



OVERVIEW

RETURNS - For the March Quarter*

The Koinonia Fund Conservative Pool made -0.4% gross for the quarter, the Balanced Pool made -2.6% gross and the Growth Pool produced a return of -4.3% gross. The sectors that made the best returns were Mortgages, Australian and New Zealand (ANZAC) Equities and Overseas Fixed Interest.

INVESTMENT MARKETS - For the March Quarter

Detractions

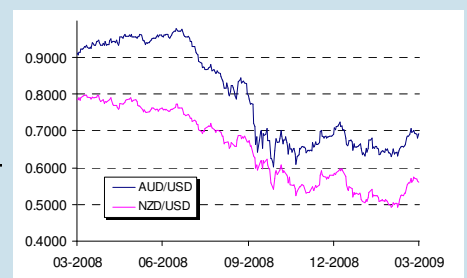
- Major world economies continued to fall. Forecasts became essentially worthless. The OECD predicted -1.4% for the quarter for world growth while it was actually -7.1%. New Zealand's gross domestic product (annual GDP) was negative for the fifth quarter in a row.
- Japan and Switzerland are in deflation and this is very concerning.
- There were several firsts for the USA since 1955 i.e. the fall in consumer prices and more dividend falls than rises.

Improvements

- Global leaders started to co-operate looking for solutions and accommodating poorly performing sectors, e.g. housing, banking and the motor industry in the USA. Germany was not supportive of these types of financial measures, but was party to an agreement for underdeveloped countries of US \$1.1tr in financial support.
- Quantitative easing occurred in the United States and UK, i.e. these countries' reserve banks started printing money.
- There was relaxation of the accounting "mark to market" rules in the USA as being too harsh at present.
- The World Equity Market Index (MSCI) rate of fall slowed to 11% for the quarter. New Zealand fell less than 5%. Emerging Markets were a positive 4%.
- There was rising optimism the worst was over.

New Zealand and Australia

- These countries were not displaying the same sense of alarm as the world's major economies. Banks' stock prices improved as they accommodated clients' funding roll overs.
- Both Governments offered guarantees to depositors of approved financial organisations.
- Both currencies strengthened in March against the USD after some considerable weakening (see graph).



New Zealand

- The current account deficit may have peaked at -8.9% of annual GDP. Inflation fell to 3% for the year.
- House prices weakened, down 12% for the year mirroring the recession.
- Business confidence remained negative.

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



INVESTMENT SECTORS

*Returns are gross unless otherwise stated.

Cash and Short Term

The Official Cash Rate in New Zealand for the quarter was again cut by multiple numbers from 5.00% to 3.00%, while the other major economic blocks also reduced their rates considerably. The Official Cash Rate in Japan is now 0.10%, in the USA 0.25% and in the UK 0.50%!

Residential Mortgages

The Pension Board's floating rate dropped from 7.80% to 6.20%. The three year fixed rate decreased from 7.15% to 5.85%.

Fixed Interest

The discussions moved from "can this recession get worse?" to "how long will it be before economies start to improve?" Long bonds mainly rose.

New Zealand Fixed Interest

In New Zealand the 10 year bond rose from 4.62% to 5.25%.

Overseas Fixed Interest

Overseas governments, the IMF and then the G20 have made remarkable and apparently co-ordinated agreements to support their respective economies and those of developing nations as well as providing further financial backing for banks and other financial institutions. Australia and, to a much smaller extent, New Zealand have produced economic support packages. Overall that support amounts to many trillions, with USA's commitment about US\$3.5tr. The expectation of growth improving in the longer term (i.e. rising inflation) therefore caused a general rising of long bonds, with yield curves across the major geographic sectors and New Zealand now all upwards sloping for the first time in many many years.

Ten year bonds in the USA rose from 2.3% to 2.7%, Japan from 1.2% to 1.4% and Australia from 4.1% to 4.6%. After hedging, the Board's Overseas Fixed Interest Managers, AMP and PIMCO, together outperformed the benchmark due to some recovery as alarm dissipated from the corporate and synthetic bond markets.

Alternative Strategy Assets

DCP made -0.8% and Trans Tasman No.7 made -8.9% for the quarter. There were no distributions and there was one drawdown from Trans Tasman.

Australian and New Zealand Equities (ANZAC)

Within this sector, 37% of investments were in New Zealand and 60% in Australia, the balance being in cash. New Zealand returned -7.5%, and Australia 7.3% in Australian dollars for the quarter. The total return before hedging was 5.1% better than the benchmark with an overall return after hedging of 2.1%, which considerably outstripped the benchmark.



