

OVERVIEW

* GROSS RETURNS

For the March Quarter

Conservative Pool	2.3%
Balanced Pool	3.4%
Growth Pool	3.8%

For the March 2010 Year

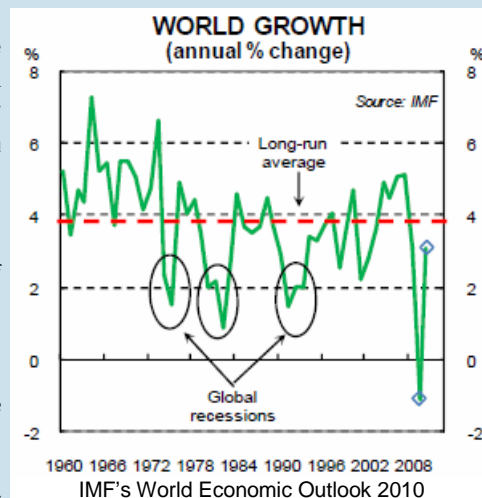
Conservative Pool	12.3%
Balanced Pool	19.3%
Growth Pool	23.1%

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

INVESTMENT MARKETS - For the March Quarter

Financial & Economic Issues

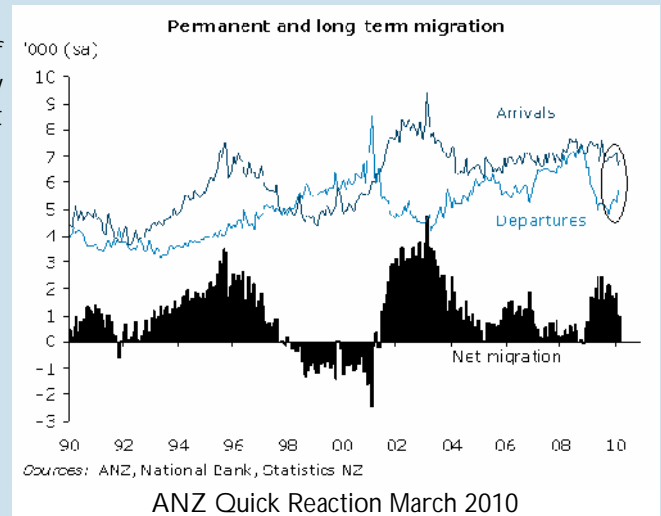
- World growth prospects improved substantially during the March quarter. A combination of very low interest rates, Bank bailouts and targeted tax breaks drove economic recovery around the globe (see world growth graph). China and India continued to be in the lead with developed economies participating except for Europe.
- Global equities continued to advance and the world share index has now rebounded from its March 2008 low to nearly 74% of its previous market high.
- There was very limited movement in Government Bond rates in the developed markets, in either the short or the long maturities. New Zealand's 11 year Government Bond yield fell a little in the quarter.
- The US Dollar rallied against the Euro, but the Australian, Canadian and New Zealand's currencies (the commodity countries) performed even better.
- In New Zealand, robust economic growth in the December quarter continued into the March quarter while The Reserve Bank kept the bank rate (OCR) unchanged at 2.5%.
- The New Zealand stock market materially lagged global markets, largely due to low trading levels and its illiquid character which reflected its shrinking size.
- While world commodity prices reached a high, the strong New Zealand dollar took the shine off the returns for many New Zealand exporters, even though overall the New Zealand dollar fell slightly over the quarter.
- Forestry prices rose strongly towards the end of March based upon demand from China.
- The New Zealand housing market had displayed surprising strength through to early 2010 but by March prices were trending downwards, hurt by proposed tax policy changes.



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

Food For Thought

- Expect permanent migration to rise as the pot of gold on the large offshore island to the west of New Zealand increasingly appeals. The outflow of talent is detrimental for New Zealand (see graph).



INVESTMENT SECTORS COMMENTARY

Cash

The Official Cash Rate in New Zealand remained unchanged at a record low of 2.5%. Economies like USA, Europe and Japan held their rates but Australia's official cash rates rose to 4%, reflecting the strength of that economy.

