

Report on the Law Retirement Plan and the Law Retirement KiwiSaver Scheme investment portfolios and performances, for the first half 2009/2010



THE LAW RETIREMENT PLAN

A Powerful Rebound Benefits Members

The half-year to 30 September 2009 marks one of the most spectacular rallies in financial markets in modern times. Fortunately, The Law Retirement Plan ('Plan') and Law Retirement KiwiSaver Scheme ('KiwiSaver Scheme') investments, were very well positioned to participate in the recovery, and performed very pleasingly, especially in local currency terms.

The following table sets out gains in local currencies in the six months to 30 September 2009.

Six-Months of Spectacular Gains in Local Currencies

Market	Index 31/03/09	Index 30/09/09	6-mth Gain in Local Currency
NZ Shares	2590	3161	+30.6%
Australian Shares	3581	4741	+32.4%
World Shares	805.2	1127	+40.0%
USA Shares	7609	9755	+28.2%
UK Shares	3926	5160	+31.4%
Hong Kong Shares	13496	20955	+55.3%
Oil	US\$48.49/bbl	US\$69.26/bbl	+42.8%

Source: Diversified's Research

Just as the Great Recession of 2008 surprised most commentators and experts, with the speed and extent of the downturn, so the Great Reflation of 2009 surprised many, especially with the rebound in growth financial markets, anticipating economic recovery. Many institutions and nervous investors who had excessively favoured cash or defensive fixed interest assets missed out on the rally.

Leading financial markets (including those of China and gold), had signalled the turnaround building from October/November 2008. But the developed world, and notably the flagship USA stockmarkets, continued downward until March 2009. The latter establishing a low valuation point ending for the end of the Plan's financial year, and also provided a very low base for the commencement of this half-year.

Simultaneous with successful global reflation, there was a very strong rebound in the exchange rate for our New Zealand dollar during the half-year, compared with key global currencies.

Six Month Change in NZ\$ Exchange Rate Against Key Currencies

NZ\$ Exchange rate with	NZ\$ @ 31/03/09	NZ\$ @ 30/09/09	6-mth Gain of NZ\$
US\$	0.5728	0.7218	+26.0%
UK Pound Sterling	0.3995	0.4479	+12.1%
Euro	0.4297	0.4922	+14.5%
Japanese Yen	56.37	64.59	+14.6%
Trade Weighted Index	53.8	64.30	+19.5%

Source: Compiled by Diversified from published rates

One of the Plan's investment strategies is to diversify risks including currency risk. The Plan's investment assets are spread across an array of the world's major currencies, rather than concentrated in New Zealand dollars. Currency hedging has not been employed and currently the assets are not highly exposed to the New Zealand dollar.

Generally, the Plan's Investment Advisor perceives accommodative monetary settings are most likely to linger, and that successful global reflation will endure over the next year to 18 months. This positive economic backdrop, combined with relative absolute valuations following 2008's debacles, should see equities as an asset classes out-perform bonds in the period ahead. The Plan's prospective strategy is arranged accordingly, but always within a systematically diversified strategy.

Longer term, and beyond the investment opportunities created by this reflationary phase, a period of subdued economic growth and consequent lower investment returns, may characterize the developed world. Investors who fail to capture the more buoyant episodes, may be subjecting themselves to muted portfolio returns over the longer-term.

Performance of the Law Retirement Plan and Law Retirement KiwiSaver Scheme's Investment Portfolios

Both the Plan and the KiwiSaver Scheme achieved very good returns for the most recent half-year, extending their longer-term superior performance. For both the Plan and the KiwiSaver Scheme the Dynamic portfolio slightly out-performed the Balanced portfolio.

Member's Choice Portfolio	Return for the half-year to 30/09/09*
Law Retirement Plan 'Balanced'	9.52%
Law Retirement Plan 'Dynamic'	9.58%
Law Retirement KiwiSaver 'Balanced'	9.49%
Law Retirement KiwiSaver 'Dynamic'	9.56%

*Net to members – after tax and after fees

For members of the Plan and the KiwiSaver Scheme, these percentage gains are atop a larger base of wealth. The Plan and the KiwiSaver Scheme substantially protected member's wealth through the crash in global financial markets which bottomed in October/November of 2008, and through the USA sharemarkets' final plunge back in March of this year.

