

**PERFORMANCE AND PORTFOLIO UPDATE  
AT 31 May 2007**

**1. Commentary**

The investment return for the month of May 2007 was 2.20%\*.

The Guardians' investment objective is to generate a return of at least 2.5% p.a.\* more than the risk free rate (measured as the rolling yield on 90 day Treasury bills) over rolling 20 year periods.

Since inception, on an annualised basis, the risk free rate of return was 6.45%. Against that the Fund returned 15.30%.

The following table outlines the monthly returns for the Fund since inception (30 September 2003).

<i>Month to</i>	<i>Return (after fees but before tax) *</i>	<i>Risk free rate of return (rolling yield on 90 day Treasury bills)</i>	<i>Excess return over risk free rate</i>	<i>Size of Fund (NZD millions) (inclusive of net investment income but excluding provision for tax)</i>
<b>2003/4 YEAR</b>	<b>7.69%</b>	<b>3.93%</b>	<b>3.76%</b>	<b>\$3,985.4</b>
<b>2004/5 YEAR</b>	<b>14.13%</b>	<b>6.33%</b>	<b>7.80%</b>	<b>\$6,613.5</b>
<b>2005/6 YEAR</b>	<b>19.20%</b>	<b>6.77%</b>	<b>12.43%</b>	<b>\$10,108.7</b>
31 July 2006	0.78%	0.58%	0.20%	\$10,338.4
31 August 2006	0.14%	0.59%	(0.45%)	\$10,507.8
30 September 2006	0.90%	0.58%	0.32%	\$10,758.6
31 October 2006	2.15%	0.60%	1.55%	\$11,173.8
30 November 2006	1.71%	0.55%	1.16%	\$11,524.0
31 December 2006	1.64%	0.58%	1.06%	\$11,858.7
31 January 2007	1.96%	0.59%	1.37%	\$12,191.7
28 February 2007	(0.30%)	0.53%	(0.83%)	\$12,132.4
31 March 2007	1.40%	0.59%	0.81%	\$12,457.8
30 April 2007	1.79%	0.58%	1.21%	\$12,807.2
31 May 2007	2.20%	0.61%	1.59%	\$13,278.5
<b>2006/7 YEAR (to date)</b>	<b>15.05%</b>	<b>6.57%</b>	<b>8.48%</b>	<b>\$13,278.5</b>
<b>Since inception (30 September 2003) on an annualised basis</b>	<b>15.30%</b>	<b>6.45%</b>	<b>8.85%</b>	<b>\$13,278.5</b>

\* Returns are measured on a 'time weighted' basis (monthly compounding). This is common practice when measuring investment managers' performance against benchmarks, as it eliminates the impact of cash flows. The Guardians' performance target is to exceed the risk free rate by at least 2.5% p.a., over rolling 20 year periods, on a 'time weighted' basis.

## 2. Asset Allocation

The asset allocation of the Fund at 31 May 2007 was as follows:

<b>Mandates</b>	<b>Value as at 31-May-07 NZD</b>	<b>Percentage of Fund Value</b>
New Zealand Equity	\$ 974.7 m	7.3%
Private Equity	\$ 49.7 m	0.4%
International Fixed Income	\$ 1,473.9 m	11.1%
New Zealand Fixed Income	\$ 769.2 m	5.8%
Global Listed Property	\$ 597.2 m	4.5%
New Zealand Property	\$ 282.7 m	2.1%
Commodities	\$ 663.9 m	5.0%
Infrastructure	\$ 659.8 m	5.0%
International Equities – Large Cap	\$ 5,564.9 m	41.9%
International Equities – Small Cap	\$ 946.7 m	7.1%
International Equities – Emerging Markets	\$ 448.4 m	3.4%
Timber	\$ 619.9 m	4.7%
Cash	\$ 227.6 m	1.7%
	\$ 13,278.5 m	100.0%

At the end of May 2007, the foreign currency exposure resulting from the allocation to international equities was approximately 73% hedged back to NZD in line with the Board's current policy.

### 3. Significant Holdings

The Fund's ten largest holdings in New Zealand and International Equity mandates at 31 May 2007 were as follows:

	Value as at 31 May 2007 (NZD)	Percentage of Fund Value
<b><u>New Zealand</u></b>		
Fletcher Building	104,127,118	0.78%
Telecom Corp of New Zealand	87,734,929	0.66%
Contact Energy	77,452,368	0.58%
Ryman Healthcare	54,604,728	0.41%
Sky Network Television	39,288,390	0.30%
Infratil	35,825,616	0.27%
Mainfreight	35,582,839	0.27%
Guinness Peat Group	35,494,331	0.27%
Auckland International Airport	34,266,890	0.26%
Metlifecare	32,417,914	0.24%
<b><u>International</u></b>		
Exxon Mobil Corp	79,925,570	0.60%
Pfizer	56,864,970	0.43%
JP Morgan Chase	52,964,537	0.40%
Microsoft Corp	51,226,243	0.39%
Bank Of America Corp	48,580,590	0.37%
Cisco Systems Inc	42,083,750	0.32%
General Electric	40,123,488	0.30%
Credit Suisse Group	35,889,407	0.27%
Hewlett Packard	31,999,677	0.24%
Citigroup	28,766,976	0.22%