

NZ Harbours Superannuation Plan

Statement of Investment Policy and Objectives

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Consulting Actuaries

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1. Introduction

1.1 Purpose

The purpose of this Statement of Investment Policy and Objectives (SIPO) is to document the decision the Trustees have made on the investment management of the NZ Harbours Superannuation Plan. In particular the SIPO:

- Specifies the Trustees' overall investment objectives.
- Details the Plan's investment strategy.
- Details the Managers specific objectives.
- Allocates responsibilities between the Trustees and the Managers.
- Specifies the terms of the investment mandates and constraints to be observed by the Managers.

1.2 Background

The Plan has undergone substantial changes in the last 2 years with changes to the appointed fund managers, and asset allocations partly due to the introduction of the new PIE tax regime.

This SIPO has been prepared by Melville Jessup Weaver. It takes into account the changes to the benchmark asset allocation and strategic ranges.

1.3 Updates

This document will be updated as necessary as circumstances dictate.

2. Directory

2.1 Trustees

The Trustees of the Plan are:

- David Stevens (Chairman)
- Peter Clemens
- Roy Cowley
- Andrew McFarlane
- Gary Smith
- Harold Upton
- Roy Weaver.

The secretary to the Plan is Leonie Stieller and the administrator is Lyn Rattee.

2.2 Investment Managers

The investment managers are:

- Tower Asset Management Ltd
- ING (NZ) Ltd
- Tyndall Investment Management New Zealand Ltd.

2.3 Consultants

Melville Jessup Weaver is the asset consultant to the Fund.

3. Investment Strategy and Objectives

3.1 Strategy

The Plan comprises one diversified strategy with a balanced asset allocation. The strategy invests in a range of asset classes through three fund managers.

3.2 Objectives

The objectives of the strategy are to provide an intermediate level of returns to investors over the medium term. These returns are expected to be greater than cash and bonds over the long term but with less volatility than shares and property.

These are identified in regard to:

- a minimum real rate of return, (i.e. one that is greater than the movement in the CPI),
- a return relative to the MJW Investment Survey.

The required returns will be measured both on an annual and three year rolling basis, and will be net of investment management fees. The three year rolling targets are:

- a minimum real rate of return after tax of 2.5% per annum, (i.e. CPI movement plus 2.5%),
- an average return compared to the balanced funds in the MJW investment survey.

It is noted that the return relative to the MJW Survey is principally a function of the strategic asset allocation range, which has been set by the Trustees on the advice of MJW and is slightly conservative compared to the average survey fund.

There are no total quarterly performance targets.

Of the targets above it is noted that in the short term the most difficult one to achieve is the real rate of return after tax of 2.5% per annum.

The Trustees recognise that there will be volatility in the investment results and there will be periods where the performance lags or exceeds expectations. The timeframe for investment is 5 to 10 years.

3.3 Responsibilities of the Trustees

The Trustee Act 1956 requires Trustees to exercise the care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. The Trustees August have regard to the following matters:

- the need to maintain the real value of capital,
- the risk of capital loss or depreciation,
- the potential for capital appreciation,
- the likely income return,
- tax,
- effect of inflation.

The responsibilities of the Trustees as they relate to investments are:

- to agree the investment strategy,
- to review the performance of the Plan's fund managers as reported by the investment consultant,
- to review the performance of the investment consultant,
- to communicate to members the results of the Plan's performance.

4. Investment Parameters and Benchmarks

4.1 Investment Parameters

The investment parameters are:

- All investments with the exception of property assets are to be readily marketable.
- Reliable market quotations for prices for investments are to be available at all times.
- All investment portfolios are to be fully invested. Any cash positions should be temporary and should reflect general repositioning of the portfolio or covering a futures position.
- Currency exposure for global bonds is to be 100% net hedged to the NZ dollar unless otherwise agreed by the Trustee.
- Overall currency exposure for all offshore equities is to be 50% net hedged to the NZ dollar.
- Futures contracts and options are to be restricted to hedging techniques and not to leverage the portfolio.
- Securities are not to be lent to any other third party without the consent of the Trustees.
- Subject to the approval of the Trustees no more than five per cent of the assets under management at any one time by investment managers August be invested in their parent bank.
- No more than 7.5% of overall assets in any one company

It is accepted that the assets are invested through managed funds and any exceptions to the above will be noted by the Trustees.

4.2 Benchmark asset allocation and ranges

The benchmark asset allocation and ranges are as follows

Sector		%	Range	
			Lower	Upper
NZ shares		7.50	3.75	11.25
Australian shares		7.50	3.75	11.25
Combined		15.00	7.50	22.50
Global shares	Active	36.25	31.25	41.25
Property	Direct	2.50	0.00	5.00
	Listed	2.50	0.00	5.00
	Global	2.50	0.00	5.00
	Combined	7.50	5.00	10.00
<i>Total Growth Assets</i>		<i>58.75</i>	<i>43.75</i>	<i>73.75</i>
<i>Alternative assets</i>		<i>2.50</i>	<i>0.00</i>	<i>5.00</i>
NZ Bonds		13.25	8.75	18.75
Global Bonds		18.00	13.00	23.00
Cash		7.50	5.00	10.00
<i>Total Income Assets</i>		<i>38.75</i>	<i>26.25</i>	<i>56.25</i>
Total		100.00		
Currency		18.13	13.00	23.00

The benchmark asset allocation and ranges applying to TAM and ING are as follows:

ING

Sector		%	Range	
			Lower	Upper
NZ shares		18.40	9.20	27.61
Australian shares		18.40	9.20	27.61
Combined		36.81	18.40	55.21
Property	Listed	6.13	0.00	12.27
	Global	6.13	0.00	12.27
NZ Bonds		32.52	21.47	46.01
Cash		18.40	12.27	24.54

TAM

Sector		%	Range	
			Lower	Upper
Global shares	Active	63.88	55.07	72.69
Property	Direct	4.41	0.00	8.81
Global Bonds		31.72	22.91	40.53
Currency		31.94	22.91	40.53

Tyndall is solely responsible for the alternative assets.

