ASPIRING ASSET MANAGEMENT LTD

REPORT TO THE UNIT HOLDERS IN THE ASPIRING FUND FOR THE MONTH ENDED 30 JUNE 2010

	Aspiring Fund	NZG50	ALL Ords Accumulative Index (rebased in $NZ)
Month June	-3.67%	-2.91%	-3.78%
Quarter to Date	-7.20%	-9.05%	-15.52%
Last 12 Months	11.60%	6.30%	12.00%
Financial Year To Date	-7.20%	-9.05%	-15.52%
Annualised since PIE (1/10/07)	4.46%	-12.34%	-8.86%

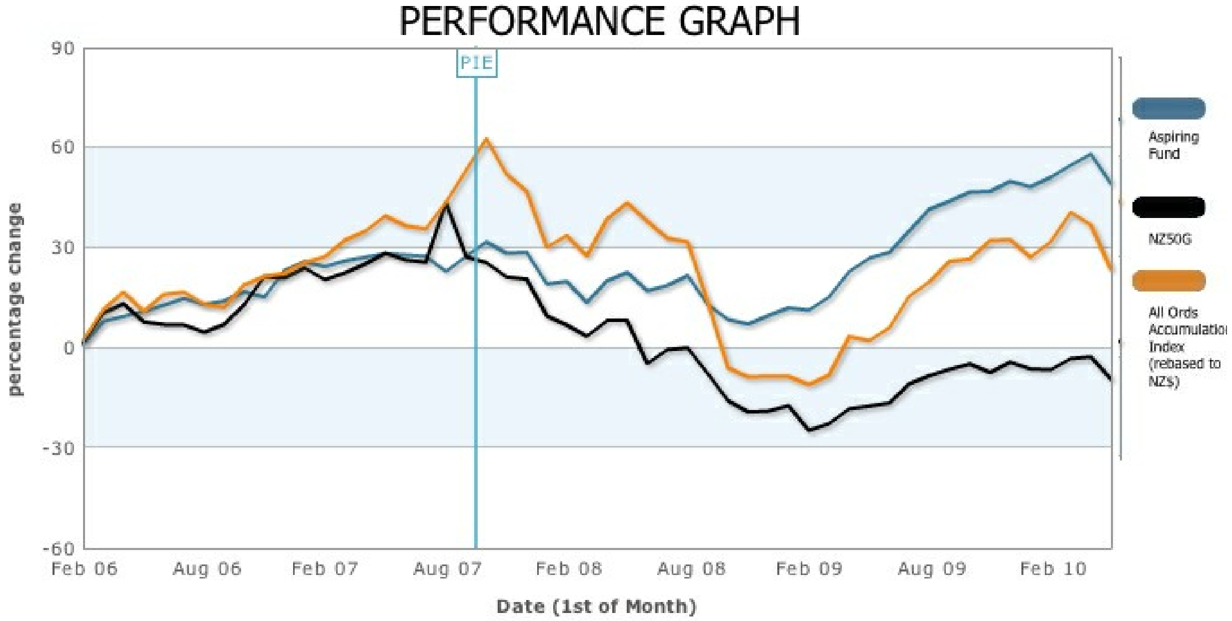
The Unit Price 1st July 2010 was $1.3438

The performance for the month of June was -3.67% after all expenses

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

New Zealand Equities	35.5%
Australian Equities	19.9%
Global Equities	0.0%
Hybrid Debt	7.4%
Cash	37.2%

PERFORMANCE GRAPH



Comparisons between the unit price performance of the Aspiring Fund and Australian and New Zealand market indicies 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 indicies 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

June was another poor month for global equity markets, declines generally coming from continuing concerns over debt problems in Europe and the negative demand effect of unwinding government deficits. The prospect of a double dip recession in the US also seemed to gain increasing press.

The Aspiring Fund's decline of 3.7% compared with a 2.9% fall in the New Zealand gross index and a 3.8% drop in the Australian market expressed in New Zealand dollar terms.

For the quarter we were down 7.2% in what was a difficult period for markets as witnessed by the 15% decline in the Australian market in NZ dollar terms and the 9.1% fall in the NZ market during that period.

The strength of the local currency against the Australian unit influenced performance numbers reasonably significantly. We rose 5% against the Aussie over the quarter and 1% in the last month.