New Zealand Companies

Best – SKY Network TV (stronger NZD), Auckland International Airport (perceived recovery), Fletcher Building (housing outlook improving).

Australian Companies

Best – Rio Tinto – a stunning 47%, (resurgent demand and interest in the resources sector), Worley Parsons 30% (rises and falls on resources) and Westpac 18% (perceived recovery).

Resources related and financial stocks recovered sharply.

Overseas Equities

The majority of funds are with AMP Capital's Responsible Investment Leaders Global Shares Fund. The remaining monies are invested in unscreened (for responsible investment standards) index funds to try and provide some stability in returns. The performance of this sector was similar to its benchmark.

Property Equities

Investments are held in a number of property companies in New Zealand and Australia. This sector like most other equities' sectors except for Australia, suffered large negative returns.

Forests

The values of the forests increased modestly.

The Board's Investment Committee postponed a decision on whether to apply for emissions units from post 1989 trees.

The rental returns from the forestry land did not offset the decrease in land values from an annual valuation.

ASSET STRATEGY FOR THE JUNE 2009 QUARTER

Growth, Balanced and Conservative Pools

Equities have not been sold down and these and other investment sectors are being maintained in accordance with their benchmark allocations. Overseas Fixed Interest allocations and managers are in the process of being reviewed.

Currency hedging is to be increased with an upper range on Australian and Overseas Equities of 40%. The Overseas Fixed Interest portfolio is 100% currency hedged.

May 2009

INVESTMENT STRATEGY

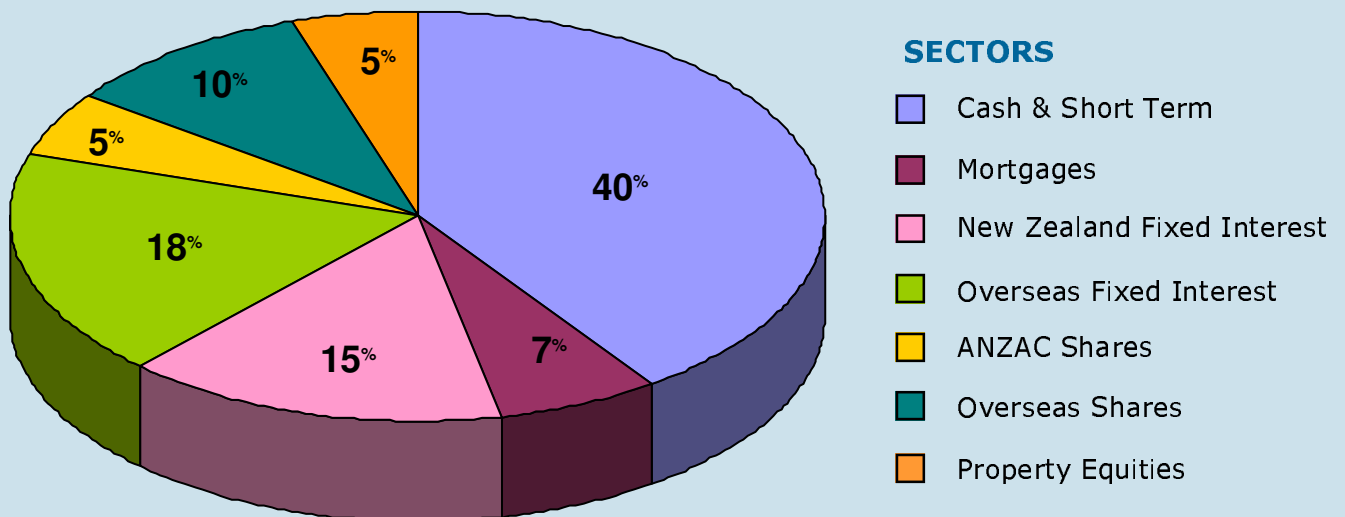
This pool invests mainly in Cash and Fixed Interest investments, with a small exposure to growth assets such as Shares and Listed Property.

Risk profile is Low.