Kiwis should be cautious of claims of spectacular semi-annual gains achieved by some operators in the relatively short periods measured since those lows, which conveniently occurred six months and one year ago now. Fund managers who dug the deepest holes then, are often able now to sport the 'best'

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The Law Retirement Plan
Financial Statements
as at 30 September 2009



**SUMMARY OF MEMBERSHIP FUNDS
AND FINANCIAL PERFORMANCE (unaudited)**

	Balanced portfolio	Dynamic portfolio	TOTAL Year to date	Year to 31.03.2009
FUNDS AT THE START OF THE PERIOD	6,630,279	1,225,087	7,855,366	9,740,798
FINANCIAL PERFORMANCE				
Net Investment Revenues	722,580	130,580	853,160	-233,146
Less Operating Expenses	-93,723	-20,288	-114,011	293,023
Operating Results before Taxation	628,857	110,292	739,149	-526,169
Taxation	0	0	0	257,599
Net Surplus/(deficit) for the period	628,857	110,292	739,149	-783,768
MEMBERS FUNDS				
Member Contributions	66,530	25,475	92,005	598,257
Less Withdrawals	-132,494	-44,016	-176,510	-1,685,190
Less Administration Fees Charged Direct	-6,505	-904	-7,409	-14,731
Net Change in Membership Funds	-72,469	-19,445	-91,914	-1,885,432
FUNDS AT THE END OF THE PERIOD	7,186,667	1,315,934	8,502,601	7,855,366

STATEMENT OF FINANCIAL POSITION (unaudited)

	Balanced portfolio	Dynamic portfolio	TOTAL as at 30.09.2009	TOTAL as at 31.03.2009
INVESTMENTS				
Government Stock	71,610	0	71,610	189,609
Other Fixed Interest	1,461,386	64,325	1,525,711	991,295
Property Equities – NZ	0	0	0	0
Equities	5,617,668	1,271,339	6,889,007	6,766,771
Total Investments	7,150,664	1,335,664	8,486,328	7,947,675
OTHER ASSETS				
Cash at Bank	336,547	26,917	363,464	268,386
Prepayments	4,424	1,044	5,468	0
Income Tax Overpaid	32,008	16,743	48,751	29,229
Total Other Assets	372,979	44,704	417,683	297,615
Total Assets	7,523,643	1,380,368	8,904,011	8,245,290
Less CURRENT LIABILITIES				
Accounts Payable	57,585	13,440	71,025	59,539
Tax Payable	0	0	0	0
Total Current Liabilities	57,585	13,440	71,025	59,539
NET ASSETS	7,466,058	1,366,928	8,832,986	8,185,751
Represented by				
LIABILITY FOR ACCRUED BENEFITS				
Reserves	279,391	50,994	330,385	330,385
Allocated to Members' Accounts	7,186,667	1,315,934	8,502,601	7,855,366
TOTAL ACCRUED BENEFITS	7,466,058	1,366,928	8,832,986	8,185,751

The Law Retirement KiwiSaver Scheme Financial Statements

as at 30 September 2009



SUMMARY OF MEMBERSHIP FUNDS AND FINANCIAL PERFORMANCE (unaudited)

	Balanced portfolio	Dynamic portfolio	TOTAL Year to date	Year to 31.03.2009
FUNDS AT THE START OF THE PERIOD	679,696	428,217	1,107,913	580,234
FINANCIAL PERFORMANCE				
Net Investment Revenues	115,971	65,305	181,276	-26,052
Less Operating Expenses	-8,179	-3,963	-12,142	6,315
Operating Results before Taxation	107,792	61,342	169,134	-32,367
Taxation	-24,369	-12,747	-37,116	139
Net Surplus/deficit for the period	83,423	48,595	132,018	-32,506
MEMBERS FUNDS				
Member Contributions	378,674	174,556	553,230	802,291
Less Withdrawals	-352	-779	-1,131	-226,238
Less Administration Fees Charged Direct	-5,211	-2,786	-7,997	-15,868
Net Change in Membership Funds	373,111	170,991	544,102	560,185
FUNDS AT THE END OF THE PERIOD	1,136,230	647,803	1,784,033	1,107,913

STATEMENT OF FINANCIAL POSITION (unaudited)

