ASPIRING ASSET
MANAGEMENT LTD

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

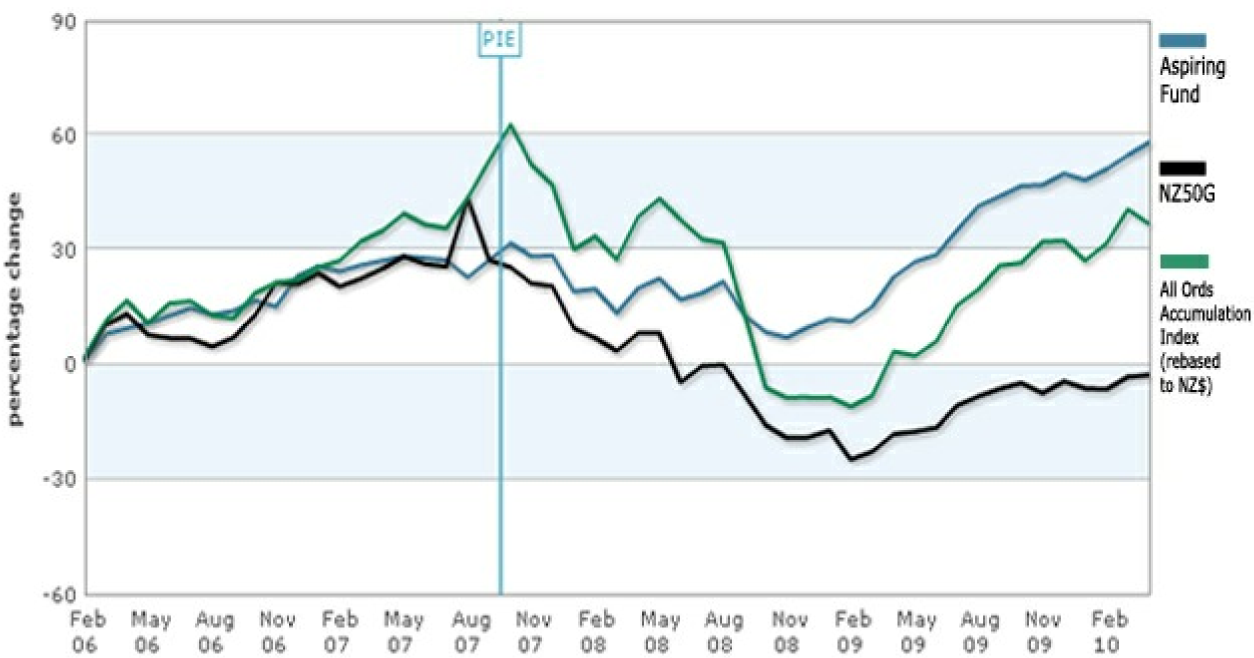
	Aspiring Fund	NZG50	ALL Ords Accumulative Index (rebased in $NZ)
Month May	-5.68%	-6.84%	-9.81%
Quarter to Date	-3.66%	-6.33%	-12.20%
Last 12 Months	17.55%	10.76%	20.79%
Financial Year To Date	-3.66%	-6.33%	-12.20%
Annualised since PIE (1/10/07)	6.08%	-11.72%	-7.81%

The Unit Price 1st June 2010 was $1.3950

The performance for the month of May was -5.68% after all expenses

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

New Zealand Equities	37.7%
Australian Equities	29.6%
Global Equities	0.0%
Hybrid Debt	10.0%
Cash	22.7%



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

Global sharemarkets suffered a significant fall in May and currencies gyrated wildly as the world decided once again to worry about the "Greek problem".

The Aspiring Fund's decline of 5.7 percent compared with a 6.8 percent drop for the New Zealand market and a 9.8 percent fall in the Australian market New Zealand dollar terms. Our outperformance of these markets was due in the main to a reasonable amount of cash held on the balance sheet, although disappointingly our hybrid debt tended to get dragged down by the equity collapse.

