

**Market Commentary**
**Official Cash Rate**

The Reserve Bank has left the Official Cash Rate unchanged at 2.5% at the end of January as widely expected. Annual CPI is currently at the centre of the target band, and is expected to track comfortably within the band in the medium term. The Reserve Bank is expecting to remove monetary policy stimulus around the middle of 2010 if the economy continues to recover.

**Finance Companies Credit Rating**

Fisher and Paykel Finance and PGG Wrightson Finance have been assigned a BB rating by Standard and Poor's with a stable outlook. While credit union Manchester Unity has received a B+ rating with a stable outlook.

The current Retail Deposit Guarantee Scheme will end on 12/10/2010, however there is an extended guarantee scheme that expires on 31/12/2011. Deposit takers with a credit rating of BB or higher can apply to participate in the extended scheme. Institutions with a lower credit rating or no credit rating will not be covered.

**Points of Interest**

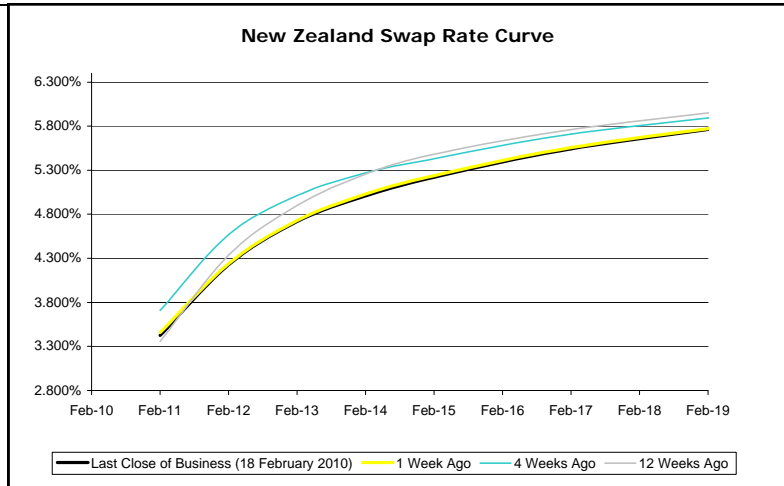
- State owned energy company **Meridian Energy** has announced an offer of 2 tranches of unsecured unsubordinated fixed rate bonds. The issue size is \$150 million with ability to accept \$50 million oversubscription. These bonds carry a credit rating of BBB+ from Standard and Poor's. The final interest rate will be set on 25 February 2010. Meridian Energy has applied to list on the NZDX market on 1 March 2010.

Tranche 1     16 March 2015  
Minimum of 7.15%     or  
175 bps over SWAP

Tranche 2     16 March 2017  
Minimum of 7.55%     or  
185 bps over SWAP

Due to heavy demand, we have filled our allocation already, however you can still purchase these bonds on the secondary market after listing.

- Auckland City Council** announced that it is considering making an offer of fixed rate secured senior bonds. Full details of this offer will be released in February/ March 2010.
- The Warehouse Group (WHS)** is considering an offer of up to \$100 million of 5 year senior bonds. This offer is expected to open in late March 2010. The Warehouse Group intends to use the proceeds from this offer for its general corporate purposes.
- Fonterra** announced an offer of unsecured unsubordinated bonds. The offer size is \$100 million with ability to accept oversubscriptions of up to \$50 million. The original indicative size of this issue was \$200 million plus \$50 million oversubscriptions. This bond is rated A+ from Standard & Poor's and AA- from Fitch. The interest rate has been set at 6.83% which is 145 basis points over SWAP. Due to the small size of this issue and heavy scaling from the issuer, we do not have an allocation. However, this bond is expected to list on the NZDX and can be purchased on the secondary market.



Swap Rates as at 18 February 2010	
1 Year Swap Rate	3.43%
2 Year Swap Rate	4.23%
3 Year Swap Rate	4.72%
5 Year Swap Rate	5.22%
10 Year Swap Rate	5.87%

Wholesale market	
Official Cash Rate	2.50%
90 Day Bank Bills	2.70%
US 10 year bond	0.00%
Gold per oz (USD)	\$1,102.00
NZD vs USD	\$0.7015