SECTOR RETURNS

INVESTMENT TYPE	GROSS RETURNS FOR THE MARCH QUARTER %
	Conservative
Cash and Short Term	1.3
Mortgages	2.5
NZ Fixed Interest	0.0
Overseas Fixed Interest	1.7
ANZAC Equities	2.1
Overseas Equities	-9.1
Property Equities	-10.9
TOTAL	-0.4

AVERAGE INVESTMENT ASSETS PERCENTAGES FOR THE MARCH 2009 QUARTER



INVESTMENT STRATEGY

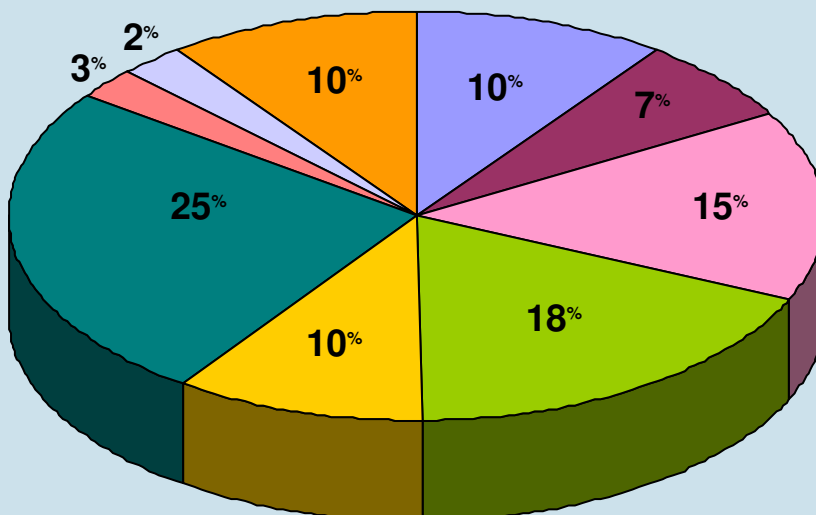
This pool has a moderate exposure in Cash and Fixed Interest investments, and a moderate exposure to growth assets such as Shares, Listed Property and Private Equity.

Risk profile is Medium

SECTOR RETURNS

INVESTMENT TYPE	GROSS RETURNS FOR THE MARCH QUARTER %
	Balanced
Cash and Short Term	1.3
Mortgages	2.5
NZ Fixed Interest	0.0
Overseas Fixed Interest	1.7
Private Equity	-1.4
ANZAC Equities	2.1
Overseas Equities	-9.1
Property Equities	-10.9
Forests and Land	-1.4
TOTAL	-2.6

AVERAGE INVESTMENT ASSETS PERCENTAGES FOR THE MARCH 2009 QUARTER



SECTORS

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

INVESTMENT STRATEGY

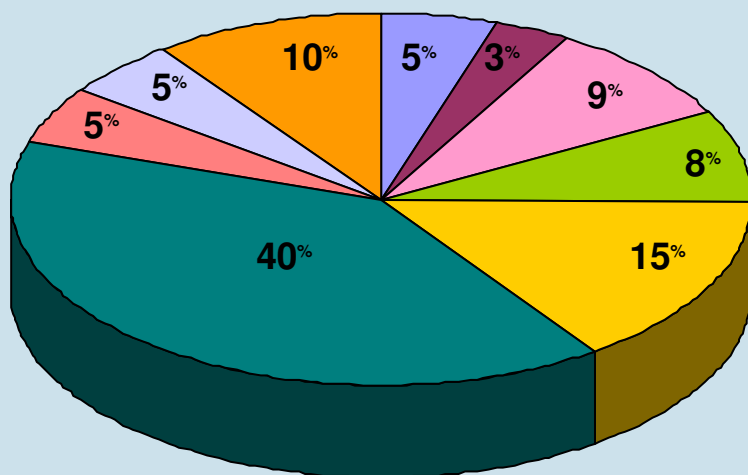
This pool invests mainly in growth assets such as Shares, Listed Property and Private Equity, with a small exposure to Fixed Interest and Cash.

Risk profile is Medium to High.

SECTOR RETURNS

INVESTMENT TYPE	GROSS RETURNS FOR THE MARCH QUARTER %
	Growth
Cash and Short Term	1.3
Mortgages	2.5
NZ Fixed Interest	0.0
Overseas Fixed Interest	1.7
Private Equity	-1.4
ANZAC Equities	2.1
Overseas Equities	-9.1
Property Equities	-10.9
Forests and Land	-1.4
TOTAL	-4.3

AVERAGE INVESTMENT ASSETS PERCENTAGES FOR THE MARCH 2009 QUARTER



SECTORS

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



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