4.3 Tactical asset allocation and cashflow management

Asset allocation ranges have been set as above and the rebalancing rules to apply are as follows:

- The allocation to each asset class will be allowed to vary within the ranges set.
- When the asset allocation reaches the range limit the exposure will automatically be rebalanced back to the benchmark position.
- The investment adviser will advise when to rebalance based on the monthly reports prepared for the Plan.

The cash flow rules are:

- Benefit payments requiring cash up of investments be made from the cash sector. I.e. this applies when the weekly cash flow position of contributions less benefits is negative.
- When the cash flow is positive the cash flow will be invested first to make up the amount of any recent withdrawal from the cash sector and then in accordance with the benchmark asset allocation.

4.4 Foreign Currency Exposure

The Plan has historically had a relatively high exposure to foreign currency. The hedging level was 27.5%. This has been recently reviewed by the Trustees and the decision has been made to move to a 50% hedging level. This transition will be gradual, and take 16 months to complete beginning June 2008.

5. Investment Mandates

5.1 Introduction

The investment mandates cover the follow investment arrangements and responsibilities:

- NZ Shares
- Australian Shares
- Global Shares
- Direct Property
- Listed Property
- Global Property
- Alternative Assets
- NZ Bonds
- Global Bonds
- Cash
- Investment advice.

A copy of the investment guidelines for each of the funds except the TAM global bonds and shares is attached in the Appendix A. The TAM funds are not included due to the size of the documents.

Details on the investment fees charged are included in Appendix B.

5.2 NZ Shares

Manager ING (NZ) Ltd

The fund invested in is the ING NZ Share Fund.

Performance Benchmarks NZX50 Gross Index (including imputation credits).

Performance relative to benchmark over 3 years as follows

- Return: + 2.0% pa Tracking Error: 2.0-5.0% pa

Parameters

No exposure to Australian equities.

5.3 Australian Shares

Manager ING (NZ) Ltd

The fund invested in is the ING Australian Share Fund.

Performance Benchmarks S&P/ASA 100 Accumulation

Performance relative to benchmark over 3 years as follows

- Return: + 3.0% pa Tracking Error: 2.0-6.0% pa

Parameters

Currency hedging is carried out within the Plan at the discretion of the Manager.

5.4 Global Shares

Manager TOWER Asset Management Ltd

The fund is invested in the TAM global equities product that is a 50/50 mix between growth and value mandates. The allowable ranges for investment are as follows.

Sector		%	Range	
			Lower	Upper
Global shares	Growth	50	25	75
	Value	50	25	75
Total		100		

Performance Benchmarks 50% MSCI World All Countries Index (NZD) and 50% MSCI World Index (NZD). The performance is measured on an unhedged basis.

Performance relative to benchmark over 3 years as follows

- Return: + 0.0% pa

Parameters

The long term overall hedge position is 50% gross hedged. However the manager has discretion to make decisions around this target. The table below sets out the allowable ranges for gross hedging and currency exposure (FX).

Sector		%	Range	
			Lower	Upper
Global shares	Hedging	50.00	36.55	64.14
	FX	50.00	35.86	63.45

5.5 Direct Property

Manager TOWER Asset Management Ltd

The fund invested in is the TAM Direct Property Fund.

Performance Benchmarks Property Council Index.

Performance relative to benchmark over 3 years as follows

- Return: + 0% pa

As the Property Council Index is only available quarterly and the publishing time is relatively long, a similar direct property index August be used in the interim for any analysis.

5.6 Listed Property

Manager ING (NZ) Ltd

The fund invested in is the ING Wholesale Property Fund.

Performance Benchmarks NZX Gross Property Index (including imputation credits)

Performance relative to benchmark over 3 years as follows

- Return: + 2.0% pa Tracking Error: 1.0-5.0% pa

5.7 Global Property

Manager ING (NZ) Ltd

The fund invested in is the ING Wholesale International Property Securities Fund.

Performance Benchmarks UBS Global Property Index (investors only)

Performance relative to benchmark over 3 years as follows

- Return: + 0.0% pa Tracking Error: 0.0-5.0% pa

The fund is fully hedged to the NZ dollar.

5.8 Alternative Assets

Manager Tyndall Investment Management New Zealand Ltd

The fund invested in is the J.P. Morgan Multi-Strategy Fund II.

Performance Benchmarks NZX NZ 90-day Bank Bill Index

Performance relative to benchmark over 3 years as follows

- Return: + 2.5% pa

Parameters The total exposure is to be 100% hedged to the NZ dollar.

5.9 NZ Bonds

Manager ING (NZ) Ltd

The Plan is invested in the ING Wholesale Government and NZ Bonds Fund. The benchmark allocation and allowable ranges are as follows.

Sector		%	Range	
			Lower	Upper
NZ Bonds	Sovereign	35.0	22.5	47.5
	Corporate	65.0	52.5	77.5
Total		100.0		

Performance Benchmarks NZX NZGS Gross and the NZX All Swaps Index.

Performance relative to benchmark over 3 years as follows

- Return: + 0.0% pa

5.10 Global Bonds

Manager TOWER Asset Management Ltd

The Plan is invested in the TAM PIMCO Global Bonds Fund.

Performance Benchmarks Lehman Bros Global Aggregate (Hedged NZD)

Performance relative to benchmark over 3 years as follows

- Information Ratio: +0.5 Tracking Error: 2.0-3.0% pa

Parameters The total exposure is to be 100% hedged to the NZ dollar.

5.11 Cash

Manager ING (NZ) Ltd

The fund invested in is the ING Wholesale Cash Fund.

Performance Benchmarks NZX 90 Day Bank Bill

Performance relative to benchmark over 3 years as follows

- Return: + 0.0% pa

5.12 Investment advice

Adviser Melville Jessup Weaver

Performance Benchmarks These are:

- To achieve the Plan's investment objectives.
- To monitor and report to Trustees quarterly on all aspects of the Plan's investments.

