

REPORT TO THE UNIT HOLDERS IN THE ASPIRING FUND FOR THE MONTH ENDED 31 JANUARY 2010

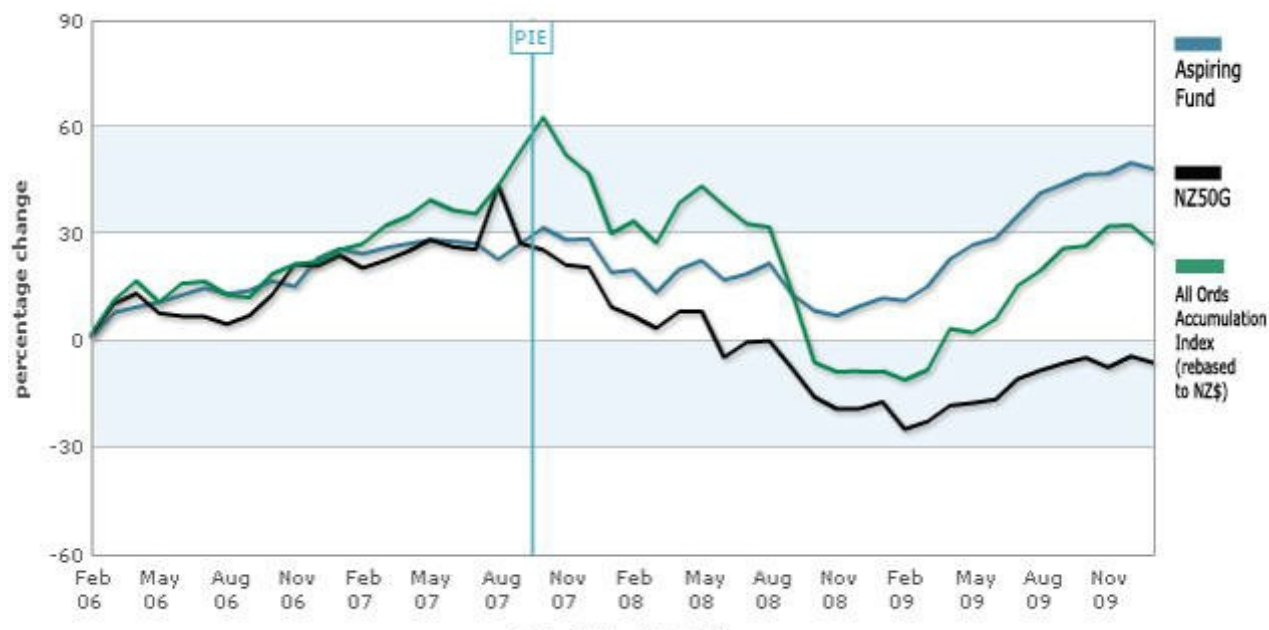
	Aspiring Fund	NZG50	ALL Ords Accumulative Index (rebased in \$NZ)
Month January	-1.14%	-2.03%	-3.96%
Quarter to Date	-1.14%	-2.03%	-3.96%
Financial Year To Date	28.66%	22.17%	38.41%
Last 12 Months	32.43%	14.03%	38.97%
Annualised since PIE <small>(1/10/07)</small>	6.71%	-12.04%	-7.70%

The Unit Price 1st February 2010 was \$1.3868.

The performance for the month of January was -1.14% after all expenses.

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

New Zealand Equities	32.5%
Australian Equities	39.4%
Global Equities	1.8%
Corporate Credit	8.4%
Cash	17.9%



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

January saw a decisive break in the relentless upward momentum which has characterized global equity markets for the last 9 months. Australia was one of the worst performers being down about 6% in local currency terms but most developed markets fell between 3 and 5 %, with New Zealand's lower volatility helping limit its fall to 2%.

The Fund's return was -1.14% which was better than either of the main markets in which we invest. This was helped by some surprisingly strong closing prices on 31 January and some unwinding of this relative performance is possible in February. Having said that, February is such an important month for company results that any unwinding effect is going to be swamped by our investee's profit performances and outlook comments.

Globally, markets were affected by 3 main features in January- President Obama threatening to limit the business areas (and thus profitability) of the largest US banks, tightening credit conditions in China and mounting concerns about the fiscal position of several EU members with the most immediate concern being the potential for Greece to default on its sovereign debt. Widening fiscal deficits with no obvious solutions among several EU members are undermining confidence in the Euro and in sovereign debt issues themselves.