It was a disappointing month for the fund caused mainly by significant falls in the price of three of the top 10 holdings. Given our cash and fixed interest weightings we should have done better than markets, especially as our largest holding, Restaurant Brands, was the third top performer on New Zealand market with a +7% return.

We will discuss these companies below, but in our view the underperformance of the fund compared to what we would have expected to achieve in the market conditions experienced reflects the natural volatility inherent in reporting monthly. In making this claim the corollary is that we would hope that this month's laggards will propel upwards our relative performance in future months.

During the month we continued to raise cash by trimming various equity positions. We ended the month as liquid as we have been, reflecting our continued concerns over the global backdrop. Whilst the New Zealand economy continues to gradually improve as witnessed by the Reserve Bank's decision to raise interest rates during the month, our equity market will in the main be driven by offshore trends.

We take some perverse comfort from the fact that the global consensus is now very bearish. Our cash weighting gives us considerable optionality should the world not turn out as dire as the Cassandras predict.

Pyne Gould Corporation

In New Zealand our PGC holding fell 14%, we presume in "sympathy" with the troubles at South Canterbury Finance and to a lesser extent at Allied Nationwide Finance.

Part of this movement will have arisen from the perception that PGC has an exposure to SCF via a $100 million loan made via the Torchlight Fund which PGC administers. And part will be that the possible demise of SCF and ANF will see depositor interest in the sector wane.

If the market really is worried about the SCF loan exposure it is misinformed. Not only does PGC only have 15% of the Torchlight Fund, the loan is secured by a prior charge that would rank ahead of the Government in the event of receivership.

We suspect that Torchlight has invested in SCF actually hoping for receivership! By placing itself at the table Torchlight increases the possibility of playing a significant part in any sorting out of SCF should it be wound up.

If the market is concerned about any potential fallout from SCF problems washing off on the finance companies left standing it may or may not have a point. Yes, a SCF failure may affect the propensity of investors to put money with second-tier finance organisations once the government guarantee ends in December 2011, but on the other hand it would also reduce competition.

Meanwhile, Marac is skilfully going down the route of upsizing via merger and looking to become a bank. To date we are impressed with the progress management has made. With no profit warning as we move through the June board meeting we also presume there have been no further problems with its existing property book.

We calculate the PGC NTA at about 50 cents after stripping out all tax assets (which do have value), writing off goodwill (and arguably there is goodwill value in Perpetual and EPAM) and marking the Pyne Gould Wrightsons stake to market.

Transpacific Industries

In Australia one of the notable events of the month was a large profit downgrade from "profit recovery story" Elders.

We suspect the backwash from this huge disappointment has hit TPI which is also a recovery story. The shares were down 17% for the month and the hybrid debt we hold fared little better.

We believe the company is trading reasonably well as witnessed by the lack of a profit warning during the traditional June truth session when boards reappraise their year end outlook. The resignation of executive chairman Terry Peabody, who has decided to not even to take up a directorship position, may have also weighed on the share price. Some people believe that he will be a seller of his shares.

Although Peabody was once a driving force at this company he was responsible for steering TPI onto the shoals of excess debt and we see his resignation as a natural progression post recapitalisation by private equity.

We continue to take comfort from the fact that the private equity fund involved did significant due diligence and we believe will eventually look to exit via encouraging a takeover bid.

ower Australia

The Tower Australia share price fell approximately 9%, coming on the back of a 14% decline the month prior.

The significant price decline has simply resulted from a rights issue which has seen a moderate amount of selling for financing reasons put an unexpected amount of pressure on the share price. Rights issues per se do not create or destroy value, except to the extent they signal that the company is in trouble or otherwise.

The Tower rights issue was made to fund exceptionally strong growth which is very value accretive. We see the shares as outstanding value at current levels.

Top 10 Holdings as at 30 June 2010	
Restaurant Brands	7.8%
Pyne Gould Corp	4.9%
Tower Australia	4.2%
EBOS	3.7%
Cavotec	3.1%
Michael Hill International	3.0%
Trans Pacific Industries	2.7%
Transpacific Step Up Preference Shares	2.7%
Methven	2.5%
Nufarm Limited Step Up Preference Shares	2.4%

Aspiring Asset Management
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