KiwiSaver
Poua he Oranga

fisher funds

Nest Egg News

– Your KiwiSaver Update

DECEMBER09

What a difference a year can make. In the December 2008 Nest Egg News I reflected on what had been one of the most challenging years for share market investors ever. I mused about the long term value on offer in the share market and how your KiwiSaver portfolio was positioned to take advantage of that. As I write this issue it is pleasing to look back on a year where emotion took a back seat and fundamentals returned as the driver of share market behaviour. As a result your KiwiSaver account balances have benefited significantly. The Fisher Funds team would like to thank you for your continued support and wish all of our KiwiSaver members a Merry Xmas and a prosperous New Year. We are looking forward to recharging the batteries over the break and working with you in 2010 to grow your retirement nest egg. Please note that our next newsletter will be in February 2010. Read on…

At a glance
As at 30 November 2009

Unit Prices	
Conservative:	$1.0024
Growth:	$1.0101
Performance (October 09)	
Conservative:	0.3%
Growth:	0.6%

A Word From Your Investment Team

Overall, markets were relatively muted in November with the KiwiSaver Growth Fund and Conservative Fund up 0.6% and 0.3% respectively for the month. Even the news that emerged from the Middle East about Dubai needing an extension of its loan repayment obligations was only a temporary blip as investors realised this would not impact the recovery in global markets or impact the businesses we own.

There was plenty of news flow from your companies during the month. In New Zealand, interim results for many of our companies with March balance dates were released along with a couple of Annual Shareholder Meetings. Our largest NZ holding, Ryman Healthcare, posted a realised net profit up 12% for its interim result, and is on target to complete the construction of 300 retirement village units and 150 aged care beds for the full year. The Ryman juggernaut continues, building new villages for latent resident demand from an aging population, which in turn creates recurring earnings from completed villages, and all of this funded out of operating cashflows. Ryman has sailed through a difficult housing market unscathed. A more recent addition to your portfolio, Tower, reported that underlying profit was up 22%, with all three operating divisions (Health and Life, General Insurance and Investments) exhibiting solid year-on-year growth in earnings.

In Australia the standout news was a bid for Pipe Networks by second tier telco SP Telemedia. Pipe has been a very successful investment for Fisher Funds doubling in the three years we have owned it. Despite this we believe the bid made for the company by SP Telemedia undervalues the long run potential of this firm based on its superb fundamentals and the strategic value of both its domestic and international fibre optic cable networks. We are working hard to see if a higher bid price can be extracted and failing that we will consider carefully whether we sell into the bid. Time will tell but despite our reservations on price, the bid is a ringing endorsement on the quality of this business and its future prospects.

Ken and Scott spent a week in Europe during November attending a 2 day conference in Frankfurt, and visiting companies throughout Germany and Greece including four of your portfolio companies. The best word to describe Europe is stable, or at least more stable than the US. Europe as a region has similar structural issues to the US but the reality is that Europe is made up of dozens of countries with markedly different situations. The stronger economies such as France and Germany are faring better while the PIIGS (Portugal, Ireland, Italy, Greece, Spain) continue to languish.

On the portfolio front, we added two new companies this month, Autodesk and Noni-B (NBL). Autodesk, based in San Francisco, develops computer-aided design (CAD) and simulation software solutions for customers in the manufacturing, building, and infrastructure markets and digital video tools for the media market. The downturn was cruel to the stock with analysts continually downgrading earnings as they focused on the short term. This has left Wall Street with an overly pessimistic view giving us a great opportunity to buy a market leading franchise business at a low valuation. NBL is a women's clothing retailer

A Word From Your Investment Team cont

with over 200 outlets across Australia. They focus on the 40+ age bracket through two labels, Noni B and Liz Jordan, are positioned mid market and represent high quality, classic fashion. Whilst retailing is not typically one of our preferred business sectors NBL presents a great investment opportunity on the back of a well established brand, loyal customer base, strong alignment of management and shareholders interests (the founders retain 40% ownership) and favourable pricing dynamics.

Lastly, as funds continue to build in the Conservative Fund we're carefully constructing the fixed interest component of the portfolio. We've also made some initial equity purchases to keep things in balance.

KIWISAVER CLASSROOM

What is the difference between yield and return?

Yield and return are two terms often used to describe the performance of an investment. It is important to recognise that they are not one and the same thing.

Return, or total return, expresses what an investor has actually earned on an investment during a particular historical time period. It includes interest, dividends and capital gain (such as an increase in the share price). In other words, return is retrospective, or backward-looking. It describes what an investment has concretely earned.

Yield, on the other hand, is prospective, or forward-looking. Furthermore, it measures the income, such as interest and dividends, that an investment earns and ignores capital gains. This income is taken in the context of a certain time period and then annualised, with the assumption that the interest or dividends will continue to be received at the same rate in the future.

Looking at the Fisher Funds KiwiSaver Growth Fund, the return for the last 12 months is 44.9% which incorporates interest from cash in the bank, dividends received and capital gain on share prices. The forecast yield for the portfolio for the next 12 months is 2.9%. Growth companies tend to pay smaller dividends as they reinvest more of their profits to drive future growth whereas more mature companies with a stable earnings stream tend to pay a higher percentage of their profits out to shareholders.

Xmas Office Coverage

Our office will be closing on Wednesday 23rd December 2009 and reopening on Monday 11th January 2010. We look forward to responding to any messages on our return.

Fund Performance

Fund Pre-tax Returns	1 month	3 months	6 months	12 months	2 years*	Since fund inception*
Growth	0.6%	5.4%	17.6%	44.9%	1.22%	.47%
Conservative	0.3%	0.3%	n/a	n/a	n/a	0.2%

* Annualised return before tax and after fees

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.

KiwiSaver Growth Fund

Portfolio Holdings

A current listing of companies in the KiwiSaver portfolio can be viewed on the homepage of our KiwiSaver website **http://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