

Nest Egg News

– Your KiwiSaver Update

AUGUST 09



At a glance

As at 30 July 2009

Unit Prices	
Conservative:	\$0.9983
Growth:	\$0.9226
Performance (July 09)	
Conservative:	-0.22%
Growth:	7.7%

July was very much a “game of two halves”. The first half saw share markets retract as investors waited for the US corporate reporting season. When these results began rolling out and were “less bad” than expected, share markets worldwide rallied enjoying a stellar second half and setting all sorts of records. By month’s end the Growth Fund had risen by 7.7% – well ahead of all other KiwiSaver providers. In this month’s issue we reflect on the key drivers of July’s performance, Ken shares his impressions of Asia following his recent visit and we update you on the recent announcement allowing New Zealanders to bring back their Aussie Super. Read on...

A Word From Your Investment Team

The performance of global share markets in the second half of July demonstrates that investors are “looking through” short term earnings disappointments, and we are returning to an environment where investors are more comfortable with the economic growth outlook and are more comfortable taking risk. This is evident across most markets where defensive sectors such as Healthcare and Telecoms have been outperformed by cyclical stocks exposed to the business investment cycle like Consumer Discretionary and Materials. Pleasingly, the market’s strong performance was driven as much by reaction to company profit results as it was to an improvement in confidence.

All three portfolios contributed to July’s performance. In New Zealand, Ryman Healthcare, our biggest holding, led the way. Ryman indicated at its AGM late in the month that its first quarter trading performance is ahead of last year, and that it is comfortable with market expectations of another increase in realised profits for the full year. Ryman will be investing over \$100m in the 2010 financial year building new villages at Orewa and Whangarei, and is experiencing strong demand for space at its villages across its entire portfolio.

In Australia, our largest holding Arrow Energy, was a good example of the volatility experienced during the month. At one point the share price dived to \$3.05 – we were buying on the way down – before the release of three key data points saw the price end the month 40% off its lows at \$4.29. The key trigger was an upgrade to its gas reserves position that was significant and much larger than market expectations. Importantly, to us it further highlighted the quality of its asset base and the company’s ability to prove up and hence commercialise the reserves.

After an extremely strong run, we positioned the international component of your KiwiSaver portfolio more defensively during the month, raising cash levels and rotating into more defensive

sectors such as healthcare. Many of the stocks have had significant rallies this year. For example, Ports Design, was the largest position in early March but now that the share price has tripled we have taken profits and sold down the weighting. Healthcare stocks have been laggards during this market rally, a reversal of 2008.

These types of re-weightings are an important part of the ongoing management of a portfolio. We don’t simply “set and forget”. The recent market buoyancy has created selling opportunities allowing us to take the top off holdings that have got ahead of themselves, and using the proceeds to top up holdings that have been overlooked.

Ken Applegate in Asia

Ken spent the first couple of weeks of July in Asia; a week in Singapore and a week in China. During the trip Ken visited some of your current portfolio companies, attended two investment conferences and met with a new company that he has since added to the portfolio on his return.

The trip reinforced our bullish view on China as an investment destination. The urbanisation in China driven by the emerging middle class and spending on infrastructure to support it are two key themes we are tapping into. These themes will counter an export slowdown as Western consumers tighten their belts. The Chinese economy is well placed to continue to grow and lead the global economy out of recession.

Ken has summarised his trip and his key findings in a piece we’ve titled “Our Thoughts: Ken Applegate in China”. We recommend taking five minutes to read it over and we’re sure you’ll be as excited as we are about China. The article can be downloaded from the latest news section of our KiwiSaver website – follow the link from the KiwiSaver homepage.

Bringing back your Aussie Super soon to be a reality

If you have worked in Australia at any time since 1992 you'll soon be able to bring your Aussie Super back to New Zealand.

In July Bill English and his Australian counterpart, Wayne Swann, signed a Memorandum of Understanding to establish a trans-Tasman retirement savings portability scheme enabling New Zealanders to transfer their Aussie Super Funds back to New Zealand and vice versa. Funds brought back to New Zealand can only be invested in a KiwiSaver account. Legislation still has to be passed and this is not expected to happen until 2010.

There is \$A13 Billion of "lost super" in Australia; \$A5 Billion is estimated to belong to New Zealanders so this scheme is a seriously big initiative.

We have a dedicated Aussie Super page on our KiwiSaver website (click on the link from the homepage under *hot topics*) that outlines how you can track down your Super and the benefits of bringing it back to New Zealand.

We have the contacts established and processes set up to coordinate Aussie Super transfers. If you would like us to act on your behalf and get everything ready to go once legislation is enacted, complete the two forms on the web page (personal details for locating Aussie Super and authorisation to use personal information) and send in to us. We'll then get things underway and be in touch.

2009 Annual Report

You will shortly receive the 2009 Annual Report for our KiwiSaver Scheme. The report reviews the Scheme's performance to date, the investment outlook ahead and we also present the annual accounts for the Scheme. Accompanying the report will be your annual member statement for the year ended 30 June 2009 summarising all of the contributions made on your behalf in the last year.

Member Tax Credits update

In mid July we submitted MTC claims on behalf of all of our eligible KiwiSaver members. At the time of writing one third of these had been processed and we'd expect the balance of these to be paid to us by the end of August, within the 30 day delivery timeframe IRD has to achieve.

Updating personal details

With the introduction of our online access facility, you can now update your personal and contact details online when they change. Any changes made will be updated overnight. The only things you can't change online are your forenames, surname and IRD number. You will need to advise us in writing to change those.

Fund Performance

Fund Pre-tax Returns	1 month	3 months	6 months	12 months	Since fund inception*
Growth	7.7%	12.4%	28.5%	3%	-7.7%
Conservative	-0.22%	n/a	n/a	n/a	-0.17%

*The Growth Fund was launched Oct 2007. Conservative Fund June 2009.

The above returns are based on the percentage change in the unit price of the fund for the period specified, 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 the unit prices reflect changes in the market value of the assets of the fund. The above returns exclude government contributions and no allowance has been made for monthly administration fees. Returns displayed are after management fees but before tax.



Portfolio Holdings

A current listing of companies in the KiwiSaver portfolio can be viewed on the homepage of our KiwiSaver website <http://www.kiwisaver.fisherfunds.co.nz> in the KiwiSaver toolbox section. This is updated monthly.

If you have any feedback on this Newsletter we would love to hear from you. Please email us at kiwisaver@fisherfunds.co.nz

**For more information call 0800 FFKIWI / 0800 335 494
or visit our website <http://kiwisaver.fisherfunds.co.nz>**

The information and any opinions herein are based upon sources believed reliable, but the Company, its officers and directors make no representations as to its accuracy or completeness. All opinions reflect our judgement on the date of this report and are subject to change without notice. The information contained in this publication should not be used as a basis for making an investment decision about any particular company. Professional investment advice should be taken before making an investment. Past performance is not a reliable guide to future performance. For an investment statement on any of our funds, please go to our website or call us on 0508 FISHER (0508 347437).