**Term Investment Rates as at 18 February 2010**

Issuer	Freq	3mths	6mths	1 yr	2 yrs	3 yrs	4 yrs	5 yrs
<b>ASB BANK AA Rated</b>								
\$5,000 - \$9,999	4	3.00	3.00	3.00	3.00	3.00	3.00	3.00
\$10,000 - \$49,999	4	3.75	4.00	5.00	5.50	6.00	6.25	6.75
\$50,000 - \$99,999	4	3.75	4.00	5.00	5.50	6.00	6.25	6.75
<b>Kiwi Bonds AAA Rated</b>								
\$1,000 - \$500,000	4	-	2.50	2.75	3.75	-	-	-
<b>Marac Finance BB+ Rated</b>								
\$1,000 - \$49,999	4	5.00	5.25	5.75	7.00	8.00	8.00	8.00
\$50,000 - \$250,000	4	5.00	5.25	5.85	7.00	8.00	8.00	8.00
<b>Tax Paid Marac Bonds</b>								
Minimum \$1,000	4	3.50	4.20	4.90	5.25			
<b>Fisher &amp; Paykel Finance BB Rated</b>								
Minimum \$500	4	4.50	5.25	5.50	6.25	6.75	6.75	6.75
<b>South Canterbury Finance BB+ Rated</b>								
Min \$5k Secured Debenture	4	4.50	6.00	7.50	8.00	8.50	8.50	8.50
<b>Special</b>								
8% specific maturity date 11/10/2010								
5 months at 7%								
<b>UDC Finance AA Rated</b>								
\$5,000 - \$99,999	4	-	-	4.70	5.75	6.15	6.40	6.80
\$5,000 - \$99,999	1	3.75	4.10	4.80	5.75	6.15	6.40	6.90
\$100,000+	4	-	-	4.70	5.75	6.15	6.50	6.90
\$100,000+	1	3.75	4.20	4.80	5.75	6.15	6.50	7.00

Disclosure statements produced under the Securities Market Act 1988 are available on request and free of charge.

To discuss any of these investments please talk to your advisor or contact the Fixed Interest Service

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Rates shown are market prices and subject to change, and availability. Interest rates are quoted on a per annum basis.

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**Secondary Market Issues as at 18 February 2010**