5.13 Review period

Each manager's performance is to be continuously monitored and reviewed over rolling three-year periods. Annually a report should be produced reviewing the past performance.

6. Investment Reporting

6.1 Investment Managers

The following information is required from the investment managers on a monthly basis for each asset class under management

- Market values as at the month end
- Actual returns gross of fees and tax for the month, rolling quarter and year to date
- Index returns for the same periods
- Actual returns net of fees but gross of tax for the same periods
- Taxable income for the month and year to date.

Additionally for the entire portfolio

- Market values at start and end of the month
- Contributions and withdrawals for the month

The reports are required no later than business day 10 following month end.

In addition, at the end of each quarter, each manager is to provide a more comprehensive report including

- Comment on past performance and the reason for out/under performance
- Economic comment pertinent to the mandate and the outlook for future returns

6.2 Investment Adviser

On a monthly basis the investment adviser will provide a brief investment report to the Trustee containing

- Market values as at the end of the month (split by strategy and asset class)
- Actual returns gross of fees and tax for each strategy for the month, rolling quarter and year to date
- Benchmark returns for the same periods
- Attribution analysis on the gross returns for the same periods
- Gross sector returns for the same periods
- Index returns for the same periods
- Brief comment on performance

On a quarterly basis, the report supplied shall be expanded to include comparison against peers. A comprehensive report is to be produced annually.

6.3 Accountant (MJW)

To provide a report on an annual basis (financial statements) containing

- Statement of Accounting Policies
- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cash Flows
- Notes to the Financial Statements
- Summary Financial Statements
- Recommendations.

6.4 Auditor (Deloitte)

To provide a report on an annual basis containing

- Audit Report
- Short Audit Report
- Audit managers report and recommendations.

Appendix A

Investment guidelines As at August 2008

1 ING Wholesale Australian Share Fund

Investment Objectives

The fund invests in Australian shares. The performance objectives are to realise over each 3 year period an annualised gross return in excess of the return of the benchmark index and a return above the average return of comparable investment portfolios.

Benchmark Index

The ING Concentrated Australian Equity strategy aims to achieve returns (before fees, charges and taxes) that exceed the S&P/ASX 100 Accumulation Index by 5% per annum over periods of five years or more.

Investment Guidelines

The following investment guidelines shall apply to the fund:

- Management of the fund is sub-contracted to ING Investment Management Australia. The only shares (or derivatives of or securities relating to shares) in which the Fund may be invested are those of Australian Companies, or companies listed or intended to be listed on the Australia Stock Exchange.
- Not more than 10% (by cost) of the Gross Asset Value of the Fund may be invested in non listed companies provided that there is a reasonable expectation that such companies will be listed within 12 months.
- Not more than 15% of the Asset Value of the Fund may be invested in Liquid Assets.
- The ex ante tracking error guideline is 2-6%.
- The portfolio will typically hold 20-30 stocks.
- The Fund is not confined to investing in ordinary shares but may invest in any listed equity or listed hybrid equity security. This could include (but is not limited to) redeemable specified preference shares, specified preference shares, partly paid shares and options.
- The Fund may enter into derivatives which relate to shares able to be held by the Fund. In accordance with ING's derivative policy. Derivatives can not be used to gear the portfolio, but as risk management and investment implementation tools.
- The Fund may enter into underwriting agreements from time to time which relate to shares able to be held by the Fund, provided the Fund holds sufficient unallocated liquid assets to cover the Fund's liability under the agreements.
- The Fund is not precluded from purchasing shares in new public issues of corporate shares
- The Fund may enter into forward foreign exchange contracts to protect against adverse exchange rate movements or to enhance the return of the fund. Currency management is the responsibility of ING NZ.
- Stock lending is permitted.

2 ING Wholesale NZ Share Fund

Investment Objectives

The fund invests in New Zealand shares. The performance objectives are to realise over each 3 year period an annualised gross return in excess of the return of the benchmark index and a return above the average return of comparable investment portfolios.

Benchmark Index

NZX 50 Total Return Index (including imputation credits)

Investment Guidelines

The following investment guidelines shall apply to the fund:

- The only shares (or derivatives of, or securities relating to shares) in which the Fund may be invested are those companies listed or intended to be listed on the New Zealand Stock Exchange.
- Not more than 5% (by cost) of the Gross Asset Value of the Fund may be invested in non listed companies provided that there is a reasonable expectation that such companies will be listed within 6 months.
- The maximum holding of a stock not represented in the NZSX50 Index is 5%.
- At least 50% of the portfolio must be comprised of the top 10 stocks in the NZSX50 index.
- Not more than 10% of the Asset Value of the Fund may be invested in Liquid Assets.
- The ex ante tracking error guideline is 2-5%.
- The portfolio will typically hold 15-25 stocks.
- The Fund is not confined to investing in ordinary shares but may invest in any listed equity or listed hybrid equity security. This could include (but is not limited to) redeemable specified preference shares, specified preference shares, partly paid shares and options.
- The Fund may enter into derivatives which relate to shares able to be held by the Fund. Derivatives can not be used to gear the portfolio, but as risk management and investment implementation tools.
- The Fund may enter into underwriting agreements from time to time which relate to shares able to be held by the Fund, provided the Fund holds sufficient unallocated liquid assets to cover the Fund's liability under the agreements.
- The Fund is not precluded from purchasing shares in new public issues of corporate shares
- Stock lending is permitted.

3 ING Wholesale Government Bond Fund

Investment Objectives

The principal aim of the mandate is to effect the active management of New Zealand Government fixed interest securities and provide investment results that exceed those of the NZX Government Bond Index over a rolling 36 month period.

Benchmark Index

NZX Government Bond Index.