The first factor is very US-centric and arguably sensible, the Chinese move again worthy given the speed and quality of lending growth in that country and the Greece situation has always been there, bobbling mostly under the surface like an iceberg in the Mediterranean.

Equally worrying to us was the reaction of many US companies' share prices to news which appeared to beat expectations. As an example, Microsoft, which we own, came out with results for the December quarter which seemed to be a very significant positive surprise- EPS of 74 cents against consensus forecasts of 59 cents on revenue \$1 billion above forecasts- but the market sold them off nearly 4% the next day despite the share price having been very flat going in to the result. This, and other similar reactions to ostensibly good results, suggests to us that markets are expecting too much from both companies (and probably economies) in 2010.

From here our bias will probably be to reduce core equity exposure. We think the choppiness in markets which has been such a feature of the first few weeks of 2010 could easily continue for the whole year as fear and greed alternate as the dominant emotion. This will probably temper the outright optimism engendered by the robust performance of asset markets in the last 9 months but we don't believe we have enough information now to form a strong view that the outlook from here is either particularly good or bad.

It is just that asset prices require the outlook to be particularly good. They have been given every assistance possible by central banks and Governments- a process which is now coming to an end- and the adjustment to the withdrawal of further stimulus will inevitably create volatility.

This will create opportunities for a fund such as ours and it is important that we maintain liquidity for these events. With a higher expected cash weighting we will also be looking for good risk-adjusted returns in the corporate fixed interest market as a way of "turbo charging" the cash.

Another consequence of this will be a somewhat greater concentration of our equity positions in stocks we are happy to hold for some time regardless of the vagaries of short term price movements as long as we remain confident about the business model, management and long term value on offer. Companies like Cavotec, Transpacific Industries, Tower Australia, Methven, Restaurant Brands and Pyne Gould Corp all fit this theme but there may not be much reward for doing so in the short term if risk aversion continues to rise. Some of these companies are relatively illiquid and illiquidity tends to be penalized at times like this but it can become a virtue when sentiment turns. In many cases such as TPI, Cavotec and Tower Australia we believe we have already borne the pain of the illiquidity discount being applied and would need to see some unexpected bad news to change our view.

COMMENTARY

The beginning of every year always seems an opportune time to contemplate what lies ahead for the next 12 months. While the markets have been quiet during January we have been engaged in this normal seasonal activity and concluded that the outcome for financial markets and economies this year is as difficult to forecast as we have ever experienced.

There are plenty of world famous experts who can mount very strong arguments that the world is on the threshold of a normal cyclical recovery from a normal cyclical downturn. There are plenty of other experts who can mount equally convincing arguments that this is very far from the case and that the huge deficit-fuelled pumping of economies along with the provision of easy money in answer to a global financial crisis caused by over leverage and poor credit practices amounts to the biggest economic experiment of all time.

So far the evidence is insufficient for us to be convinced by either side but we tend to the view that this recession has had its roots in over leverage and appalling bank practices and has as a hangover a massive increase in sovereign debt and deficits that has exhausted the ability of governments to take palliative action for much longer.

Intuitively, the only way out of the current problems faced by the developed world seems to us to be a prolonged period of austerity as both governments and households adjust to living within their means. If this does transpire the implications for consumption and economic growth are dire but, so far, markets remain unconcerned that such an outcome is either imminent or necessary.

Certainly, the global commitment to easy monetary policy and competitive devaluations means that any interest rate pressure on markets is more likely to come from market adjustments to longer term bond rates than official changes to short term rates. With inflation on hold globally the only significant foreseeable cause of pressure on longer term rates will be supply but a steep yield curve and heightened risk aversion can materially improve demand.

Within New Zealand, we are optimistic that John Key is finally about to deliver some substantial reform of the tax system which will improve our competitive position relative to Australia, encourage more efficient allocation of capital and help to stem the brain drain which has plagued our productivity growth for years. One potential casualty of this is the LPT sector which we have been wary of for some time but we will need to see the detail before being able to form a judgement about likely winners.

TOP 10 HOLDINGS AS AT 31ST JANUARY 2010

Pyne, Gould Corp	6.5%
Transpacific Industries	5.0%
Ansell	4.7%
Tabcorp	3.9%
Cavotec	3.6%
Restaurant Brands	3.6%
Methven	3.2%
Adelaide Brighton	3.1%
Downer EDI	3.1%
Tower Australia	3.0%