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Huljich Wealth Management
(New Zealand) Limited

Huljich

**18/02/2010**

**STATEMENT BY HULJICH WEALTH MANAGEMENT (NEW ZEALAND) LIMITED**

HULJICH REPORTED KIWISAVER RESULTS CONFIRMED – PROSPECTUS AND ACCOUNTS TO BE CLARIFIED

Huljich Wealth Management (New Zealand) Ltd intends to update its prospectus and clarify the published accounts for its three KiwiSaver Funds, which currently have over $117 million invested on behalf of more than 70,000 members.

The amendments do not affect the previously reported actual returns for the three Funds. The Manager has calculated that they would not have changed the reported high overall performance ranking of the KiwiSaver Scheme in the year to March 31, 2009.

Managing Director, Peter Huljich says the amendments will clarify that certain income in the six months to March 31, 2008 and 12 months to March 31, 2009 was not investment income, but funds contributed by him personally on two occasions as compensation for the Manager investing overweight or not diversified to the extent required. The events arose in the early days of the funds, partly due to the small size of the funds at that time. The amendments also disclose profits from shares made available to the KiwiSaver Scheme by the Manager at the discounted price available to the Manager under sub-underwriting agreements, which was less than market value. These clarifications answer recent public speculation as to the nature of these transactions.

In the six months to March 31, 2008 the compensation provided was $8,573 and in the 12 months to March 31, 2009 the compensation was $141,535.

“I provided compensation because I felt morally responsible for the two particular investment decisions, which proved disappointing. I believed compensation was in the best interests of our members. There was no intention of boosting the performance of the funds through these transactions. Subsequent analysis shows that if these payments had not been made, our Growth Fund would still have been the top performing fund in its category in the year ended March 31, 2009, our Conservative Fund would have been second in its category and our Balanced Fund would have been fourth in its category.”

The Manager has calculated that the KiwiSaver Scheme would also have retained its overall first ranking for that year (based on average rankings across the 3 categories (moderate, balanced and growth)).

"I would like to assure our members that we will continue to focus on maximising returns and that these amendments make no difference to the actual amounts of previously advised returns they received."

"As a company we strive for the highest standards and the up-dated prospectus will bring clarity to the situation and answer recent public comment and speculation."

"Over the last few days we have been working with the KiwiSaver Scheme's advisors, auditors and Trustee, and have been responding to various regulatory authorities including the Securities Commission, in respect of these matters, with the objective of having an updated prospectus available as soon as possible which clarifies the issues raised to the satisfaction of all parties."

Mr Huljich said details of the compensating payments will be clearly set out in the "Investment Performance of the Scheme" section of the prospectus, which will be available on the Company's website www.huljich.co.nz together with the investment statement, when formalities have been completed. In the meantime, memberships will not be offered in the Huljich KiwiSaver Scheme until an updated prospectus is registered.

SOURCES OF INCOME

The actual returns for the KiwiSaver Scheme include investment returns, two instances where compensation was provided to the KiwiSaver Scheme and profits from acquiring shares at the discounted price available to the Manager through sub-underwriting arrangements.

COMPENSATION

The first compensating payment arose in December 2007, when the KiwiSaver Funds invested in Diligent Board Member Services Inc.'s (Diligent's) IPO through investments made in the Huljich Unit Trusts. The Manager saw Diligent as an attractive opportunity and took an overweight investment in the IPO. Diligent's shares did not perform well following its IPO, and the outcome was disappointing. Because Peter Huljich was a non-executive director of Diligent, he took responsibility for the investment decision and compensated the KiwiSaver Scheme and the Huljich Unit Trusts by making good their performance losses arising from the Diligent investment.

The KiwiSaver Scheme was compensated $8,573 in total ($7,318 directly). The KiwiSaver Scheme's compensation was part of total compensation paid to the Unit Trusts and the KiwiSaver Scheme by Peter Huljich of approximately $1.3 million. The relatively small amount paid to the KiwiSaver Scheme was because the KiwiSaver Funds were small compared to the funds in the Unit Trusts.

Without the compensation, the KiwiSaver Funds' return for the six months to March 31, 2008 would have been -14.38% for the Conservative Fund, -8.2% for the Balanced Fund and -18.94% for the Growth Fund.

The second compensating payment arose in October 2008. Between July and October 2008, the KiwiSaver Funds had invested only in New Zealand fixed interest and Australian equities. Their investment guidelines at the time required diversified weighted investments in New Zealand equities, Australian equities, international equities, Australasian property and infrastructure, New Zealand fixed interest and cash, but allowed for short term variations and required a conservative strategy unless justified. When moving from defensive investments in cash, the KiwiSaver Funds were not diversified to the extent required. While the inconsistency arose partly due to a lack of critical mass of the KiwiSaver Funds, it was decided to compensate the KiwiSaver Funds for the loss. Compensation of $141,535 was provided by Peter Huljich.

Without the $141,535 compensation, the KiwiSaver Funds' return for the year to March 31, 2009 would have been -0.74% for the Conservative Fund, -8.8% for the Balanced Fund and -12.55% for the Growth Fund. The Manager has calculated that the $141,535 compensation would not have significantly affected the KiwiSaver Funds' ranking on the Morningstar unit price tables.

Even without the $141,535 compensation, the Manager has calculated that the Growth Fund would have retained its first ranking, the Balanced Fund would have been ranked fourth and the Conservative Fund would have been ranked second, for the year to March 31, 2009. The KiwiSaver Scheme would have retained its overall first ranking for that year (based on average rankings across its 3 categories: moderate, balanced and growth).

The compensation for both instances was provided to the KiwiSaver Funds through discounted purchase transactions. The events giving rise to these transactions were not typical and compensation is unlikely to be repeated.

The compensation naturally benefitted members. They received the full actual returns reported by the Manager. The intention surrounding the compensation was to do the right thing by members in each case.

PROFITS FROM DISCOUNTED SHARE PURCHASES

Subsequent to the March 31, 2009 balance date, investment returns also included instances where the KiwiSaver Funds acquired, at discounted prices, shares available to the Manager through sub-underwriting agreements.

The sub-underwriting was of rights issues including Nuplex Industries Limited, AMP NZ Office Trust and Fisher & Paykel Appliances Holdings Limited. The shares were taken up at the rights issue price, which was less than the then current market price. The KiwiSaver Funds benefited as a result by $130,659 since March 31, 2009. The Manager seeks opportunities of this kind for the benefit of members as it looks for opportunities for the KiwiSaver Scheme to give the best possible returns for members.

2009 PERFORMANCE

From April 1, 2009 to December 31, 2009, the Funds increased in unit price by 13.59% for the Conservative Fund, 17.35% for the Balanced Fund and 19.83% for the Growth Fund. Past performance is not necessarily an indication of future performance.

ENDS

Issued 18 February 2010 by Huljich Wealth Management (New Zealand) Limited.