

Nest Egg News

– Your KiwiSaver Update

OCTOBER 09



At a glance

As at 30 September 2009

Unit Prices	
Conservative:	\$1.0005
Growth:	\$0.9876
Performance (September 09)	
Conservative:	0.1%
Growth:	3.1%

September was one of those months where share markets seemed to take care of themselves with little in the way of company news or economic data released for analysts and share market enthusiasts to chew over. Statistically, September has been the worst performing month for share markets so it was pleasantly surprising to end the month in positive territory when many commentators were anxiously waiting for the curse of September to strike again. In this issue we recap on a very strong Q3 and add some historical perspective to it. Read on...

A Word From Your Investment Team

All three components (New Zealand, Australia and International) of your KiwiSaver Growth Fund portfolio made significant contributions to the quarterly return of 15.2%. Performance was driven by generally better than expected results in the full year reporting season – we feel our companies well and truly got pass marks in what was one of the most demanding examinations of their business models that they will ever face.

Some of the highlights from the portfolio over the last quarter included:

Pumpkin Patch significantly reduced its debt and inventory levels. In a clever strategic execution the company closed a portion of its loss-making US stores which is expected to improve the bottom line of the business by \$10M in the next financial year;

Abano Healthcare announced the conditional sale of Bay Audiology NZ to one of its major shareholders Crescent Capital during the quarter. Abano will pay out ~\$2.28 per share to shareholders as a result of the sale. An independent report concludes that the sale is fair (it actually says that the \$157m sale price is a good price in light of the current economic climate and the lower growth and higher risks to which Bay Audiology NZ is likely to be exposed to in the future).

Pipe Networks (an Australian telecommunications network provider) posted earnings per share growth of 25.6% for the 2009 financial year. This caps an amazing five year period for the business where it has grown earnings at a compound annual growth rate of 62%pa. Pipe's future prospects are exciting. The introduction of their new international network in the next year will further expand their presence and they forecast a doubling of net profit over the next 12 months. A great example of a recession proof business!

Midas Holdings announced a slew of contracts totaling RMB845million (NZ\$190million) including a contract for 1600 train cars for the prestigious Shanghai-Beijing high speed line. The company's order book now stands at nearly 2 years worth of sales.

The 12 month return for our KiwiSaver Growth Fund of 20.3% is one of the best of all KiwiSaver Funds over the last year as measured by Morningstar. We're pleased with the way we've managed your portfolio during this time and we elaborate more on what our latest moves have been in the historical perspective section, overleaf.

2009 Fisher Funds Roadshows

As announced last month we are holding a series of roadshows around the country in October. Many of you won't have attended one of our roadshows before so we are looking forward to meeting lots of new members of the Fisher Funds family. This year's session has been designed to be a little different and we think that you will find it both educational and enlightening.

And the winner is...

We recently ran a competition whereby anyone who joined our Scheme in August went into the draw to win \$1,000. Our lucky winner was Samuel Garton. Carmel enjoyed presenting the cheque to Samuel and meeting fellow KiwiSaver members, sister Madeleine and brother Jacob (who also wanted to be photographed!).



An historical perspective

In our roles we receive an extensive amount of information about our companies, the global economy, share market trends; you name it. The other day we received the following analysis about quarterly share market performance based on historical data from the S&P 500 (An index of the top 500 companies on the US share market). Given the strength of the market over the last 6 months I'm sure that you, like us, will find it enlightening and encouraging.

Q3 was impressive to say the least. Of the 324 quarters since Q4 1928, Q3 2009 ranked as the 18th best. Somehow, the sharpness of the rally makes one think it should have been even higher, but it did come on the heels of the 16th best quarter since 1928. Here are some interesting statistics surrounding those 17 better quarterly performances.

- The average return in the next quarter was 4.21%.
- The median return in the next quarter was 6.65%.
- The next best quarter was this one, Q3 2009's 14.98% return.
- Only 4 of the 17 next quarters were negative and they all occurred in the 1930s.
- The average return of those 4 losing next quarters was -11.61%.
- The worst of those 4 next quarters was often discussed. It was Q2 1930 in which Q1's 17.2% gain was followed by an 18.62% loss in Q2.
- Two of the next losing quarters followed the two best quarters. The gains in both instances were in excess of 80%.
- Dropping out the two best 80+% quarters, the average gain on the next quarter was 6.45% and the median gain was 7%

So, bearing all of that in mind, what does our crystal ball tell us? Firstly, we have no crystal ball! There are many variables at play right now in the macroeconomic environment (a weakening US dollar, rising commodity prices, rising unemployment and rising house prices to name but a few). The only thing constant about financial markets is change!

Secondly, we are not in uncharted waters. Share markets have and always will go up and down and we manage your KiwiSaver portfolio accordingly. The investment team here has lived through ups and downs on many occasions

Quarter	% Change	Next Q % Change
6/30/1933	86.50%	-10.91%
9/30/1932	82.39%	-14.36%
6/30/1938	36.00%	5.88%
3/31/1975	21.59%	14.19%
6/28/1935	21.18%	13.18%
12/31/1998	20.87%	4.65%
3/31/1987	20.45%	4.22%
3/31/1943	18.53%	6.65%
9/29/1939	17.77%	-2.58%
3/31/1930	17.20%	-18.62%
6/30/1997	16.91%	7.02%
12/31/1982	16.79%	8.76%
12/31/1985	16.04%	13.07%
12/31/1935	15.88%	11.09%
9/30/1970	15.80%	9.43%
6/30/2009	15.22%	14.98%
12/31/1928	15.18%	4.85%
9/30/2009	14.98%	???

and each time we pick up valuable lessons that we can apply in the future. We were one of the first KiwiSaver providers to reduce our cash levels and increase our exposure to shares in late 2008. We've enjoyed a great run since but along the way we've remained disciplined, trimming our holdings on some companies where share prices have got ahead of themselves and using proceeds to top up holdings that have been overlooked. Just as others are starting to plough money back into the market, we're raising our cash levels again and repositioning your portfolio more defensively.

Lastly, the market rally has seen a return to fair value of many company share prices. Further increases in share prices will be driven by better than expected profits and strategic initiatives – the same kind of triggers that have always driven share prices. Our investing philosophy, based on fundamentals, should see us fare well as your portfolio is chock-full of quality growing and profitable businesses that have ridden through the recession relatively well.

Fund Performance

Fund Pre-tax Returns	1 month	3 months	6 months	12 months	Since fund inception*
Growth	3.1%	15.2%	36.7%	20.3%	-1.2%
Conservative	0.1%	0.00%	n/a	n/a	0.05%

*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://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>

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