGY

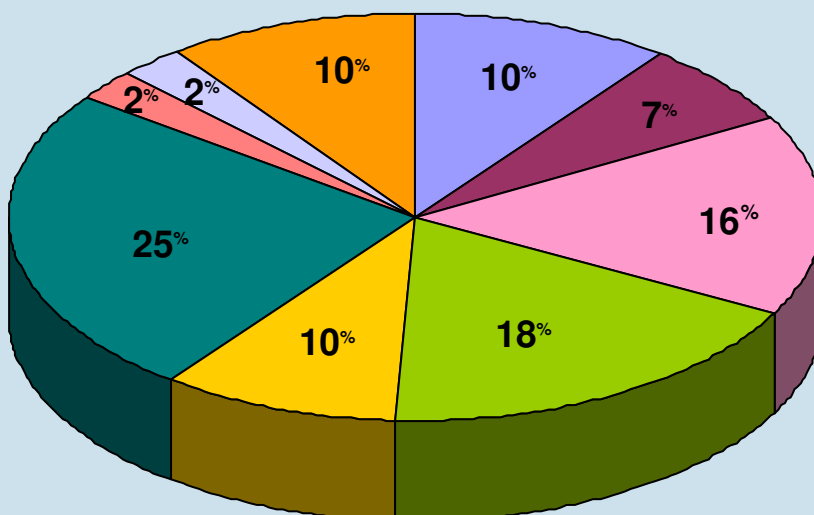
This pool has a moderate exposure in Cash and Fixed Interest investments, and a moderate exposure to growth assets such as Shares, Listed Property and Private Equity.

Risk profile is intended to be medium

SECTOR RETURNS

INVESTMENT TYPE	GROSS RETURNS FOR THE DECEMBER QUARTER %
	Balanced
Cash and Short Term	1.0
Mortgages	1.3
NZ Fixed Interest	1.5
Overseas Fixed Interest	2.7
Private Equity	8.1
ANZAC Equities	4.8
Overseas Equities	5.0
Property Equities	-1.2
Forests and Land	-0.8
TOTAL	2.7

AVERAGE INVESTMENT ASSETS PERCENTAGES FOR THE DECEMBER 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

INVESTMENT STRATEGY

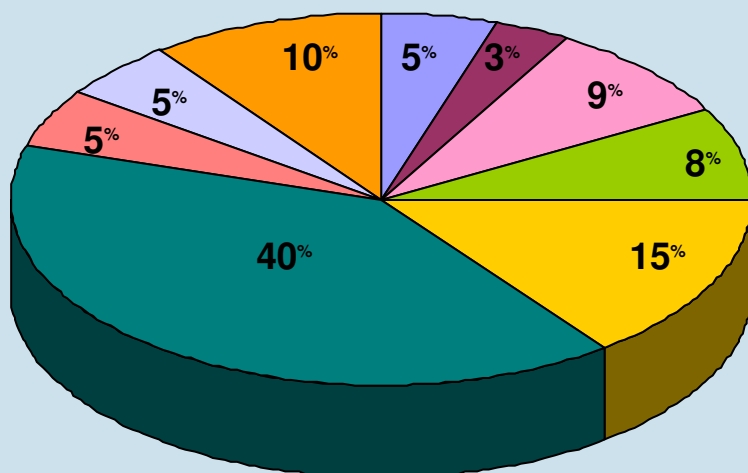
This pool invests mainly in growth assets such as Shares, Listed Property and Private Equity, with a small exposure to Fixed Interest and Cash.

Risk profile is intended to be medium to high.

SECTOR RETURNS

INVESTMENT TYPE	GROSS RETURNS FOR THE DECEMBER QUARTER %
	Growth
Cash and Short Term	1.0
Mortgages	1.2
NZ Fixed Interest	1.5
Overseas Fixed Interest	2.7
Private Equity	8.1
ANZAC Equities	4.8
Overseas Equities	5.0
Property Equities	-1.1
Forests and Land	-0.8
TOTAL	3.4

AVERAGE INVESTMENT ASSETS PERCENTAGES FOR THE DECEMBER 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



For further information, please contact:

Koinonia Fund
P O Box 12 287
WELLINGTON 6144

Freephone: 0508 738473 (0508 RETIRE)

Phone: 04 473 9369

Fax: 04 473 9991

Email: info@koinoniafund.org.nz

Website: www.koinoniafund.org.nz