Permitted Investments

Subject to the Eligible/Prohibited Investments table:

- Debt securities issued by the government of the New Zealand Government, in all instances, the interest and maturity proceeds are payable or hedged back into New Zealand dollars.
- Cash investments that meet the investment criteria of the ING Wholesale Cash Fund, or units in the ING Wholesale Cash Fund.

Investment Restrictions

The following investment restrictions shall apply to the Fund:

Duration Range Benchmark modified duration ± 1.5 years.

Maturity Limits No individual security restrictions.
Average maturity is to be consistent with permitted duration range.

Quality

Sector Limits

	Limit
Cash, T Bills, Govt Stock,	0-100%
Corporate A incl Unrated Local Authority Stock rated A and above by ING	0%
Corporate B and Convertible, rated BBB- and above	0%

Credit exposure constraints are as follows:

Standard & Poors Credit Rating	Maximum exposure to any issuer (% of portfolio)
New Zealand Government	100%
Cash	In line with ING Wholesale Cash Fund

Liquidity The Manager will seek to provide adequate liquidity at all times to meet potential redemption requests.

Other Securities which fall outside these restrictions, due to a change in rating subsequent to purchase, will be sold (as soon as practicably possible) if their remaining term to maturity is greater than 90 days.

Credit ratings are based on Standard & Poor's Rating Agency or Fitch or Moody's equivalent.

Borrowing

A maximum of 5% of this Fund is permitted (only for settlement purposes, not for gearing.)

Note requirements under "Derivatives" in these guidelines.

Derivatives

Compliance with these Restrictions (including assessment of duration limits and Bond Fund borrowings) will be measured after allowing for the effective exposure of any derivative instruments held in the Bond Fund.

Over the counter instruments listed in the Eligible/Prohibited Investments Table (including options, forward rate agreements, repurchase agreements and interest rate swaps) August be held in the Fund but are subject to all of the exposure and other limits documented in these Restrictions. In addition, all counterparties must be rated **A+** or better by Standard and Poor's or Fitch or Moody's equivalent for counterparty risk and a current ISDA agreement must be in place between each counterparty and the Manager.

The **total fully exposed value** of all derivative holdings August not exceed 40% of the market value of the Bond Fund.

Compliance

The Bond Fund is subject to the above restrictions, which August not be exceeded without the prior consent of the Trustee. Any violation of the above restrictions must be reported in writing to the ING Investment Management Committee and to the trustee promptly.

Sector Limits Eligible/Prohibited Investments

Type of investment	Eligible	Prohibited	Comments
ING Wholesale NZ Government Bond Fund			
New Zealand Government Securities	X		Issued or guaranteed by the New Zealand Government
New Zealand Reserve Bank Securities	X		Issued or guaranteed by the New Zealand Reserve Bank
State Owned Enterprise Securities		X	Unless explicit Govt Guarantee
Local Authority Securities	X		Must meet ING Wholesale Cash Fund criteria
Mortgage-Backed Securities	X		Must meet ING Wholesale Cash Fund criteria
Corporate Securities	X		Must meet ING Wholesale Cash Fund criteria
Floating Rate Notes	X		Must meet ING Wholesale Cash Fund criteria
Other Fixed Interest Securities (Debt issued by other Governments)	X		Must meet ING Wholesale Cash Fund criteria
Inflation Linked Securities	X		
Derivatives:	No investment, including futures, options and other derivatives, August be purchased if its return is directly or indirectly determined by an investment prohibited elsewhere in these guidelines.		
Futures	X		Interest rate futures only. Must be exchange traded
Options	X		OTC and exchange traded
Currency Forwards	X		For the purpose of hedging offshore securities into NZ dollars
Currency Futures	X		
Currency Options	X		
Repurchase Agreements	X		
Forward Rate Agreements	X		
Interest Rate Swaps	X		Underlying securities and counterparties must satisfy guidelines
Foreign Securities:			
Foreign CDs		X	
Foreign \$NZ Denominated Securities		X	
Non-\$NZ Denominated Bonds		X	
Supranational \$NZ Denominated Securities		X	
Commingled Vehicles:			
Unit Trusts	X		With the approval of ING Fixed Interest Investment Committee, subject to meeting Fund criteria
Money Market Securities:			
Bank Obligations	X		Approved Banks only. An approved Bank is a bank that is registered under the Reserve Bank of New Zealand Act 1989 and has a credit rating of A1 or higher from S&P
Commercial Paper	X		Where the entity only has a short term credit rating this can be mapped to a long term rating for the purposes of assessing the credit exposure constraints
Master Note Agreements and Demand Notes		X	
Other:			
Convertibles		X	
Private Placements		X	
Preferred Stock		X	
Underwriting and Sub-underwriting		X	

Risk Disclosure

There is no assurance that the Fund's Investment Objective will be achieved and investors August not receive back the amount originally invested in the Fund.

Definitions and Interpretation

For the purposes of this Schedule

'**Derivative**' means any agreement which establishes rights and obligations to some underlying instrument, investment, currency, product, index, right or service including, agreements commonly known as:

- Swaps
- Forward rate agreements

- Futures contracts
- Options
- Forward foreign exchange contracts
- Hedge contracts
- Repurchase agreements

'Liquid Assets' means moneys invested in the overnight facilities of Registered Banks; in securities and deposits of those Registered Banks; in securities issued or guaranteed by the New Zealand government and in securities issued by corporate entities or local authorities which have a short term rating of at least A1 as measured by Standard and Poor's Rating Agency or equivalent rating measure. The above securities should have a maturity of less than 12 months. In addition investments August be made in floating rate notes with a long term rating of at least BBB- as measured by Standard and Poor's Rating Agency or equivalent rating measure..

'Other Guidelines' means restrictions which if they are exceeded then this must be advised to the Trustee in the Manager's next regular report to the Trustee and are subject to the Overriding Guidelines.

'Overriding Guidelines' means restrictions on the Fund, which August not be exceeded without the prior consent of the Trustee.

'Portfolio' means all money and other assets, which the Manager from time to time manages, for the Client under this agreement and including all income.

