

# Nest Egg News

## – Your KiwiSaver Update

MAY 10



### At a glance

As at 30 April 2010

<b>Unit Prices</b>	
Conservative:	\$1.0085
Growth:	\$1.0765
<b>Performance (April 10)</b>	
Conservative:	0.1%
Growth:	0.1%

In this issue we share some perspective on recent macro news, look at some exciting news from Pumpkin Patch and introduce four new companies that we have added to the portfolio. We also update you on First home purchase withdrawals and subsidies and the Fisher Funds experience on the Oxfam Trailwalker. Read on...

## A word from your investment team

April was a month of two halves. Initially markets bobbed along in buoyant fashion with the Growth Fund reaching a high of \$1.10. However, as the month progressed, negative macro news began to dominate headlines leading to a pull back in global share markets.

The main cause of concern centred on Greece. Greece is heavily indebted and markets worldwide were anxious about its ability to repay its loans. The 'Greek tragedy' has been on investors' minds for most of the year, but intensified in April. Greece has been in negotiations with the European Union (EU) and International Monetary Fund (IMF) for help. A bailout package was eventually agreed, however it comes with conditions that a lot of Greek people don't like (extending the retirement age, increasing taxes etc) which saw protests and riots as people voiced their anger.

To help put the bailout package in perspective, it is smaller than that provided to AIG, and smaller than the bailout provided by the IMF to Asian countries during the Asian crisis of the 1990s. Greece in isolation is manageable but what got investors and markets really nervous was the prospect of the Greek situation spreading to other European nations considered at risk of defaulting on debt such as Portugal and Spain.

Whilst it is never enjoyable to see the funds see-saw as we did in April, it is important to keep things in perspective. The Greek Debt Crisis is not another Global Financial Crisis, the world is in a much better place than it was two years (thanks to the concerted efforts of Governments and Central Banks worldwide) and we are seeing growth returning to economies, albeit only tentatively. Don't forget that volatility can create opportunities. The pull back in markets means that you may have been purchasing units at a lower cost. It also gives our Investment team an opportunity to utilise some of the higher than normal levels of cash that we have been holding, to snap up some of our favorite companies at bargain prices. We have also used price weakness as an opportunity to invest in new

portfolio companies at attractive entry prices.

The news from our portfolio companies was light during the month, however we did get excited about Pumpkin Patch's announcement that it will shortly launch a new childrenswear brand aimed at the playwear end of the market. This is big opportunity as this segment of the market accounts for over 70% of the \$3 billion pa Australasian childrenswear industry. The company will set up separate stores under the new brand and they plan to start with 6 to 8 stores by the end of the year in Australasia. We think this is a great move for **Pumpkin Patch** and is yet another positive development for a company that has come a long way in 18 months. The introduction of a dual brand has worked well overseas and we think this can work well for them as they can leverage off their existing infrastructure and retail expertise to benefit both brands.

Ken, our International Portfolio manager, spent most of April visiting portfolio companies and completing due diligence for the four new companies that we have now introduced to the portfolio. These companies all fit within the trends and themes that have emerged as we have built our portfolio of International companies.

The urbanisation and emergence of the middle class in China is a trend that excites us and new additions to your portfolio, **Bawang** and **Hsu Fu Chi**, both fit in to this category. **Bawang** is the leading Chinese herbal shampoo brand in the rapidly growing market for hair care products. They have successfully broadened their range of products within hair care and are now expanding into herbal skincare. **Hsu Fu Chi** is a leading branded confectionary company in China with three key product lines; chocolate and candy, cakes and cookies, and Sachima, a sweet Chinese pastry.

Another theme that is strongly represented in the portfolio is around businesses that have been successful in their country and are now growing globally. **Okano Valve** is the leading Japanese

# A word from your investment team (cont)

manufacturer of high pressure valves for nuclear power plants with over 70% market share in the Japanese market. Japan is currently the largest market for nuclear power. International sales are a key growth driver with markets like Korea (20 reactors), China (20 reactors with 37 planned) and the US where they are in the process of gaining certification. **Interactive Intelligence** is a US based provider of software application suites for Voice over Internet Protocol communications primarily deployed in contact

centers for businesses and other organisations. The company has been growing rapidly by taking share in a very large market of over US\$5billion but still has only 2% market share. The switch from traditional hardware-based PBX phone systems to multi-channel VolP software platforms is driving continued growth in the market which ININ is well positioned to continue to take advantage of.