	Balanced portfolio	Dynamic portfolio	TOTAL as at 30.9.2009	TOTAL as at 31.3.2009
INVESTMENTS				
Government Stock	11,493	0	11,493	16,977
Other Fixed Interest	234,546	32,170	266,716	103,421
Equities	967,638	506,083	1,473,721	959,496
Total Investments	1,213,677	538,253	1,751,930	1,079,894
OTHER ASSETS				
Cash at Bank	54,014	13,462	67,476	27,057
Income Tax Over Paid	0	0	0	2,272
Total Other Assets	54,014	13,462	67,476	29,329
Total Assets	1,159,663	659,743	1,819,406	1,109,223
Less CURRENT LIABILITIES				
Accounts Payable	1,102	260	1,362	1,310
Income Tax Payable	22,331	11,680	34,011	0
Total Current Liabilities	23,433	11,940	35,373	1,310
NET ASSETS	1,136,230	647,803	1,784,033	1,107,913
Represented by				
LIABILITY FOR ACCRUED BENEFITS				
Allocated to Members' Accounts	1,136,230	647,803	1,784,033	1,107,913
TOTAL ACCRUED BENEFITS	1,136,230	647,803	1,784,033	1,107,913

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percentage gains, up from devastated capital. A useful metric is that investment which lost 50% has to make back a 100% gain, merely to break even; similarly those which lost 33% have to gain back 50% just to get back to break-even. Investors in those cases have gained not at all.

The investment objectives of the Plan and the KiwiSaver Scheme investment portfolios are two: preservation of investor's capital over the medium term, and a competitive rate of return. The half-year to 30 September 2009 just past maintains a superior record on both counts.

Norman Stacey
Investment analyst
Diversified Investment Strategies Limited
02/12/09



At a glance...

Returns for the six months ended 30 September 2009
(unaudited, after tax and fees)

	Law Retirement Plan	Law Retirement KiwiSaver Scheme
BALANCED PORTFOLIO	9.52%	9.49%
DYNAMIC PORTFOLIO	9.58%	9.56%

Member's Accounts – Unitisation...

Members will have received the notification letter advising of the move to unitisation. The Trustee is firmly of the view that this step was necessary to bring the Law Retirement Plan and the Law Retirement KiwiSaver Scheme into the competitive environment that has developed for retirement saving schemes following the introduction of KiwiSaver. Without this the Law Retirement Plan and the Law Retirement KiwiSaver Scheme have been handicapped by not having timely performance information, and being able to publish results in the same industry tables as others providers, who commenced using a unitised structure, enjoyed.

The move enables your administrators to deal promptly with new contributions and withdrawals without the need to wait for the formal annual and half-year accounting processes.

More importantly it gives members the ability to follow the performance of their Law Retirement Plan and the Law Retirement KiwiSaver Scheme investment by going to www.ebenefits.com.au and entering your username and password. With the change to unitisation separate usernames and passwords will be required if you are a member of both schemes. (If you require a new username and password contact Aon at 09 362 9833.) The changes resulting from unitisation will reflect in member's on-line accounts from February 2010.

LAW RETIREMENT PLAN PERFORMANCE STATISTICS*

PORTFOLIO (after fees, after tax)		8 months to 31 March 2004	31 March 2005	For the period ended:				Total 6 years	Average annual performance %
				31 March 2006	31 March 2007	31 March 2008	31 March 2009		
Law Retirement Plan Balanced	%	8.34	3.37	22.37	2.27	2.14	-6.24	42.38	7.06
Market Average (FundSource balanced)	%	12.19	5.45	14.13	4.04	-4.63	-11.69	19.49	3.25
LRP Balanced \$1000 compounded annually		\$1,185	\$1,225	\$1,499	\$1,533	\$1,565	\$1,468	+\$468	
Law Retirement Plan Dynamic	%	11.13	4.59	26.63	-0.91	1.33	-5.73	51.74	8.62
Market Average (FundSource growth)	%	16.64	5.81	19.15	4.71	-6.32	-18.57	21.42	3.57
LRP Dynamic \$1000 compounded annually		\$1,213	\$1,268	\$1,606	\$1,591	\$1,613	\$1,520	+\$520	

*NB. KiwiSaver schemes yet to develop significant performance histories.

DIRECTORY

Trustee

Law Retirement Plans Limited

Directors of the Trustee

Hugh Garlick, Ollie Gilbert, David Rolfe

Investment Consultant

Diversified Investment Strategies Limited

Administrator

Legal & Professional Investment Services Limited

Privacy Officer

Vicki Watson, Diversified Investment Strategies Limited

Auditor

HLB Wylie McDonald

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