'Registered Bank' means a registered bank as defined in section 2 of the Reserve Bank of New Zealand Act 1989 that is rated at least A1.

'Unallocated Liquid Assets' means liquid assets, which have not previously been allocated to cover any other existing exposure of the Fund

'Total fully exposed value' means 'effective exposure value' or 'full risk-adjusted value' where 'risk' is defined as the 'delta of the derivatives position'.

4 ING Wholesale New Zealand Bond Fund

Investment Objectives

The principal aim of the mandate is to effect the active management of New Zealand fixed interest securities and provide investment results that exceed those of the NZX All Swaps Index over a rolling 36 month period.

Benchmark Index

NZX All Swaps Index.

Permitted Investments

Subject to the Eligible/Prohibited Investments table:

- Debt securities issued by the government of any country or supranational corporation or incorporated body (including local authority) when, in all instances, the interest and maturity proceeds are payable or hedged back into New Zealand dollars. This also includes structured credit investments.
- Derivatives of, or convertible securities and repurchase agreements relating to, such debt securities including foreign exchange hedging.

Investment Restrictions

The following investment restrictions shall apply to the Fund:

Duration Range Benchmark modified duration ± 1.5 years.

Maturity Limits No individual security restrictions.
Average maturity is to be consistent with permitted duration range.

Quality Individual securities (bonds, notes and debentures) must be rated **BBB-** or better by Standard and Poor's Rating Agency (or Moody's equivalent) at the time of purchase.

Securities issued by a Local Authority, which has no formal credit rating, must be assessed by the Manager according to its own credit criteria and only the assessed equivalent of A- credit or better is permitted.

Sector Limits

	Limit
Cash, T Bills, Govt Stock,	0-100%
Corporate A incl Unrated Local Authority Stock rated A and above by ING	0-100%
Corporate B and Convertible, rated BBB- and above	0-20%

Credit exposure constraints are as follows:

Standard & Poors Credit Rating	Maximum exposure to any issuer (% of portfolio)
New Zealand Government	100%
AAA	10%
AA+, AA, AA-	7.5%
A+, A, A-	5%
BBB+, BBB, BBB-	2.5%
Unrated	5%
Less than BBB-	0%

Liquidity The Manager will seek to provide adequate liquidity at all times to meet potential redemption requests.

Other Securities which fall outside these restrictions, due to a change in rating subsequent to purchase, will be sold (as soon as practicably possible) if their remaining term to maturity is greater than 90 days.

Credit ratings are based on Standard & Poor's Rating Agency or Fitch or Moody's equivalent.

Borrowing A maximum of 5% of this Fund is permitted (only for settlement purposes, not for gearing.)

Note requirements under "Derivatives" in these guidelines.

Derivatives Compliance with these Restrictions (including assessment of duration limits and Bond Fund borrowings) will be measured after allowing for the effective exposure of any derivative instruments held in the Bond Fund.

Over the counter instruments listed in the Eligible/Prohibited Investments Table (including options, forward rate agreements, repurchase agreements and interest rate swaps) August be held in the Fund but are subject to all of the exposure and other limits documented in these Restrictions. In addition, all counterparties must be rated **A+** or better by Standard and Poor's or Fitch or Moody's equivalent for counterparty risk and a current ISDA agreement must be in place between each counterparty and the Manager.

The **total fully exposed value** of all derivative holdings August not exceed 40% of the market value of the Bond Fund.

Compliance The Bond Fund is subject to the above restrictions, which August not be exceeded without the prior consent of the Trustee. Any violation of the above restrictions must be reported in writing to the ING Investment Management Committee and to the trustee promptly.

Sector Limits Eligible/Prohibited Investments

Type of investment ING Wholesale NZ Fixed Interest Fund	Eligible	Prohibited	Comments
New Zealand Government Securities	X		Issued or guaranteed by the New Zealand Government
New Zealand Reserve Bank Securities	X		Issued or guaranteed by the New Zealand Reserve Bank
State Owned Enterprise Securities	X		Must be rated
Local Authority Securities	X		Must be rated or in the case of unrated Local Authority Securities deemed to be of A- credit or better by the Manager
Mortgage-Backed Securities	X		Must be rated
Corporate Securities	X		Must be rated
Floating Rate Notes	X		Must be rated
Other Fixed Interest Securities (Debt issued by other Governments)	X		Must be rated
Inflation Linked Securities	X		
Derivatives:	No investment, including futures, options and other derivatives, August be purchased if its return is directly or indirectly determined by an investment prohibited elsewhere in these guidelines.		
Futures	X		Interest rate futures only. Must be exchange traded
Options	X		OTC and exchange traded
Currency Forwards	X		For the purpose of hedging offshore securities into NZ dollars
Currency Futures	X		
Currency Options	X		
Repurchase Agreements	X		
Forward Rate Agreements	X		
Interest Rate Swaps	X		Underlying securities and counterparties must satisfy guidelines
Foreign Securities:			
Foreign CDs	X		Must be hedged into NZ dollars
Foreign \$NZ Denominated Securities	X		Traded on the domestic New Zealand fixed interest market
Non-\$NZ Denominated Bonds	X		Must be hedged into NZ dollars
Supranational \$NZ Denominated Securities	X		Traded on the domestic New Zealand fixed interest market
Commingled Vehicles:			
Unit Trusts	X		With the approval of ING Fixed Interest Investment Committee, subject to meeting Fund criteria
Money Market Securities:			
Bank Obligations	X		Approved Banks only. An approved Bank is a bank that is registered under the Reserve Bank of New Zealand Act 1989 and has a credit rating of A1 or higher from S&P
Commercial Paper	X		Where the entity only has a short term credit rating this can be mapped to a long term rating for the purposes of assessing the credit exposure constraints
Master Note Agreements and Demand Notes		X	
Other:			
Convertibles	X		
Private Placements	X		Has to meet all criteria
Preferred Stock	X		
Underwriting and Sub-underwriting	X		Securities only underwriting that would normally be purchased

Risk Disclosure

There is no assurance that the Fund's Investment Objective will be achieved and investors August not receives back the amount originally invested in the Fund.