Security Issuer	Rating	Minimum Investment	Maturity	Coupon %	Int Freq	Yield %	Price per \$100
<b>Government Stock</b>							
NZ Government Stock	AAA	\$10,000	15-Nov-11	6.00%	2	3.67%	\$105.28
NZ Government Stock	AAA	\$10,000	15-Apr-13	6.50%	2	4.44%	\$107.94
NZ Government Stock	AAA	\$10,000	15-Apr-15	6.00%	2	4.93%	\$106.42
NZ Government Stock	AAA	\$10,000	15-Dec-17	6.00%	2	5.40%	\$104.21
NZ Government Stock	AAA	\$10,000	15-May-21	6.00%	2	5.70%	\$103.20
<b>Corporate Bonds</b>							
ANZ National Bank (Senior)	AA	\$10,000	9-Jun-10	8.50%	2	3.03%	\$103.27
Bank of New Zealand	AA	\$10,000	15-Sep-10	7.50%	2	3.28%	\$105.53
ASB Bank Sub	AA-	\$10,000	15-Jun-11	7.03%	2	5.46%	\$103.09
ANZ National Bank	AA-	\$10,000	15-Sep-11	7.16%	2	6.05%	\$104.57
Auckland City Council	AA-	\$100,000	15-Nov-11	6.84%	2	4.45%	\$105.57
Bank of New Zealand	AA-	\$10,000	15-Jun-12	8.42%	2	6.45%	\$105.46
ANZ National Bank Callable Sub Debt	AA-	\$10,000	23-Jul-12	8.23%	2	6.20%	\$104.87
Bank of New Zealand	AA	\$10,000	15-Sep-12	7.50%	2	6.07%	\$106.34
Powerco Limited	BBB	\$5,000	29-Mar-13	6.39%	4	7.31%	\$98.09
TCNZ Finance Limited	A	\$5,000	22-Mar-13	6.92%	2	6.25%	\$104.70
Wellington International Airport	BBB+	\$10,000	15-Nov-13	7.50%	2	6.90%	\$103.57
Westpac Bank	AA	\$10,000	28-Nov-13	7.05%	2	5.82%	\$105.34
Auckland City Council	AA	\$10,000	24-Mar-14	6.42%	2	6.20%	\$103.03
Contact Energy Ltd	BBB	\$5,000	15-May-14	8.00%	4	7.05%	\$103.15
ASB Bank Limited (Senior)	AA	\$10,000	17-Sep-14	8.22%	2	6.09%	\$111.47
Vector Limited (Senior)	BBB+	\$5,000	15-Oct-14	7.80%	2	6.65%	\$106.82
Westpac Bank	AA	\$10,000	18-Oct-14	8.35%	2	5.91%	\$112.19
NZ Post Callable Sub Debt	AA-	\$5,000	15-Nov-14	7.50%	2	7.30%	\$102.34
Fonterra	A+	\$5,000	10-Mar-15	7.75%	4	6.55%	\$106.19
Manukau City Council	NR	\$10,000	15-Sep-15	6.90%	2	6.21%	\$105.70
Genesis Energy	BBB+	\$5,000	15-Mar-16	7.65%	2	6.98%	\$106.06
TCNZ Finance Limited	A	\$5,000	22-Mar-16	7.04%	2	6.40%	\$106.08
Bank of New Zealand	AA	\$10,000	15-Sep-16	6.91%	2	6.63%	\$103.89
Auckland International Airport	A	\$10,000	15-Nov-16	8.00%	2	6.90%	\$107.38
Trans Power	AA	\$10,000	10-Jun-20	6.95%	2	6.76%	\$101.98
<b>Unrated Issues</b>							
Fletcher Building Finance Ltd	-	\$5,000	15-Mar-10	9.00%	2	7.90%	\$103.93
Sky City Entertainment Limited	-	\$5,000	15-May-10	8.00%	4	7.90%	\$102.08
PGG Wrightson Finance Limited	-	\$5,000	8-Oct-10	8.25%	4	7.50%	\$101.33
South Canterbury Finance	BB+	\$5,000	8-Oct-10	8.00%	4	7.50%	\$101.15
Fletcher Building Limited	-	\$2,000	15-Mar-11	7.55%	2	7.00%	\$103.80
Rural Portfolio Capital Ltd	-	\$5,000	15-Apr-11	10.14%	2	95.90%	\$50.05
Hellaby Holdings Limited	-	\$5,000	15-Jun-11	8.50%	4	11.50%	\$97.79
South Canterbury Finance	BB+	\$5,000	15-Jun-11	10.50%	4	19.90%	\$91.10
Infratil Limited	-	\$5,000	15-Nov-11	8.50%	4	8.40%	\$100.07
Works Infrastructure Finance Ltd	-	\$5,000	15-Jun-12	9.80%	2	9.60%	\$101.93
Vector Limited Capital Bonds	BBB-	\$1	15-Jun-12	8.00%	2	7.20%	\$102.88
Blue Star Print Group	-	\$5,000	15-Sep-12	9.10%	4	57.90%	\$38.27
GPG Finance plc	-	\$5,000	15-Nov-12	8.30%	4	9.10%	\$97.91
South Canterbury Finance	BB+	\$5,000	15-Dec-12	10.43%	4	21.00%	\$79.62
Fletcher Building Finance Ltd	-	\$5,000	15-Mar-13	8.90%	2	7.90%	\$106.23
MARAC Finance Ltd	BB+	\$5,000	15-Jul-13	10.50%	4	10.40%	\$100.98
Infratil Limited	-	\$5,000	15-Sep-13	8.50%	4	8.40%	\$101.53
GPG Finance plc	-	\$5,000	15-Dec-13	9.00%	4	9.00%	\$101.30
Trustpower Subordinated Bonds	-	\$5,000	15-Mar-14	8.50%	4	7.65%	\$104.13
Tower Capital Limited	BBB-	\$5,000	15-Apr-14	8.50%	4	7.90%	\$102.55
Fletcher Building Finance Ltd	-	\$5,000	15-May-14	9.00%	2	8.00%	\$105.51
Infratil Limited	-	\$5,000	15-Nov-15	8.50%	4	9.00%	\$97.41
<b>Hybrids / Other</b>							
ASB Capital Limited Perpetual Preference Share:	A	\$5,000	Perpetual	4.75%	4	-	\$83.00
ASB Capital No. 2 Limited Perpetual Pref Shares	A	\$5,000	Perpetual	3.86%	4	-	\$77.00
Fonterra Co-Operative Ltd Capital Notes	A+	\$5,000	Perpetual	4.83%	4	-	\$84.00
South Canterbury Finance	-	\$5,000	Perpetual	5.61%	4	-	\$38.00
Rabobank Nederland	AA-	\$5,000	Perpetual	4.12%	4	-	\$84.50
Origin Energy Contact Finance No.2 Ltd	BBB-	\$5,000	Perpetual	4.95%	2	-	\$74.00
Infratil Limited	-	\$5,000	Perpetual	4.97%	4	-	\$70.00
Nufarm Finance (NZ) Ltd	BB	\$5,000	Perpetual	5.02%	4	-	\$105.50
Quayside Holdings Limited	-	\$5,000	Perpetual	10.00%	4	-	\$103.50
BNZ Income Securities Ltd	A+	\$5,000	Perpetual	9.89%	4	-	\$104.50
ANZ National Bank Ltd	A+	\$5,000	Perpetual	9.66%	2	-	\$104.85
Rabo PIE Capital Securities	AA-	\$5,000	Perpetual	8.79%	4	-	\$103.50
Fairfax New Zealand Finance Limited	-	\$5,000	15-Jun-10	3.97%	4	-	\$99.50
Macquarie Generator Bonds Ltd	-	\$5,000	7-Sep-11	8.25%	4	11.90%	\$96.44
CBA Capital Australia Limited	AA-	\$5,000	15-Apr-15	3.82%	4	-	\$89.50
Sky Network Television	-	\$5,000	16-Oct-16	4.01%	2	-	\$85.00
Credit Agricole S.A.	A	\$5,000	19-Dec-17	10.04%	4	-	\$95.90