

Nest Egg News

– Your KiwiSaver Update

MAY09



At a glance

As at 30 April 2009

Unit Price	\$0.8205
Fund Size	\$63.3M
Performance (Apr09)	13.6%

April was one of those months that really remind investors that you need to be in the market to participate in a recovery and enjoy the gains. Most people would have laughed at suggestions that your KiwiSaver portfolio would increase nearly 14% in the month of April. That's the sort of return most people hope to get over a full year. But there you go; you can never quite predict when your returns will be achieved. Looking back at history, there have been many occasions where the majority of annual returns have been earned in just two or three months of the year. What May will hold is anyone's guess and no doubt the rest of 2009 will hold some surprises. April was a wonderful reminder that not all surprises are negative! Investing remains a game of patience but the rewards are there to be had for the disciplined, unemotional and informed investor. Thanks for sticking through what have been trying times for all! Read on...

A Word From Your Investment Team

The strong performance of global share markets in recent months continued into April as small optimistic signs of improvement across the global economy buoyed investors. These signs outweighed some mixed news we saw at both economic and corporate levels. Each of the New Zealand, Australian and International portfolios that make up your KiwiSaver investment performed well.

In the US, companies reported their results for the first quarter of 2009. At a portfolio level, we were pleased with the results from our companies. Earnings growth was strong and many of these companies, unlike the wider market, gave good visibility to future earnings and reaffirmed their previous guidance. Most importantly, the results confirmed that we own a portfolio of growing, profitable companies, and that should be all we need for long-term capital growth.

In New Zealand, the local share market reacted positively to the OCR cut. Capital raisings dominated the month as a number of companies took advantage of an increase in investor demand for equities to proactively reduce their reliance on banks, strengthen their balance sheets and position themselves for expansion as

conditions allow. We happily participated in the Freightways placement. Elsewhere, NZX released a horde of information to the market – all of it good news. Q1 2009 Net Profit after Tax (NPAT) was up an impressive 40% on Q1 2008 (most other Asia-Pacific exchanges have been down) and they announced the purchase of M-co a company that designs, builds and operates trading platforms in the electricity and gas markets. M-co represents a good fit for NZX as they further diversify their revenue streams. Ryman Healthcare, our favourite NZ company, also reiterated its profit guidance for the second half of 2009, which points to continuing growth

The news flow from Australia was fairly light. Centrebet and ToxFree Solutions reported earnings downgrades but the market was comfortable. In both cases, as short term profits are lower in favour of future growth, share price reactions were muted. This shows that the market is now prepared to look past short term issues facing businesses in favour of what many expect to be improving prospects going into next year. This underscores the downside protection available to investors by owning companies with strong franchises and reasonable valuations.

Reminder – end of KiwiSaver year

The end of the current KiwiSaver year is 30 June 2009. The Government will match your contributions up to \$20 per week (\$1,040 per annum). If you need to top up your account or make this year's payment, make sure it is with us by 30 June. We'd hate for you to miss out! Payment options are outlined in the toolbox section on the homepage of our KiwiSaver website.

What does the recent OCR cut mean for borrowers and savers?

At the end of April, the Reserve Bank of New Zealand (RBNZ) cut the Official Cash Rate (better known as the OCR) by 50 basis points from 3.0% to 2.5%. The OCR is one of the RBNZ's primary tools to try and influence economic activity within NZ. The OCR has been swiftly reduced from its high of 8.25% in June 2008 to its current level in response to tightening global economic conditions. The RBNZ hopes that by reducing the cost of borrowing New Zealanders with mortgages will have more money to spend elsewhere in the economy and businesses will be better positioned to invest in developing new technologies, new products or new markets. Both help in preserving or generating jobs and ensuring economic growth does not contract so much that a prolonged recession results.

Those of you with mortgages coming up for renewal in the next year will be pleased, but what does it mean for your savings?

Anyone who has recently had money come off term deposit will know that the interest rates being offered by the banks are at least half those available a year ago. The RBNZ also took the unusual step of commenting that the OCR is likely to be at this level or lower for another 18 months. This is not good news for a lot of older New Zealanders who rely on investment income to get by. For most of the last decade they have enjoyed high returns for relatively little risk.

From conversations with our managed fund investors we know that many people are already looking at their other investment options in order to earn a better income. The thought of 4% before tax and inflation is not comforting. We do expect to see investors moving their money into other asset classes such as equities. This can only be another positive for share markets as investors chase better returns than available at the bank and the increased demand drives share prices higher.

Our Thoughts: Is now the time?

We have recently been asked by a number of clients to consult our crystal ball and share some thoughts on when we might see the bottom in the market. This is important as a number of our investors have either put more money into the market recently or are considering it so it is clearly topical! It is impossible to pick the exact bottom and in fact the bottom may be a bottoming process that takes some time. We have nevertheless provided a few thoughts, that can be viewed on the homepage of www.fisherfunds.co.nz, which we hope you will find of interest. We believe the current climate is an opportunity for investors looking to invest for the next 3+ years to take advantage of good quality businesses being 'on sale' at prices we have not seen for a number of years. Feel free to call our Client Services team to discuss.

Fund Performance

Fund Pre-tax Returns	1 month	3 months	6 months	12 months	Since fund inception (Oct 07)
KiwiSaver	13.6%	14.3%	15.4%	-8.9%	-18.0%

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 as changes occur.

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>**

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