

# Nest Egg News

## – Your KiwiSaver Update

APRIL 09



### At a glance

As at 31 March 2009

Unit Price	\$0.7224
Fund Size	\$54.3M
Performance (Mar09)	1.7%

Wow. What a quarter we have just been through. It's not often that you see a bear market and a bull market all within the same three months. January and February were the worst months for the Dow Jones since 1939 and then we had the best March for six years. Hardly an armchair ride! So hang on to your seats as we provide some perspective on the markets below, announce an exciting new KiwiSaver fund and provide an update on several other aspects of KiwiSaver. Read on...

## A Word From Your Investment Team

For the first quarter of 2009 your KiwiSaver fund rose in value by 2.8%. This might not sound like a lot but when you consider that the MSCI World Small Cap Index was down by 7.8% over this time and that only two other KiwiSaver growth schemes in the market had positive returns (the rest had falls of at least 2.5%), it's not too bad. The fund is now up 10.5% from its absolute bottom in late November 2008.

Performance would have been even better were it not for an unexpected strong rally by the New Zealand dollar against both the US dollar and Australian dollar in the second half of March. We remain unhedged on our stock positions as our currency models do suggest that the NZ dollar will likely weaken over the medium term.

### Are we seeing some light at the end of the tunnel?

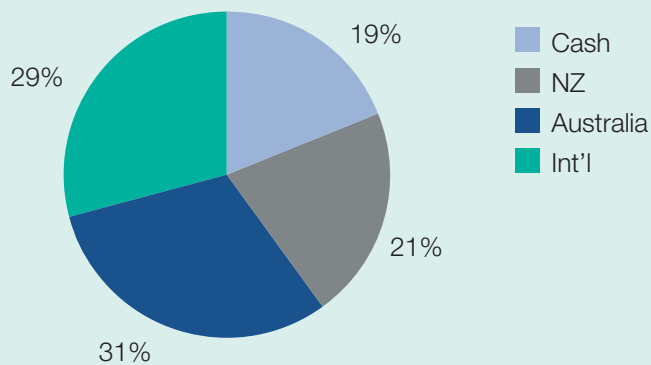
We certainly think that there have been some beacons of optimism emerge in recent months. Firstly, some key economic data was stronger than expected. In the US, housing sales in February increased for the first time in seven months with buyers lured by a combination of lower prices and cheaper mortgage rates. One of the indices we follow closely is the ISM's Purchasing Managers Index (PMI). This captures all areas of US manufacturing and is considered to have a strong correlation with US economic activity. Over the first quarter of 2009, manufacturing activity in the US rose by just over 10%. Whilst the index is still well below its long run average, it was encouraging that new orders were up and manufacturers' inventories were down for the month of

March. Likewise in China, its equivalent of the PMI was up by a similar percentage for the quarter as its infrastructure spending stimulus package (which will see an upgrading of the railways network, housing, education and healthcare) announced in late 2008 starts to work its way through the business sector.

The second beacon can be broadly described as policy response. There continues to be a consistent and concerted effort by Governments and central banks worldwide to stimulate economic activity with the aim of protecting and creating jobs. There is a realisation that you simply can't sit back and watch events unfold. Influence and action is necessary. The monster US stimulus package (at last count \$US 787 Billion!) has become more refined since it was first floated in October last year. Spending will focus on infrastructure, schools and creating "green" jobs in the energy field. Tax cuts are also providing an immediate boost to people's pay packets. Here in NZ, John Key has accelerated a number of state housing, roading and educational sector plans in a half billion dollar package to boost the local economy.

It is also heartening to see the "right things" being done. As an example, President Obama has publicly stated that General Motors (GM) should not be saved from bankruptcy. Whilst it would be terrible to see tens of thousands of people lose their jobs, you simply cannot keep pouring money into a black hole. The firing of GM's Managing Director was a warning shot that bosses must make the tough strategy and restructuring decisions or else be held accountable.

## A Word From Your Investment Team cont.



### So what does your portfolio look like?

The graph depicts the current asset allocation for the fund. We continue to hold higher than traditional levels of cash in the Fund. We are steadily increasing our weighting into shares as more evidence continues to emerge to support our conviction that shares are oversold and represent attractive long term buying.

### Are we at the bottom?

Not even Nostradamus knows the answer; and unfortunately by the time we all realise the market has bottomed, it will be too late as prices will already be heading upwards. Regardless of how long the bottoming process takes regular investments into your KiwiSaver account will allow you to participate in the eventual share market recovery and you won't kick yourself for missing out.

## New Fund Coming Soon!

We are excited to announce that as part of our ongoing efforts to enhance our KiwiSaver offering for members, we will be launching another KiwiSaver fund in late May/early June. The new fund will provide members with a more conservative investment option. Members will be able to elect to invest their KiwiSaver savings in either our growth fund, conservative fund or across a combination of both (effectively allowing a more balanced investment approach).

Whilst we firmly believe that growth assets are best suited for long term savings plans and that right now they do present a great buying opportunity and better long term return potential, we're cognizant that many of you would like greater investment flexibility as you move through your investment life cycle.

The conservative fund will have a greater emphasis on capital preservation than capital growth, so will hold lower risk assets such as cash, fixed interest, infrastructure and bonds.

If you think that this new fund might be of interest please let us know by emailing us at [kiwisaver@fisherfunds.co.nz](mailto:kiwisaver@fisherfunds.co.nz) or calling us on 0508 FFKIWI. We'll be sure to provide you with further information when it is available.

## Employer contributions not tax free for under 18's and over 65's

Hidden amongst the recent changes to KiwiSaver employer contributions was some fine print that affects members under 18 and over 65 who receive employer contributions. If you are under 18 and over 65 and receiving employer contributions, these contributions will no longer be tax free. The reasoning provided by Government is that your employer is only obligated to make employer contributions for those between the ages of 18 and 65. This does seem unfair and inconsistent with the savings culture that is being encouraged by KiwiSaver. However, KiwiSaver still offers real benefits, regardless of your age and stage, not least being the \$1,000 kickstart.

## Our website gets tick from Morningstar

Morningstar, an independent research house within the managed funds industry, recently visited Fisher Funds and informed us that they rated our KiwiSaver website as the best of all KiwiSaver providers. They found the site aesthetically appealing, easy to navigate, information was presented in a simple to understand fashion and a strong educational focus was to the fore. Now the benchmark has been set we do intend to continue to enhance its service offering to members. Be sure to keep logging on.

# PIE tax statements

In the next 4 to 6 weeks you can expect to receive your PIE tax statement for the tax year ended 31 March 2009. There is no need to include this information in your personal tax return as under the PIE tax regime the fund takes care of any tax obligations with the IRD on your behalf. If you were due a tax refund, we will claim this from IRD and buy units in the fund on your behalf. If you owe tax to IRD, we will sell down some of your units and pay this to IRD on your behalf.

As a reminder under PIE legislation, investors benefit from:

- No tax on gains in New Zealand shares and certain Australian shares
- Investors are taxed at their marginal tax rate with a maximum of 30%.

## Fund Performance

Fund Pre-tax Returns	1 month	3 months	6 months	12 months	Since fund inception (Oct 07)
KiwiSaver	1.7%	2.85%	-12%	-16.2%	-27.8%

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](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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