Definitions and Interpretation

For the purposes of this Schedule

'Derivative' means any agreement which establishes rights and obligations to some underlying instrument, investment, currency, product, index, right or service including, agreements commonly known as:

- Swaps
- Forward rate agreements
- Futures contracts
- Options
- Forward foreign exchange contracts
- Hedge contracts
- Repurchase agreements

'Liquid Assets' means moneys invested in the overnight facilities of Registered Banks; in securities and deposits of those Registered Banks; in securities issued or guaranteed by the New Zealand government and in securities issued by corporate entities or local authorities which have a short term rating of at least A1 as measured by Standard and Poor's Rating Agency or equivalent rating measure. The above securities should have a maturity of less than 12 months. In addition investments August be made in floating rate notes with a long term rating of at least BBB- as measured by Standard and Poor's Rating Agency or equivalent rating measure..

'Other Guidelines' means restrictions which if they are exceeded then this must be advised to the Trustee in the Manager's next regular report to the Trustee and are subject to the Overriding Guidelines.

'Overriding Guidelines' means restrictions on the Fund, which August not be exceeded without the prior consent of the Trustee.

'Portfolio' means all money and other assets, which the Manager from time to time manages, for the Client under this agreement and including all income.

'Registered Bank' means a registered bank as defined in section 2 of the Reserve Bank of New Zealand Act 1989 that is rated at least A1.

'Unallocated Liquid Assets' means liquid assets, which have not previously been allocated to cover any other existing exposure of the Fund

'Total fully exposed value' means 'effective exposure value' or 'full risk-adjusted value' where 'risk' is defined as the 'delta of the derivatives position'.

5 ING Wholesale Cash Fund

Objectives

The principal aim of the mandate is to effect the active management of New Zealand dollar denominated cash investments and provide investment results that exceed those of the NZX New Zealand 90-day Bank Bill Index over a rolling 36-month period.

Benchmark

NZX New Zealand 90 day Bank Bill Index.

Investment Restrictions

The following investment restrictions shall apply to the Fund:

Derivatives

Combined Futures, Options and Swaps effective interest rate exposure to be no greater than 40% of market value of fund.
Options have a maximum expiry of 180 days
All over the counter derivatives must be transacted with counterparties with short-term credit rating of A-1 or greater.

Sector Limits

Cash/Treasury Bills/Bank Bills	0-100%
Promissory Notes	0-100%
Floating Rate Notes	0-50%

Issuer Limits

Banks

A-1+	The greater of 20% or \$5 million in any one Bank
A-1	The greater of 15% or \$5 million in any one Bank

Promissory Notes

A-1+	The greater of 10% or \$2 million to any one issuer,
A-1	The greater of 7.5% or \$2 million to any one issuer

Floating Rate Notes

AAA	No more than 20% to any one issuer
AA+,AA, AA-	No more than 15% to any one issuer
A+,A, A-	No more than 10% to any one issuer

Counterparty Limits

Options: 2% of face value to be added to relevant cash sector limits.

Maturity Limits

Cash/Treasury Bills/Bank Bills	Maximum 1 year
Promissory Notes	Maximum 1 year
AAA Rated Floating Rate Notes	No restriction
Floating Rate Notes rated AA+ and lower	Maximum expected weighted average life 3 Years

Duration Limits

Portfolio Interest Rate Duration August not exceed 180 days

Borrowing

A maximum of 5% of the portfolio exposure is permitted (only for settlement purposes, not gearing)

Other

Securities, which fall outside issuer limit guidelines, due to a change in credit rating subsequent to purchase, will be sold within 90-days.

Table of Eligible/Prohibited Investments

Type of investment ING Wholesale Cash Fund	Eligible	Prohibited	Comments
Eligible Securities:			
New Zealand Government Securities	X		Issued or guaranteed by the New Zealand Government
New Zealand Reserve Bank Securities	X		Issued or guaranteed by the New Zealand Reserve Bank
Bank Securities	X		Approved Banks only. An approved Bank is a bank that is registered under the Reserve Bank of New Zealand Act 1989
Local Authority Securities	X		Must be rated or in the case of unrated Local Authority Securities deemed to be of A- credit or better by the Manager
Rated Promissory Notes	X		
Rated Floating Rate Notes	X		
Unrated Promissory Notes and unrated Floating Rate Notes	X		Must be rated or in the case of unrated Securities deemed to be of A1/A- credit or better by the Manager
Other Fixed Interest Securities (Debt issued by other Governments)	X		Traded on the domestic New Zealand fixed interest markets
Inflation Linked Securities		X	
Derivatives:	No investment, including futures, options and other derivatives, August be purchased if its return is directly or indirectly determined by an investment prohibited elsewhere in these guidelines.		
Futures	X		Interest rate futures only. Must be exchange traded
Options	X		OTC and exchange traded
Currency Forwards	X		Only for Hedging Purposes
Currency Futures	X		Only for Hedging Purposes
Currency Options		X	
Repurchase Agreements	X		
Forward Rate Agreements	X		
Interest Rate Swaps	X		Underlying securities and counterparties must

Type of investment ING Wholesale Cash Fund	Eligible	Prohibited	Comments
			satisfy guidelines
Equity Investments		X	
Foreign Securities:			
Foreign CDs	X		Fully Hedged back into New Zealand Dollars
Foreign \$NZ Denominated Securities	X		Traded on the domestic New Zealand fixed interest market
Non-\$NZ Denominated Bonds	X		Fully Hedged back into New Zealand Dollars
Supranational \$NZ Denominated Securities	X		Traded on the domestic New Zealand fixed interest market
Other:			
Other Unit Trusts	X		Only with Client's specific permission
Underwriting and Sub-underwriting	X		Underwriting only of securities that would normally be purchased

Risk Disclosure

There is no assurance that the Fund's Investment Objective will be achieved and investors August not receive back the amount originally invested in the Fund.

