

REPORT TO THE UNIT HOLDERS IN THE ASPIRING FUND FOR THE MONTH ENDED 31 DECEMBER 2009

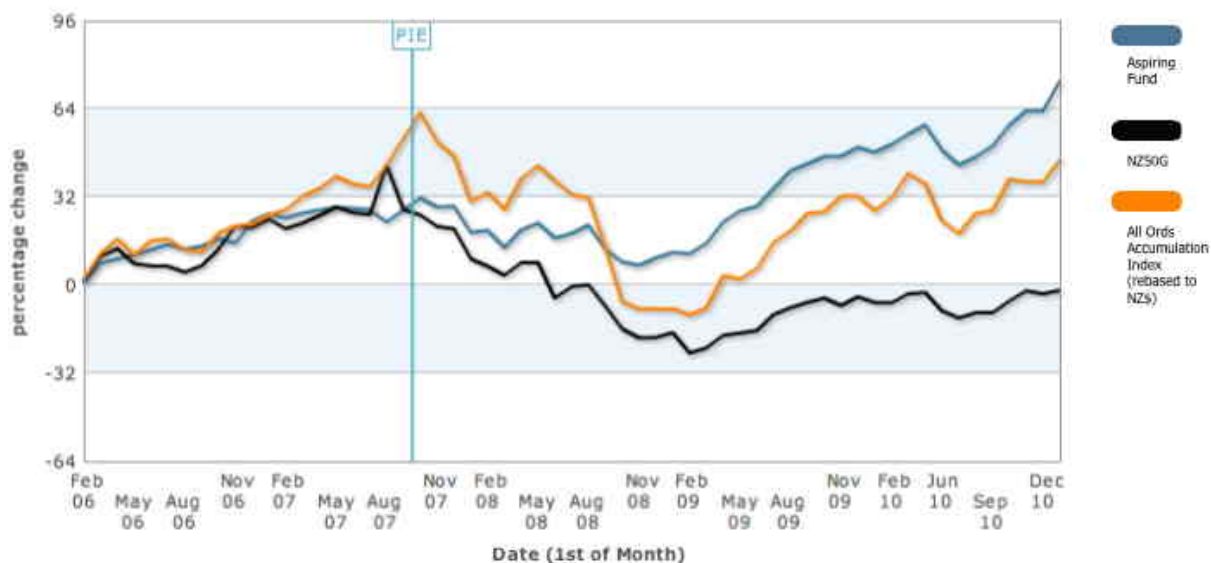
	Aspiring Fund	NZG50 (rebased in \$NZ)	ALL Ords Accumulative Index
Month December	2.08%	3.35%	0.14%
Quarter to Date	4.10%	2.19%	5.07%
Financial Year To Date	30.14%	24.70%	44.12%
Last 12 Months	36.60%	18.90%	44.60%
Annualised since PIE <small>(1/10/07)</small>	7.51%	-11.66%	-6.31%

The Unit Price 1st January 2011 was \$1.4028.

The performance for the month of December was 2.08% after all expenses

Our asset allocation at the end of the month was approximately:

New Zealand Equities	35.5%
Australian Equities	40.5%
Global Equities	1.8%
Hybrid Debt	7.9%
Cash	14.3%



Comparisons between the unit price performance of the Aspiring Fund and Australian and New Zealand market indices prior to the introduction of the "PIE" regime are not particularly valid. In that period the fund paid full tax on all capital gains whereas the indices performance is without any allowance for tax. That the unit price of the fund matched the performance of the New Zealand index in a rising market prior to the introduction of the PIE regime suggests a level of out performance not picked up by the graph

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The year ended with another strong month as the belief that global economies are recovering firmed. The US was up 1.8%, but there were far bigger gains in Europe with the UK +4.3%, Germany +5.9% and France +7%.

The Aspiring Fund's December return of 2.1% was less than the New Zealand market's performance but understandable given the Australian weighting in the portfolio and the 3.5% appreciation of the Kiwi against the Australian dollar during the month.

For the quarter the Fund was up 4.1%, slightly above the average of the New Zealand (2.2%) and Australian in NZ\$ terms (5.1%) market performances.

Looking back at the year our 36.6% return was comfortably ahead of the New Zealand market's 18.9% return, although it lagged the 44.6% NZ\$ based performance of the Australian market. Nevertheless, we regard the overall result as satisfactory on both an absolute and relative basis as it was achieved with a much lower level of risk than a fully-invested portfolio would have entailed.

We started the year "hiding" a combined 50% of the fund in cash and fixed interest as at the end of January. This allowed us to escape the carnage of February with a 0.5% loss when the New Zealand market was down 9%.

