

Nest Egg News

– Your KiwiSaver Update

JUNE09



At a glance

As at 31 May 2009

Unit Price	\$0.8588
Fund Size	\$68.8M
Performance (May09)	4.7%

May was a frantic month for us with a couple of projects that we have been working on for a while coming to fruition. We are pleased to announce the addition of a Conservative Fund to our KiwiSaver Scheme. Secondly, we will be rolling out an online access facility by the end of June allowing you to view your KiwiSaver account online. We hope that both of these initiatives will significantly improve your experience as a KiwiSaver member with us. Whilst we were working on those projects the markets took care of themselves with a solid increase in the value of the fund of 4.7% during May. The Growth Fund has now increased in value by over 31% since its low in late November 2008. Read on...

A Word From Your Investment Team

May saw another month of strong positive returns for your KiwiSaver portfolio. The consistently strong performance we have seen over the last 6 months is very pleasing and good reward for members of the Scheme.

So what's driving this performance?

In last December's newsletter we talked about the share market offering tremendous long term value and that our portfolio was well placed to benefit. Our companies have strong balance sheets, are market leaders in their respective niches or have a sustainable competitive advantage that makes it difficult for competitors to easily replicate and thirdly they largely operate in sectors that aren't overly exposed to a reduction in discretionary spending. As a result we decided to reduce our cash holdings and increase our allocation to shares.

In 2009, we have seen an increasing appetite from investors around the world for shares. This has been driven by a number of factors such as low interest rates, a belief that shares in many companies had been over sold and generally more positive media talking of, dare I say it, "green shoots". Last year investors were just selling shares to get out of the market regardless of how the company was actually performing – this type of emotional behaviour forced prices down. As these same investors are looking to get back into the share market they are now being more discerning with where they invest their money. Company fundamentals are now back in vogue. Our investment philosophy is all about strong company fundamentals.

The strength of the rally we have experienced has surprised many market participants who are now concerned that they may have missed out on the first step in the share market recovery. Further proof that you need to be in the market to be able to participate in the recovery.

To reiterate the importance of these fundamentals a number of our companies reported excellent results in May. In New Zealand, Ryman Healthcare increased realised profits by 5% and announced an increased dividend at a time when most are cutting dividends; Tower (a recent addition to your portfolio) lifted profits by 32% and Wakefield Health reported a 41% profit increase. The share prices of these companies are up 42%, 47% and 19% respectively since February.

What is the impact on your KiwiSaver accounts?

Despite the unit price being just under 86c at the end of May the benefits of making regular contributions and dollar cost averaging is clear to see. Most people who have been in KiwiSaver since it started and investing on a regular basis are now breakeven or achieving a positive return which is fantastic given the volatility in the global share markets during this time. The cheap units you purchased at 70c have increased significantly in value and certainly look great buying now.

We have added a fund performance page to our KiwiSaver website. In addition to our Scheme, we also provide some comparisons from a recent Morningstar KiwiSaver Performance Survey which shows that our Growth Fund is one of the leading Growth performers in the market.

Reminder – end of KiwiSaver year

The end of the current KiwiSaver year is 30 June 2009. The Government will match your contributions up to \$1,042.86 per annum (which works out to \$20 per week). If you need to top up your account or make this year's payment you need to do it by the end of this month. We'd hate for you to miss out! Payment options are outlined in the toolbox section on the homepage of our KiwiSaver website.

Conservative Fund Launched

As indicated a few months back we have expanded the range of investment funds available through our KiwiSaver Scheme with addition of a Conservative Fund. The Conservative Fund has an emphasis on capital preservation, seeking to achieve returns better than bank deposits over the long term. New and existing members can now choose to invest in either Fund, opt for a Balanced strategy (50% Growth Fund/50% Conservative Fund) or a different combination of the two in any ratio you choose giving you greater flexibility as your investment needs change. The Growth Fund will still be the preferred option for most members but we recognise that for those approaching 65 years or those very risk-averse investors, a Conservative Fund could be more appropriate. Our website has been updated with the latest Investment Statement and supporting material or feel free to call our Client Services team if you would like to find out more. With the introduction of the new Fund, we have also officially renamed our scheme as the Fisher Funds KiwiSaver Scheme.

Online Access is here!

Later in June we will be rolling out our online access facility to members of our KiwiSaver Scheme. This facility will be accessed via the homepage of our website and will allow you to view your balance and transactions, update personal details, print transaction statements and so on. We think this facility will be a great help to you in keeping track of your KiwiSaver savings. We do intend to keep improving the functionality of the site and will keep you updated as enhancements are delivered.

The 2009 Budget and KiwiSaver

The 2009 Budget announced the closure of mortgage diversion to new applicants from 1 June 2009. According to Revenue Minister Peter Dunne, the decision to close the facility was driven by the low uptake to date and the additional and unnecessary compliance costs imposed on banks and providers. "It also goes against a basic principle of KiwiSaver to lock in savers' funds until they are 65, thus helping them to accumulate assets for their retirement years. Someone using mortgage diversion could, for example, sell the house before he or she is 65, thus gaining access to funds. The facility remains available to existing participants, However, as providing mortgage diversion has never been obligatory, providers and banks can stop providing the facility to existing participants if they so choose".

The discontinuation of the facility was a surprise to us and a bit frustrating given the work required to implement the facility, not to mention the impact on those of you who have signed up to it. We are adopting a wait and see approach as legislation has not yet been passed enacting the new rules. We will communicate directly with members participating in mortgage diversion as the position is clarified.

The 2009 Budget also announced that the Government would stop making contributions to the New Zealand Superannuation Fund, better known as the "Cullen Fund", until 2020. We've had a few phone calls and emails from members concerned this meant KiwiSaver Government contributions were stopping. That is not the case. The Cullen Fund is a separate pot of money altogether and is in no way linked to KiwiSaver. What this does though is reinforce the importance of KiwiSaver. New Zealand's aging population will be supported by fewer tax payers in the years ahead, increasing the possibility that the age of eligibility for NZ Super will be increased and the amount of NZ Super will be reduced. Workers now cannot expect to retire and be supported by the Government like they have in the past.

Fund Performance

Fund Pre-tax Returns	1 month	3 months	6 months	12 months	Since fund inception (Oct 07)
KiwiSaver	4.7%	20.9%	22.3%	-7.6%	-14.1%

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).