Definitions and Interpretation

For the purposes of this Schedule

'Credit Ratings' have been specified using the Standard & Poors rating scale. Investments can be made in securities using Moodys or Fitch rating equivalents.

'Derivative' means any agreement which establishes rights and obligations to some underlying instrument, investment, currency, product, index, right or service including, agreements commonly known as:

- Swaps
- Forward rate agreements
- Futures contracts
- Options
- Forward foreign exchange contracts
- Hedge contracts
- Repurchase agreements

'Fund' means all money and other assets, which the Manager from time to time manages, for the Client under this agreement and including all income.

'Registered Bank' means a registered bank as defined in section 2 of the Reserve Bank of New Zealand Act 1989 that is rated at least A1.

'Effective Interest Rate Exposure' means 'effective exposure value' or 'full risk-adjusted value' where 'risk' is defined as the 'delta of the derivatives position'.

6 ING Wholesale Property Securities Fund

Investment Objectives

The fund invests in New Zealand and Australian property securities. The performance objectives are to realise over each 3 year period an annualised gross return in excess of the return of the benchmark index and a return above the average return of comparable investment portfolios.

Benchmark Index

NZX Property Gross Index (including imputation credits)

Investment Guidelines

The following investment guidelines shall apply to the fund:

- The securities in which the Fund may be invested are those of New Zealand or Australian property companies, or property companies intended to be listed on the New Zealand or Australia Stock Exchanges.
- Not more than 10% (by cost) of the Gross Asset Value of the Fund may be invested in non listed companies provided that there is a reasonable expectation that such companies will be listed within 12 months.
- Not more than 15% of the Asset Value of the Fund may be held in liquid assets.
- Limits for NZ equities/LPT's 0%-100% and Australian equities/LPT's 0%-100%
- The ex ante tracking error guideline is 1-5%.
- The portfolio will typically hold 15-30 stocks.
- The Fund may enter into derivatives which relate to shares able to be held by the Fund. Derivatives can not be used to gear the portfolio, but as risk management and investment implementation tools.
- The Fund may enter into underwriting agreements from time to time which relate to shares able to be held by the Fund, provided the Fund holds sufficient unallocated liquid assets to cover the Fund's liability under the agreements.
- The Fund is not precluded from purchasing shares in new public issues of corporate shares
- The Fund may enter into forward foreign exchange contracts to protect against adverse exchange rate movements or to enhance the return of the fund.
- Stock lending is permitted.

7 ING Wholesale International (ex Aus) Property Fund

Investment Objectives

The fund invests in international property securities. The performance objectives are to realise over each 3 year period an annualised gross return in excess of the return of the benchmark index and a return above the average return of comparable investment portfolios.

Benchmark Index

UBS Global Property Total Return Index-Investors only, excluding shares of companies in New Zealand and Australia, fully hedged to New Zealand dollars.

Investment Guidelines

Structure of Fund

The Manager has appointed a sub-account manager to manage the underlying assets. ING NZ is responsible for the selection of the sub-account manager and the structuring of the underlying vehicles/ pools being utilised. The sub-account manager is responsible for stock selection.

The current sub-account manager is La Salle Investment Management.

Investment Restrictions – underlying managers

The sub-account manager has a separate investment management agreement with the following investment guidelines:

The Fund shall be invested in equities (including convertible securities), cash, and liquid funds. The equity investments shall be in companies investing in real property which are listed on a recognised stock exchange.

A minimum of 85% of equity investments must be in companies investing in real property represented as constituents in the Fund Benchmark but excluding shares or other securities of companies or trusts which both:-

- (i) are listed on a stock exchange in New Zealand or Australia; and
- (ii) that have their Home Exchange in New Zealand or Australia

No more than 15% of the Portfolio by value may be invested in companies or trusts not represented in the Fund Benchmark and no more than 5% of the Portfolio by value may be invested in any individual the company or trust not represented in the Fund Benchmark.

The Fund shall remain substantially invested in real property companies and the Manager shall make best efforts to ensure that liquid funds at no time exceed 10% of the total Portfolio value except at the inception of the Portfolio or except when on a temporary basis there are meaningful cash inflows or other cash movements. In the event of a cashflow-based breach, the Manager shall ensure that the fund is returned to a compliant position within 5 Business Days

Country and company weightings are at the discretion of the Manager. Regional weightings will not disperse by greater than +/- 15 percentage points of the Fund Benchmark regional weights.

Tracking error of the Portfolio, as measured by the Manager, will be targeted to be no more than 500 basis points per annum.

Funds should be invested in equities (including convertible securities), cash and liquid funds. The equity investments shall be selected from any recognised Stock Exchange, but will exclude shares of companies which both:

- (i) are listed on a stock exchange in Australia or New Zealand; and
- (ii) that have their Home Exchange in either Australia or New Zealand

The fund should remain substantially invested in equities, with liquid funds at no time exceeding 10% of total fund value.

The Fund Is not confined to investing in ordinary shares but may invest in any listed equity or listed hybrid equity security. This could include (but is not limited to) redeemable specified preference shares, specified preference shares, partly paid shares and options.

The Fund may enter into underwriting agreements from time to time which relate to shares able to be held by the Fund, provided the Fund holds sufficient unallocated liquid assets to cover the Fund's liability under the agreements.

The Fund Is not precluded from purchasing shares in new public issues of corporate shares.

Stock lending is permitted.

Derivatives

Derivatives can not be used to gear the portfolio, but as risk management and investment implementation tools.

The sub-account manager may enter into derivatives which relate to shares able to be held by the Fund.

Derivatives may be used by ING to manage cashflows. The maximum will be 10%, except when a manager transition or large cashflow is being undertaken.

Currency Management

Currency is to be substantially hedged by ING as an integral part of the investment process. The Manager will provide ING with the necessary information concerning currencies in which Portfolio assets are invested.

