

Nest Egg News

– Your KiwiSaver Update

NOVEMBER 09



At a glance

As at 31 October 2009

Unit Prices	
Conservative:	\$0.9998
Growth:	\$1.0039
Performance (October 09)	
Conservative:	-0.07%
Growth:	1.7%

In this issue we take a look at the bi-polar US economy, how it affects the rest of the global economy and how share markets can be impacted. We also explain the economic concept GDP and give you a subtle reminder to vote for us in the People's Choice KiwiSaver Communication Award. Read on...

A Word From Your Investment Team

"We're having a jobless, homeless, loanless, and maybe a recoveryless recovery, in an economy only a mother could love." Rick Newman, US News correspondent

Heading in to October we looked forward to impending profit results and annual shareholder meetings providing a catalyst for market performance, and company performance. A month on, it's fair to say that the profit results and management commentaries offered little in the way of catalyst, with economic news (or the anticipation of it) taking centre stage instead.

The economic news in New Zealand was a bit of a sideshow to the main act in the US, and while the wild ride of the New Zealand dollar copped some attention, it was the bipolar nature of the American economic recovery that drove markets. Early in the month we had news that US GDP growth was better than expected and was similar even to "normal" times. Unfortunately subsequent news releases confirmed that this economic growth spurt was largely due to the government's free and easy spending, rather than it being a sign that consumers were perkier or businesses were more productive. Company profits released during the month were not bad, however the growth in profits didn't tend to come from the companies selling more goods or hiring more staff. To the contrary, unemployment numbers continued to increase and much of the improved profitability came from cost-cutting.

Of course, as investors in the New Zealand, Australian and international share markets, we know that the US is only part of the story, but markets and economies have become so interconnected that if the US economy falters, we all feel the effect. Thus, although China announced a great GDP number during October, and the Australian economy maintained its momentum to the extent that interest rates were lifted so that growth didn't take off too fast, the US economy, the economy that only a mother could love, remained the focal point.

The mood swings of investors were not only about economic news releases. After eight months of share market rallies, the

murmurings about double dips and markets "giving back their gains" have grown to a crescendo. Investors have become nervous that markets have lifted too far, too fast, and they don't want to be the last man standing if markets fall back to levels seen earlier this year. Newton's law says what goes up must come down. Some investors have extended this law way beyond its original purpose as an explanation of gravity to use it as an explanation of share market trading patterns. This doesn't necessarily make sense, but it becomes easy to believe if enough people say it.

Our view is that this is not the time for sweeping generalisations about the market. While some stocks and some markets might have rallied too far, others remain undervalued. Some businesses and economies are faring better than others right now and will likely see growth before the rest of the world catches up. Rather than looking to the sky for signs that it's about to fall on our heads, we should be looking at the ground, rolling over stones, and digging in the undergrowth for those businesses that will do well in the years ahead, despite the ambiguous economic recovery.

The top two performing stocks in your portfolio last month are great examples of companies that are prospering and that our individual stock performances can be completely different than the market. Australian company Vision Group, lifted 32% over four weeks after management made positive statements at their annual shareholders meeting; and China Automation lifted 25% after winning another round of contracts that assures future profit growth. These are large price movements in a month where world share markets hardly moved. These large price movements, which are generally related to something going on within each company, rather than to the market overall, will determine whether our funds perform over time. Because of this, we do not need to waste time and energy predicting the next market dip. We agree with renowned investor Peter Lynch who once said "If you spend more than 13 minutes analyzing economic and market forecasts, you've wasted 10 minutes!"

What is GDP?

GDP is a term you'll hear a lot when economic commentators are talking about the health of a country's economy. GDP stands for Gross Domestic Product. It represents the total dollar value of all goods and services produced over a specific time period; in essence outlining the size of the economy. Usually, GDP is expressed as a comparison to the previous quarter or year. For example, if the year-to-year GDP is up 3%, this means that the economy has grown by 3% over the last year. Negative GDP growth is typically associated with recessions and this is what we have experienced over the last couple of years.

If we look at recent GDP figures for a few countries it paints an interesting picture about how each of these economies is faring. In NZ, GDP rose 0.1% for the quarter ended June 09 ending five consecutive quarters of

GDP contraction and technically lifting us out of recession. In Australia, GDP grew by 0.6% for the same period (accelerating from 0.4% in Q1 2009) with investment growth a real highlight. Adding to the upbeat flavour the Australian unemployment rate came in unchanged at 5.8% and the NAB business confidence survey rose to +4, up 3 points for the month, and well off the -20 lows. Lastly, GDP in China increased a staggering 8.9% for the quarter ended September 09. This economic growth has been fuelled by their booming middle class and Government stimulus package designed to dampen the impact of a drop in exports as western demand dried up. A real juggernaut and a clear pointer to global economic growth in the years ahead.

Peoples Choice KiwiSaver Communication Award

Further to the email we sent out recently Workplace Savings NZ (formerly ASFONZ – *the voice of workplace super*) has introduced a "Peoples Choice KiwiSaver Communications Award", to be voted on by the KiwiSaver public, into its 2009 Communication Awards programme.

KiwiSavers can now vote for the KiwiSaver Provider that they believe has done the best job of communicating with its members. That communication could have taken any form – printed materials such as an Investment Statement or Annual Report, as well as campaigns undertaken to generally inform or educate KiwiSavers.

The winning KiwiSaver Scheme will have the highest score, calculated using vote numbers divided by the Scheme's member number as at 30

September 2009 and after consideration of the actual feedback received from the moderated NZ Herald Online KiwiSaver blog.

Fisher Funds prides itself on open, honest and regular communications with KiwiSaver members. We think that our all round communications (newsletters, regular statements, annual reports etc) are up with the best of the KiwiSaver providers and we hope that you, our members, share our view.

We'd love you to vote for us. Simply go to our KiwiSaver homepage and click on the Vote for us button.

Fund Performance

Fund Pre-tax Returns	1 month	3 months	6 months	12 months	2 years	Since fund inception*
Growth	1.7%	8.8%	22.4%	41.2%	-0.4%	0.19%
Conservative	-0.07%	0.2%	n/a	n/a	n/a	0.0%

* 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.



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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