

Guardian Small Companies Fund

30 September 2011

Fund launch	February 1992
Fund manager	Tyndall Investment Management New Zealand Limited (Tyndall)
Investment objective	To provide investors with capital growth and income potential through exposure to small cap Australasian listed companies.
Investment philosophy	The Fund actively invests in a diversified portfolio of smaller sized Australasian listed companies with potential for growth in income and capital. Smaller companies are typified by a more focused approach than larger companies and management is often more responsive to market trends and opportunities. The investment positions, albeit modest in size, reflect the Manager's best picks to provide investors with the best exposure to this sector of the market.

Fund description	The Guardian Small Companies Fund invests in smaller New Zealand and Australian listed companies.
Fund Benchmark	5% NZX Call Index 25% NSX Small Cap Index 70% S&P/ASX Small Ordinaries Index

Structure and taxation	The Fund is a Group Investment Fund and a Portfolio Investment Entity (PIE) and priced daily. The PIE tax paid by a Fund on a Unit Holder's behalf is at their Prescribed Investor Rate (PIR). Some securities are subject to the foreign investment taxation regime, under the Fair Dividend Rate method. See the Investment Statement for more information.
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Hedging policy	0-100% at discretion of Fund manager.
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Distributions	Six monthly – end of March and September.
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Management fees and other charges	Entry fee up to 5.40% Management fee 1.25% pa Statutory Supervisor Fee 0.025% pa Additional expenses (capped) 0.60% pa
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Minimum investment amounts	Initial \$1,000 Additional \$100 Regular (monthly) \$100
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Who is this fund suitable for?	<ul style="list-style-type: none"> Higher risk investors looking for growth Investors who do not require regular income
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Benchmark asset allocation	<p>Australian smaller companies 70% NZ smaller companies 25% Cash 5%</p>
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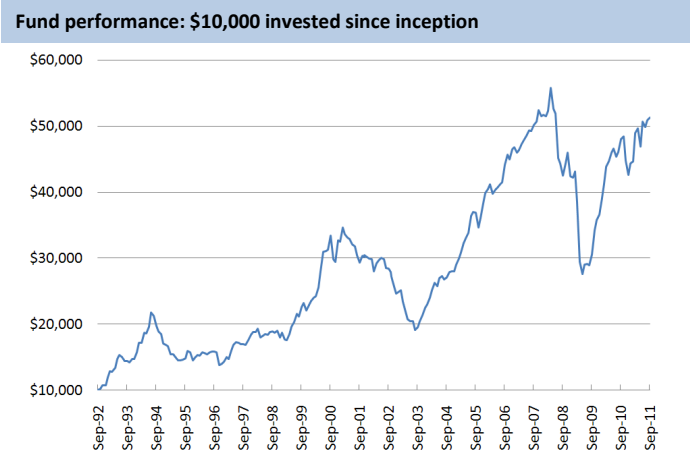
The asset allocation benchmarks may change from time to time.

Fund size: \$8.7 million

Current Hedging: 90% hedged to NZD

Top 5 holdings
SAI Global Limited (Industrials) NRW Holdings (Industrials) Audrill Limited (Materials) Collins Foods Limited (Consumer Discretionary) Alacer Gold Corporation (Materials)

Fund performance																											
Fund performance is calculated assuming the reinvestment of distributions. Prior to 30 Sept 2007 distributions were after tax (at 33%) and from 1 Oct 2007 are before tax. All returns are after management fees.																											
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Past performance is not indicative of future performance and is not guaranteed by any party. There is no guarantee that the investment objectives of any investment fund, or of the underlying fund(s) into which that investment fund invests, will be achieved. The returns are based on the percentage change in the unit price of each fund for the period specified and assumes the reinvestment of all distributions. They are not the returns individual investors will receive as this will depend on the prices at which units are purchased on the date of each individual contribution. Changes in unit prices reflect changes in the market values of the assets within each fund.

Further information about this Fund is contained in the registered prospectus and Investment Statement for the Guardian Trust Group Investment Funds. A copy of the prospectus can be viewed at the head office of Guardian Trust, Level 7, Vero Centre, 48 Shortland Street, Auckland or on the Companies Office website, www.companies.govt.nz.

For a copy of the Investment Statement please contact your Authorised Financial Adviser or call Guardian Trust on 0800 801 135.

A Disclosure Statement is available free of charge on request.

...continued overleaf

Commentary (provided by Tyndall)

Global markets, both equities and bonds, experienced significant volatility during the September quarter, driven by yet more sovereign debt uncertainty. Along with continued European concerns, the United States also added to market volatility as it struggled to get political agreement to raise its debt ceiling and as a result it suffered a ratings downgrade from Standard & Poor's. In late September, New Zealand also had its credit rating downgraded by both Fitch and Standard & Poor's.

Small companies had a particularly tough quarter with the NZX Small Cap index down -4.8% compared to the NZX 50 index which was down -2.4%. The S&P/ASX Small Ordinaries Index fell more than -11.8% compared to the S&P/ASX 200 Index which was down -11.6%. Over the last six months the NZX Small Cap Index and the S&P/ASX Small Ordinaries Index are down -8.1% and -20.0% respectively.

During the quarter the NZD appreciated 1.9% against the AUD. The portfolio is effectively 100% hedged therefore the AUD positions when measured in NZD had no impact on performance.

With markets once again performing so poorly during the quarter there were very few stocks held that produced positive returns. The best performing stock held was **Alacer Gold** (AQG) which was up more than 25% (in NZD). AQG continues to benefit from strong gold prices and positive exploration results at its Turkish gold mine. Other Australian stocks held that produced positive returns for the Fund included **Clough**, **Emeco Holdings** (EHL) and **FlexiGroup**.

The best performing New Zealand stock held was **Diligent Board Member Services** which continues to report strong growth. Property stocks, **Goodman Property Trust** and **Argosy Property Trust** (ARG) also performed well over the quarter.

Portfolio changes over the quarter included the purchase of **Collins Foods**, **EHL**, **Oakton**, **Thorn Group**, **ARG** and **Pacific Edge**. Divestments included **Cabcharge**, **GUD Holdings**, **Skilled Group** and **Imdex**. **Cavotec** was also divested as it was delisted from the NZX and is now listed in Sweden

(Bold denotes stock held in portfolio)

Unless otherwise stated, performance numbers included in the commentary are for the September 2011 quarter.

The **commentary** contained in this Investment Update has been prepared by Tyndall, the delegated investment manager for this Fund. Accordingly, none of Guardian Trust, their directors or their employees gives any warranty of reliability or accuracy, nor accepts any responsibility arising in any way for errors or omissions, in respect of this commentary.

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