Residential Mortgages

The Pension Board's floating rate decreased to 5.70% during the quarter, and the three year fixed rate dropped to 7.55%.

New Zealand Fixed Interest

In New Zealand, the interest rate on the 11 year bond decreased slightly to 5.98%, leading to a reasonable return from the sector.

Overseas Fixed Interest

The international bond market was well supported as concern about risk dropped and on the expectation that rate hikes from the major central banks were still some time away. The market didn't seem too perturbed about Greece's debt fears at that point. The Board's fixed interest managers PIMCO and Wellington Management outperformed and produced good results.



Private Equity

This sector has two private equity managers in charge of three funds. There was a mixture of negative and positive revaluations, a distribution made from one fund and further investments in companies were also made by the managers.

Australian and New Zealand Equities (ANZAC)

Within the Anzac sector, approximately 38% of investments were in New Zealand and 62% in Australia. New Zealand returned -0.4% and Australia 4.9% in NZD for the quarter. The combined return after hedging was about on benchmark.

New Zealand Companies

Best – Contact Energy, SKY TV, Fletcher Building.

Australian Companies

Best – ANZ, Westpac, United Group.

Overseas Equities

The good performance from global equity markets translated to a good return from Koinonia Fund's Overseas Equities in New Zealand dollars and after hedging. The Board holds an investment in AMP Responsible Investment Leaders' Fund and as well manages its own portfolio.

The New Zealand dollar return after hedging was a little behind the benchmark.

Property Equities

The Board's Property Equities portfolio is allocated approximately 45% to New Zealand and 55% in Australia and produced a modest return of 2.2% for the quarter which was considerably below benchmark, but for the year the returns were a strong 17.6%.

Forests

With log prices the highest they have been for 18 months, the values of the forests increased. Two years allocation of carbon credits have been valued conservatively and future liabilities on these have been taken into account. Land value in Hawkes Bay increased but decreased at Waikanae. The increase in log prices was the major contributor to the strong returns.

ASSET STRATEGY FOR THE JUNE 2010 QUARTER

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

Currency hedging should be within a range of 55-60% on Overseas Equities and 35-40% on Australian Equities. Overseas Fixed Interest is 100% currency hedged.

April 2010

INVESTMENT STRATEGY

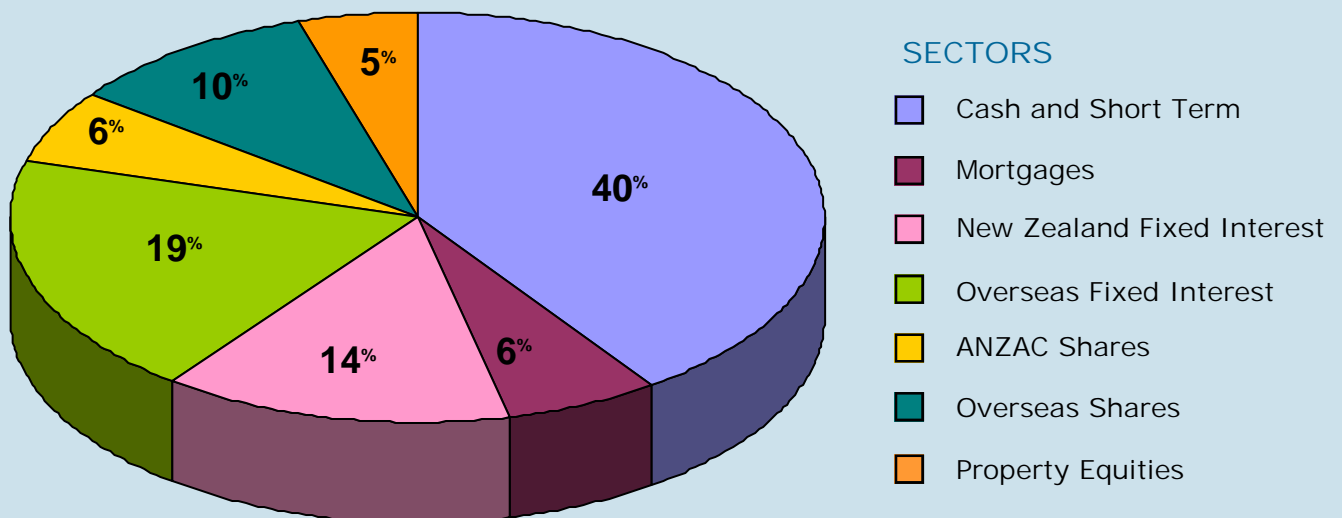
This pool invests mainly in Cash and Fixed Interest investments, with a small exposure to growth assets such as Shares and Listed Property.