## Maximising your Member Tax Credits (MTC's)

The end of the KiwiSaver year is fast approaching on the 30th June so we will keep reminding you until then that if you need to top up your account or put in an annual contribution don't forget to do it before this date. Remember the Government matches your contributions if you are aged 18 or over up to \$1,042.86 per year. This contribution is on a pro-rata basis if you have been a member for less than a year, whether

you are working or not. We don't want you to miss out on getting the full benefit of the Member Tax Credit from the Government and are sure you don't want to either! You can either send us a cheque or direct credit the funds to our bank account. The bank account details can be found on the homepage of our website in the toolbox section.

## First Home assistance programs update

We have had a few inquiries from members recently regarding the first home purchase withdrawal which offers members the ability to withdraw your own and your employer's contributions from KiwiSaver to put towards a first home purchase.

The criteria to withdraw funds for first home purchase are:

- You must be 18 years or over
- Three or more years have passed since Inland Revenue received the first KiwiSaver contributions in respect of you (or since you first joined a KiwiSaver Scheme)
- You have never made a home purchase withdrawal
- You intend that the relevant land will be your principal place of residence; and
- You have never owned an estate in land (limited exceptions apply)

A form will be available on our website from the 1st July for any members who would like to apply for this. If you have owned a property before and your financial position is considered the same as a first home buyer you may be able to apply to Housing New Zealand to be considered for a withdrawal as a 'second chance' home buyer.

There is also a First home deposit Subsidy of up to \$1000 per year of contributions, up to a maximum of \$5000, that will be available to

members who qualify for the first home purchase withdrawal. You can buy a property with other people in which case you may all qualify for a deposit subsidy. You may only receive the deposit subsidy once.

To be eligible for the deposit subsidy, you must:

- be 18 years or over
- have not received a deposit subsidy before
- have contributed at least the minimum percentage of your income to a KiwiSaver scheme, complying scheme or exempt employer scheme for at least three years (does not need to be consecutive).
- have a combined yearly income of \$100,000 or less (before tax) for one or two buyers
- have a combined yearly income of \$140,000 or less (before tax) for three or more buyers

Housing New Zealand will be administering this subsidy and you can find out more details on the Housing New Zealand website [www.hnzc.co.nz](http://www.hnzc.co.nz). The Revenue Minister, Peter Dunne, announced recently that any KiwiSaver members who qualify for the First home Deposit Subsidy will not be taxed on the subsidy due to a recent rule change which make it a social assistance suspensory loan for tax purposes.

# Fisher Funds and the Oxfam Trailwalker Challenge 2010

## Oxfam Trailwalker

Fisher Funds was excited to take part in the Oxfam Trailwalker 2010 this year and both our teams finished under our expected times, with the photos below showing our teams at the finish line. Each team aimed to raise money to help to overcome poverty and injustice in some of the world's poorest communities, and our two teams combined have so far raised \$19,920. We felt a great sense of achievement and could really say that we believed in our motto - investing time, effort and energy for a

better tomorrow. The Trailwalker was great fun and we'd love some of our KiwiSaver investors to join us next year for this worthy cause.

There is still time to sponsor us and help us get over the \$20,000 mark. If you would like to sponsor the Fisher Funds Flyers or the Fisher Funds Fledglings please visit the Oxfam website [www.oxfam.org.nz/oxfam\\_trailwalker](http://www.oxfam.org.nz/oxfam_trailwalker) and sign up.



## Fund Performance

Fund Pre-tax Returns	1 month	3 months	6 months	12 months	2 years*	Since fund inception*
Growth	0.1%	3.0%	7.2%	31.2%	9.3%	2.9%
Conservative	0.1%	0.6%	0.9%	n/a	n/a	0.9%

\* 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 Conservative and Growth Fund portfolio's 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](mailto: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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