There was red ink everywhere on global markets which is best illustrated by the 10.6% decline in the MSCI World Index. The US – 8.2%, UK - 6.6%, Japan –11.7%, Spain (officially joining the debt worry camp) – 10.8% etc.

Currencies were equally volatile, with the Australian dollar in particular being sold heavily on global flight from risk assets but also, one suspects, in reaction to the proposed super profits tax on Australian resource companies which has added an element of political risk not recently seen in this part of the world. And, of course, the Euro continued to weaken as investors worried that not only are a number of countries in the region overgeared, but that the whole currency could eventually be disbanded.

The New Zealand dollar moved lower on a similar flight from risk to the A$, but our budget had none of the negative surprises contained in the Australian equivalent - and indeed should be praised for its commonsense balanced with brave decision-making.

Incentivising citizens to save and invest rather than consume, which is one of the by-products of the tax changes, is eminently sensible in today's environment. Also, setting us up as a country with a low marginal tax rate and nil capital gains tax when many countries are looking at tax increases could see NZ become an attractive destination for capital rich immigrants.

While markets tend to flee the so-called risk currencies of New Zealand and Australia during such times, we believe the two Antipodean currencies have good medium-term outlooks, being reasonably linked to Asian growth and both countries having low government debt positions. One wild card we would float is that budgetary pressure throughout the globe could see pressure on Government spending on agricultural subsidies, a possible rogue positive for New Zealand to come out of the global financial crisis.

At the current cross rate we are agnostic between the Australian and New Zealand dollar, having repatriated a reasonable amount of our funds around the 76 cent mark.

From a top-down perspective we can understand the world's concerns (although the issues have been apparent for many months before May's tumble) but at a micro level we can see enough value to continue to be comfortable being reasonably invested.

During the month we attended the extremely large annual Macquarie investment conference in Australia where we saw number of Australian and New Zealand companies present.

Australia has a strange two paced economy, with some areas of strength and some of weakness (primarily due to lapping a very strong period of stimulus last year). We believe the current rout in the market has opened up value in stocks in some ostensibly surprising places such as some of the mining contractors, whose prices have been excessively battered by the market sell-off and the proposed Resource Tax.

The New Zealand economy appears more buoyant than many think. Building permits are up strongly as are new vehicle sales and we're seeing in the results of many companies indications of better than expected trading.

The month of May is the period in which March (and September) balance sheet companies report. In terms of our portfolio the Methven result was reasonably strong, with better than (we) expected guidance from management for the coming year. Interestingly, turnover out of New Zealand increased momentum in the second half period, although this wasn't seen in the profit numbers as the company "invested" in more research. Mainfreight also delivered a very upbeat outlook commentary citing improving conditions both here and abroad. The more recent downbeat comments from Toll, their giant Australian competitor, are a tribute to the quality of Mainfreight’s management and their corporate culture.

The Tower Australia result was also pleasing, but showed the skittishness of markets when the share price was initially knocked back 15% simply because of a small rights issue announced at the time which is needed to take advantage of the value adding propositions ahead of the company rather than to repair any balance sheet deficiency.

The people renting firm of Allied Work Force also had a result which suggested a stronger economy. Profit in the six months to March was about 2 1/2 times more than the six-month profit to September. The result of this firm was amazingly much stronger than the numbers coming out of its Australian counterparts.

With a Fonterra payout next year of around $8.50 if current spot prices hold, the widespread view that Australia is travelling better than NZ may be proved incorrect. Interest rate rises and the slowdown in retail spending in Australia may see our big neighbours economy operate on a more subdued level.

With world markets going through a phase of high volatility and fear being the predominant emotion we remain cautious about increasing our equity exposures. That said good companies in Australasia have come down significantly in price over the last two months so we may selectively buy on a case by case basis

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Top 10 Holdings as at 31 May 2010

Restaurant Brands	7.7%
Pyne Gould Corp	5.8%
Tower Australia	4.2%
Transpacific Industries	3.9%
EBOS	3.6%
Cavotec	3.2%
Transpacific Step Up Preference shares	3.2%
Michael Hill	3.0%
Ansell	3.0%
Methven	3.0%

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