Risk profile is intended to be low.

SECTOR RETURNS

INVESTMENT TYPE	GROSS RETURNS FOR THE MARCH QUARTER %
	Conservative
Cash and Short Term	0.9
Mortgages	1.0
NZ Fixed Interest	2.5
Overseas Fixed Interest	4.0
ANZAC Equities	2.9
Overseas Equities	4.8
Property Equities	2.2
TOTAL	2.3

AVERAGE INVESTMENT ASSETS PERCENTAGES FOR THE MARCH 2010 QUARTER



INVESTMENT STRATEGY

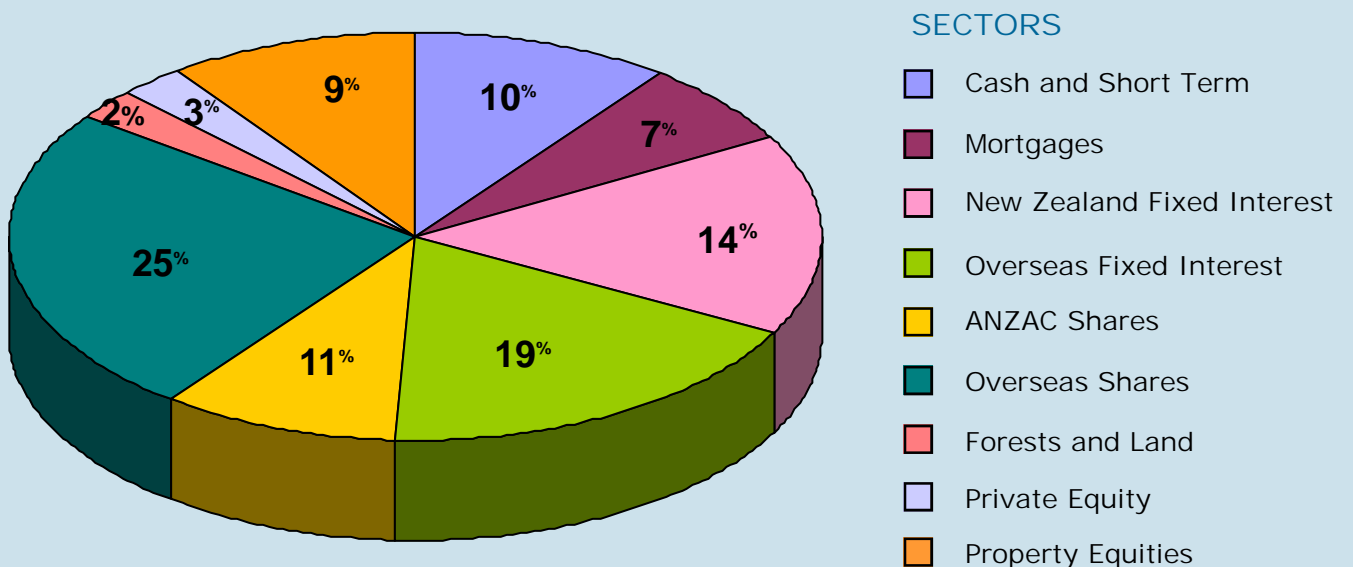
This pool has a moderate exposure in Cash and Fixed Interest investments, and a moderate exposure to growth assets such as Shares, Listed Property and Private Equity.