8 The TOWER Property Fund (TPF)

A revised Information memorandum is currently being prepared in respect of the fund, outlining in greater detail the fund, and providing detail on the specific assets within the fund.

TOWER will be seeking to circulate the new IM over coming months.

The fund holds approximately \$ 300m of institutional grade Office, Industrial and Retail assets, and these are located in Auckland, Wellington, Christchurch, and Tauranga.

Significant assets include a 50% share in the Bayfair Shopping Centre, and 100% ownership in the Merivale Mall, Christchurch.

Assets within the fund are independently valued every six months, with assets last valued in 31 March 2008.

The fund has approximately 200 tenants, each holding leases of various tenure.

The portfolio is over 99% leased, and rental arrears (over 30 days) within the portfolio are below 1% of total revenue.

There are no major lease expiries within the next two years, that would negatively impact existing revenue streams

Rental levels are set to market, and due to rental ratchet mechanisms, cannot fall.

The fund does not carry any debt or mortgage, and therefore is not exposed to any performance volatility caused by changing interest rates.

Historical returns have not been leveraged by the use of debt funding.

The fund is not undertaking any speculative property development, nor does it hold a large components of development land. i.e. No exposure to development risk.

9 Tyndall Wholesale Alternative Investment Fund

FUND PURPOSE

To provide investors with access to a multi-manager, multi-strategy investment program.

To generate capital appreciation over the long term through a portfolio having a diversified risk profile with low volatility and a low correlation with traditional equity and fixed-income markets.

INVESTMENT OBJECTIVE

To outperform the NZX NZ 90 day Bank Bill by 2.5% p.a. after fees over a rolling three year period.

BENCHMARK

NZX NZ 90 day Bank Bill Index + 2.5%.

INVESTMENT GUIDELINES

- While the Fund's objective is to seek long-term capital appreciation, it is also concerned with preservation of capital. For that reason, the Fund will seek to diversify its holdings among broad categories of investment strategies.
- Although the Investment Manager may utilise Portfolio Managers employing one or more investment strategies, the Investment Manager will not follow a rigid investment policy that would restrict the Fund from participating in any market, strategy or investment. The Fund's assets may be deployed in whatever investment strategies are deemed appropriate under prevailing economic and market conditions to attempt to achieve capital appreciation.
- Portfolio Managers are permitted to utilise leverage and invest in long and short positions in equities, fixed income securities, options, warrants, futures, commodities, currency forwards, over-the-counter derivative instruments (such as swaps), securities that lack active public markets, repurchase and reverse repurchase agreements, preferred stocks, convertible bonds and other financial instruments. When Portfolio Managers determine that such an investment policy is warranted, they may invest, without limitation, in cash and cash equivalents.
- The Investment Manager may invest the Fund's cash balances in any instruments it deems appropriate. Any income earned from such investments is reinvested by the Fund in accordance with its investment program.

BORROWINGS

The Trustee has the power to borrow and may do so when directed by the Investment Manager, including without limitation, to meet withdrawals that would otherwise result in the premature liquidation of investments. The Trustee may pledge fund assets to secure such borrowing. In addition, the Fund may leverage its assets through the use of derivative instruments.

TRUSTEE OBLIGATIONS

In accordance with clause 15.1 of the Trust Deed for the establishment of Unit Trusts dated 1 August 2006, the Trustee is not obligated to comply with any direction of the Manager unless the Trustee is satisfied that clauses 15.2 (Limitation of Borrowings) and 15.3 (Conditions of Borrowing) are complied with as outlined in the Trust Deed for the establishment of Unit Trusts dated 1 August 2006.

CURRENCY MANAGEMENT

The reporting currency of the Portfolio Managers will be hedged back to NZD.

NZD SHARE CLASS

As from 28 February 2008, the underlying investment manager has a NZD share class.

Appendix B

Investment Fees

ING

In respect of the Australian Equities Fund

In respect of the first \$5 million, 0.58% per annum;
In respect of the next \$10 million, 0.53% per annum;
In respect of the balance of the Fund over \$15m, 0.48% per annum;

In respect of the NZ Equities Fund

In respect of the first \$5 million, 0.58% per annum;
In respect of the next \$10 million, 0.53% per annum;
In respect of the balance of the Fund over \$15m, 0.48% per annum;

In respect of the Property Fund

In respect of the first \$5 million, 0.58% per annum;
In respect of the next \$10 million, 0.49% per annum;
In respect of the balance of the Fund over \$15m, 0.44% per annum;

In respect of the International Property Fund

In respect of the first \$5 million, 0.70% per annum;
In respect of the next \$10 million, 0.595% per annum;
In respect of the next \$10 million, 0.525% per annum;
In respect of the balance of the Fund over \$25m, 0.46% per annum;

In respect of the Cash Fund

In respect of the first \$5 million, 0.23% per annum;
In respect of the next \$10 million, 0.18% per annum;
In respect of the balance of the Fund over \$15m, 0.13% per annum;

In respect of the Domestic Fixed Interest Fund

In respect of the first \$5 million, 0.23% per annum;
In respect of the next \$10 million, 0.18% per annum;
In respect of the balance of the Fund over \$15m, 0.13% per annum;

Tower

Tower produce a composite portfolio rate which should be updated when the benchmarks, or assets change.

The composite rate for the portfolio is:

- 77bps for the first \$10m
- 76bps for the next \$10m
- 73bps for the next \$30m

This composite rate is established from this pricing matrix below (fees shown in basis points, pa).

	First 10m	Next \$10m	Next \$30m
International Equities V	90	75	75

International Equities G	90	90	90
International Bonds	55	50	50
Property	70	70	70
Asset allocation/currency	5	5	5

Tyndall

Investment Management Fees of 1.00% are taken from the JPM fund monthly, and the performance fees are accumulated, and only paid out annually if due (and high-water mark is met). The performance fee is 10% of excess return over 3-month US Treasury Bill Yield.