Such an outcome illustrated one of the central tenets of our investment philosophy -- preserving capital is essential for superior long-term returns. If you lose a third of your money, it takes a 50% gain to get back to square.

Such asymmetry emphasises the importance of treating markets with care and not betting the farm on any one stock (we seldom have more than 6% of our fund in one company).

Since February markets have turned and the Fund has posted positive returns for 10 months running, again something we could never have anticipated at the start of the year. This was not a remarkable performance in the context of the markets though, as both the NZ and Australian markets had only 1 negative month in those 10.

Our results in this bullish phase have been roughly in line with an amalgam of the New Zealand and Australian sharemarket performance, as can be gauged by eyeballing the graph above.

It is these 10 months of "average" performance of which the management team is most proud. As natural bears it would have been very easy to have missed a good portion of the rally but we were pragmatic enough (and significantly swayed by the value on offer) to buy more equities as markets bottomed and recovered.

The Fund is a month less than 4 years old, a time period which actuaries regard as too short for performance to be accorded any statistical significance, but we believe that the Fund's cumulative returns since inception are further vindication of our pragmatic approach.

We have made many mistakes, inevitable given that the volatility in markets during the Fund's short life has exceeded anything in our collective experience, but our ability to move aggressively in to cash and debt instruments enabled us to sidestep some of the most heart stopping capital losses. Equally importantly, it meant we were always able to look for opportunities in places which would have been proscribed by a more prescriptive mandate.

Our investments in "hybrid" debt securities which showed resilience when markets were falling and behaved like equities when markets recovered was the most rewarding example.

During the year we progressively increased our allocation to Australian securities, which turned out to be a good call.

We initially coveted the larger market for its liquidity and the availability of "hybrid" securities in an uncertain world but it soon became apparent that the economy over the Tasman was dramatically stronger than here. In January 2009 we owned more shares in New Zealand (25% of the portfolio) than in Australia (24%) but by December we had 40.5% of the fund in Australian equities versus 35.5% locally. When hybrids and cash are included our year end exposure to Australian currency assets was just over 50%

Our asset allocation decisions have been broadly correct -- cash early on, the hybrid strategy, more investment in markets from March and a bias towards Australia.

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With hindsight, we probably concentrated too much on asset allocation which was driven by our concerns about the global economy and macro-economic issues, at the expense of bottom-up stock picking. While we have not conducted a detailed attribution analysis, we know that stock picking added less to our performance in 2009 than it has done in previous years and this is something we will address in 2010.

But there is another aspect of our operation which we believe has and will continue to add value -- trading.

This word tends to conjure up an image of risk and chance but we believe the strategy of actively trading equities offers many advantages to a small fund which we will briefly explain.

Relative to our size we generate more brokerage than most other funds but we don't believe this adds to our riskiness at all, quite the reverse.

Often what we are doing when trading is "arbitraging the spread" that exists for large lines of moderately illiquid shares. If, for example, overseas institutions want to exit or enter a stock they often do so with a degree of impatience which requires them to pay a premium or accept a discount.

We will take the other side of such opportunities when we like the levels and sell/buy back in with more care and patience.

This opportunistic approach to trading has several subtle benefits. Firstly, brokerage is tax-deductible whilst capital gains under the PIE regime are not. Thus, even if we only break even from such trading we pick up a tax benefit which helps ameliorate any tax payable by unit holders on income such as Australian dividends and fixed interest receipts.

Secondly, the more brokerage one pays (generally) the more access one gets to favourable opportunities from brokers such as discounted placements, underwriting etc.

Some of these opportunities are the nearest equivalent to a "free hit" in the investment game. It is impossible to accurately track the value derived from these opportunities but we believe the profits from such investments go close to paying for our brokerage for the year.

There is also a benefit in simply being open to the possibility of taking profits. It is easy to fall into the trap of loving a company because of its management and performance, but even the best companies can be bad investments at the wrong price.

Due to the time pressures of the holiday season we will not write an outlook section in this quarterly. At the risk of repeating a mantra which is all too familiar, we probably remain more cautious than most and will continue to treat your money like our own- we do not enjoy losses and remain nervous about the euphoria which has enveloped financial markets and bypassed large chunks of the real world.

TOP 10 HOLDINGS AS AT 31 DECEMBER 2009

Pyne Gould Corp	6.5%
Transpacific Industries	5.4%
Ansell	5.3%
Tabcorp	3.8%
Downer EDI	3.4%
Adelaide Brighton	3.4%
Restaurant Brands	3.3%
Methven	3.1%
Freightways	2.8%
Tower Australia	2.8%