Risk profile is intended to be medium

SECTOR RETURNS

INVESTMENT TYPE	GROSS RETURNS FOR THE MARCH QUARTER %
	Balanced
Cash and Short Term	0.9
Mortgages	1.0
NZ Fixed Interest	2.5
Overseas Fixed Interest	4.0
Private Equity	1.2
ANZAC Equities	3.1
Overseas Equities	5.0
Property Equities	2.3
Forests and Land	10.6
TOTAL	3.4

AVERAGE INVESTMENT ASSETS PERCENTAGES FOR THE MARCH 2010 QUARTER



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.

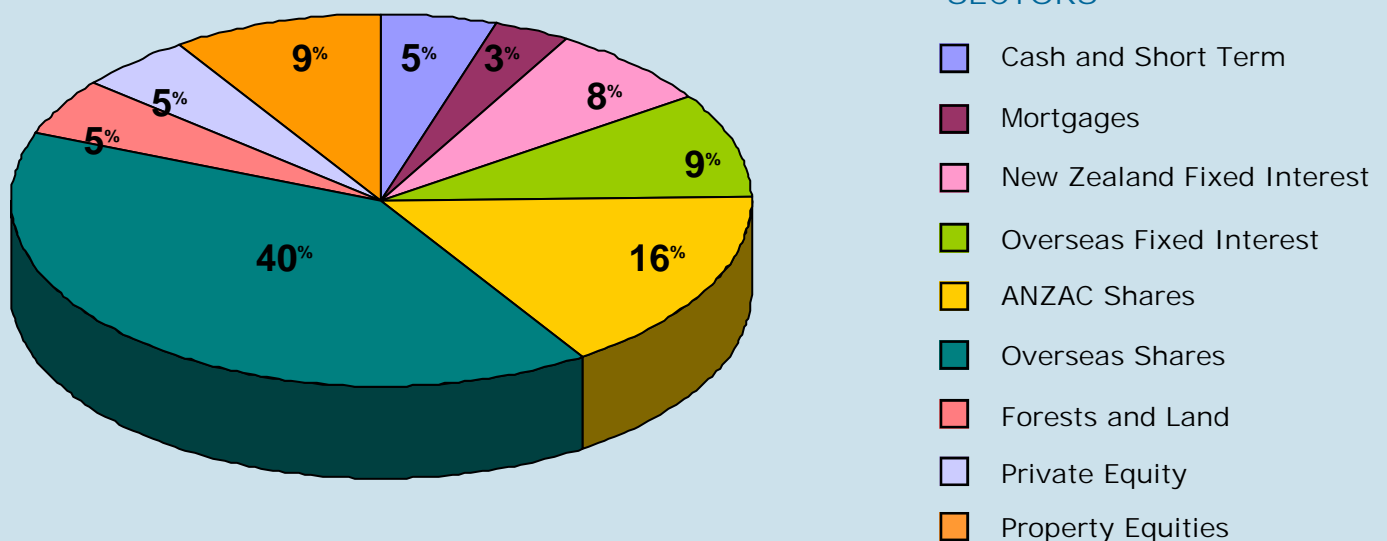
Risk profile is intended to be medium to high.

SECTOR RETURNS

INVESTMENT TYPE	GROSS RETURNS FOR THE MARCH QUARTER %
	Growth
Cash and Short Term	0.9
Mortgages	1.0
NZ Fixed Interest	2.6
Overseas Fixed Interest	3.9
Private Equity	1.2
ANZAC Equities	2.8
Overseas Equities	4.9
Property Equities	2.2
Forests and Land	10.5
TOTAL	3.8

AVERAGE INVESTMENT ASSETS PERCENTAGES FOR THE MARCH 2010 QUARTER

SECTORS





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