

Nest Egg News

– Your KiwiSaver Update

SEPTEMBER 09



At a glance

As at 31 August 2009

Unit Prices	
Conservative:	\$0.9994
Growth:	\$0.9581
Performance (August 09)	
Conservative:	0.1%
Growth:	3.8%

The investment team had plenty to get their teeth into during August with more than forty profit results and other announcements to analyse. Overall, it was a good reporting season and pleasingly your portfolio companies continue to perform strongly in what remains a very difficult economic climate for most. By month's end the Growth fund had risen 3.85% again making it one of the better performing KiwiSaver funds during the month. It has been a staggering year for the portfolio with our 6 month performance now sitting at 34.9%. In this month's issue we reflect on some of the key company announcements from our NZ and Australian companies and some of the themes that have arisen from the results. Ken also shares some insight into purchasing Chinese companies and why we "Buy Chinese companies, not Chinese stocks". We will tell you how you can now monitor KiwiSaver performance on a weekly basis and we touch on our forthcoming roadshow that we would love to see you at. Read on....

A Word From Your Investment Team

Your investment team looks forward to August as it is one of those months where our companies report profit results to the market and provide us with figures and commentary to review, together with further insight into how each business is faring. This year we can place a tick next to the majority of results as overall, it was a good reporting season, and our companies demonstrated they could manoeuvre through this difficult economic environment and position themselves well for the inevitable recovery.

Our New Zealand and Australian portfolios contributed nicely to August's performance whilst the International portfolio remained flat after currency weakness detracted from the share price gains of our individuals stocks. The NZ Portfolio return for the month was ahead of both the NZ50G INDEX (+2.7%), and the Mid Cap Gross Index (+1.2%) with Mainfreight, Ryman Healthcare and Pumpkin Patch being the major positive contributors.

In New Zealand, August featured profit results from companies with June balance dates and Annual Shareholder Meeting comments from companies with March balance dates, so there was significant news flow to digest. Generally we were happy with the results / news, with some common themes emerging. Those companies with major Australian operations (Michael Hill International, Mainfreight and Delegat's wine Australian exports) tended to trade significantly better than their NZ operations

(with similar expectations for Pumpkin Patch), capital expenditure has been reigned in, net debt levels are generally down year-on-year (and banking relationships have improved), whilst earnings guidance was seldom given due to unusually uncertain outlooks.

Results were also in for our Australian companies during August and by and large, results were better than expected. We feel our companies scored B's and C's (with an occasional A) in what was one of the most demanding examinations of their business models that they will ever face. The leading contributors to performance for the month were Aevum (+43%), Pipe Networks (+23%) and Centrebet (+26%).

Last month we mentioned that we had positioned the Australian and International component of your KiwiSaver portfolio more defensively and this has remained the case during August. It is important to remember that we are 'active' managers and are constantly looking at the structure of the overall portfolio and the weightings of the 60-odd businesses that make up the portfolio. It is important to lock in some of the significant gains achieved over the past 12 months. Share markets remain volatile so we continue to closely monitor the portfolio with the intention of using this volatility to maximum effect in creating wealth for you over the longer term.

2009 Fisher Funds Roadshows

Every year Fisher Funds enjoys getting around the country for our annual roadshow, to meet many of you and provide an update. Many of you will have attended one of these in the past but we also know we have a large number of new clients who have not experienced one of these events. We believe this is a great opportunity to meet face to face with the team and hear about your KiwiSaver portfolio. It has been an interesting 12 months for global sharemarkets to say the least so it would be great to have you along to hear the team talk about the last year and how they are positioning your investments for the future. We think you will find the presentation of real value so look out for your invite in the next week. This event is popular so please respond early – we look forward to seeing you.

Made in China?

Following on from our update on Ken's trip to China, we wanted to give further insight to our process of investing in China as it is a less straightforward region than others! China has proven that it is leading the world in economic growth as the shift of wealth and economic power from the West to the East continues. But before you jump into investing your money into one of the world's fastest-growing economies, make sure you know what you are buying. If you remember nothing else remember these six words: **"Buy Chinese companies, not Chinese stocks."** It is important to be aware that there are different ways to buy Chinese companies.

1. Chinese A & B shares: listed on the Chinese exchanges in Shanghai and Shenzhen where trading is dominated by local investors. These markets tend to be volatile and can be impacted by many non-fundamental factors. For example, there is speculation that some money from accelerated bank lending has made its way into the stock market.
2. Hong Kong: there are more than 1,100 companies listed in Hong Kong. A number of these have a dual listing in China and Hong Kong with the China listed stock, on average, trading at a 40% premium to the exact same company listed in Hong Kong.
3. There are also a wide range of Chinese companies listed on the Singapore exchange and more recently the US exchanges. We only purchase companies listed on the developed exchanges such as Hong Kong, Singapore and the US. The main reason for this is that we find the quality is higher and the price or valuations are lower. Why would you pay a 40% premium just to buy on the local Chinese exchange especially when there are restrictions on the free flow of capital?

For example, the Hong Kong stock exchange has been around since 1891 and is regarded as the gateway to Asia given its strong links to both the west and east. It has deep, liquid and transparent capital markets with strict regulations and enforcement. Buying a company based in China but listed in Hong Kong gives you the best of both worlds – you can tap into the Chinese economic growth engine while ensuring that the stock is of the highest quality.

With these points in mind, it is most important to do your homework. That is why we thoroughly research the businesses in which we invest and travel frequently to Asia to meet with the Chief Executives of the companies we own.

And finally, just because you hear that the Chinese stock market is down it doesn't necessarily mean that our Chinese stocks are also down. The Hong Kong and Singapore markets are better proxies, but the reality is that we own a selection of hand-picked companies. During August, the Chinese stock market was down 21% while the Hang Seng Index in Hong Kong was down 'only' 4%. Of the 14 Asian companies we own the average stock price was up 5%.

Comparing KiwiSaver Provider performance

Those of you who read the Sunday StarTimes will have recently noticed a new weekly table provided by research company Morningstar that summarises information of the majority of KiwiSaver providers. We obviously provide you with up to date details of our scheme through these monthly newsletters and our website but we would encourage you from time to time to check out the stats from Morningstar as it is a great way to compare key facts between the providers. The data compares the size of the individual funds, current unit prices and a range of performance figures. Pleasingly we remain top quartile performers..

Fund Performance

Fund Pre-tax Returns	1 month	3 months	6 months	12 months	Since fund inception*
Growth	3.8%	11.5%	34.9%	5.4%	-4.1%
Conservative	0.1%	n/a	n/a	n/a	-0.06%

*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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