

Nest Egg News

– Your KiwiSaver Update

FEBRUARY 09



At a glance

As at 31 January 2009

Unit Price	\$0.7179
Fund Size	\$48.1M
Performance (Dec08 & Jan09)	2.98%

The glorious summer skies and warm temperatures we have experienced in December, January and now into February haven't quite transcended into world share markets which remain, at best unenthused and on bad days, quite despondent. Global share markets began 2009 with a positive attitude and it felt for a few weeks as if investors were willing share prices to rise, just to convince us all that 2008 was well and truly over and a new year has brought new hope. Your KiwiSaver portfolio has enjoyed a positive couple of months, lifting nearly 3% in value over December and January. The increase has been driven by a combination of strong stock performances (Centrebet and Pipe Networks in Australia and Wellstream and Raffles Education internationally) and a currency gain as the Kiwi has depreciated against both the US and Australian dollar. Markets remain volatile and a clear trend has yet to be established, but February 2009 certainly has a better feel than February 2008. In this issue we profile one of your portfolio companies and revisit the benefits of dollar cost averaging. Read on...

A Word From Your Investment Team

It has been a few issues since we profiled a company in your KiwiSaver portfolio. One of our more recent additions is Wellstream, a UK based company. Without being patronizing – a warning for the girls – the females on our team have suggested that Wellstream might indeed be a brilliant company, but it really lacks the 'x'factor, so you may like to skip to page two!

Wellstream, is a leading designer and manufacturer of high quality bespoke flexible pipeline products, systems, and solutions for fluid transportation. Their products are primarily used for offshore transport of oil and gas well fluids (the picture is a good example of one of their fluid transportation solutions used to carry fluids on the seabed).

Demand for Wellstream's products is driven by the increasing shift of oil exploration to deepwater where flexible pipe is better suited than traditional pipe. The flexible pipe market currently accounts for only about 5% of all offshore pipes but is growing much more rapidly than the overall market. The flexible pipe market has grown from \$243m in 2003 to over \$1.4bln in 2007. Wellstream's flexible pipe products have to be built to withstand incredible pressure and wear from the climate. To do this, their entire pipe undergoes substantial testing and a lengthy qualification process. Wellstream is one of only a handful of companies in the world that have the capability to produce pipes which fit the qualifications necessary in this market.

The company has significant exposure to the fast growing South American market where they recently opened a manufacturing

facility near Rio de Janeiro in Brazil. We recently met with their largest customer, Petrobras, who outlined a capital expenditure program for the next 5 years. This program includes significant growth in spending on exploration activities where Wellstream's products will be used giving them significant visibility into future growth. Wellstream's share price suffered during the turbulent months of September and October, which has enabled us to add to our position at very attractive prices.



During February a number of our companies will be reporting their latest profit results to the market and they will also be talking about how they view the outlook for their businesses in this challenging period. We will obviously be taking a keen interest in these and will provide a summary for you in our March newsletter.

Dollar Cost Averaging

A number of members have asked us about how changes in the unit price affect their own account. We thought that all members would benefit from a meaningful explanation to this question.

The following example demonstrates how KiwiSaver investors can benefit from market weakness and consequently buy good quality assets at effectively “on-sale” prices.

Let us use the example of “John” who joined KiwiSaver on 1 July 2008 and enrolled in the Fisher Funds Growth KiwiSaver scheme. John is self-employed and has contributed \$100 at the start of each month by direct debit. To date, he has personally contributed \$800 to the scheme and the Government has contributed \$1,020. The Government will also top up his account with a member tax credit payment of \$1,040 following the end of the current KiwiSaver year. Whilst the KiwiSaver unit price has dropped by just under 19% from July 2008 to the start of February 2009, the dollar value of John’s KiwiSaver fund is down only 10.7%. By contributing regularly, John is benefiting from what we call dollar cost averaging. For most of us, we can’t possibly know when the right time to invest is, but by contributing on a regular basis we can reduce the risk of getting the timing wrong and get more for our money in periods of volatility. Sometimes John buys more units at a cheaper price, other months he buys fewer units at a higher price, but over time it averages out and he can take advantage of the dips in market values from time to time. In spite of the market volatility of late, John’s account is currently worth \$1,613.04, a 202% return on his \$800 invested.

John still has another four years until he reaches 65 so what he has contributed to date is only a small fraction of what he will ultimately contribute. Each monthly contribution John makes into KiwiSaver now buys more shares in great companies at \$0.72 than he would get at a \$1.00 unit price, so John will benefit even more as these shares rebound and the returns compound over the years ahead.

We have used a self-employed person to demonstrate this as there are too many subtleties that relate to an employed person’s flow of funds. But the same impact, with the addition of employer contributions, will be evident.

John's KiwiSaver Account Transaction History				
Date	Transaction Description	Value	Unit price	Units
1/07/08	Regular contribution	\$100	\$0.8869	112.7523
31/07/08	Account fee	-\$2	\$0.8960	-2.2321
1/08/08	Regular contribution	\$100	\$0.8957	111.6445
29/08/08	Account fee	-\$2	\$0.9090	-2.2002
1/09/08	Regular contribution	\$100	\$0.9141	109.3972
30/09/08	Account fee	-\$2	\$0.8212	-2.4355
1/10/08	Regular contribution	\$100	\$0.8206	121.8621
1/10/08	Kickstart & fee subsidy	\$1,020	\$0.8206	1,242.9929
31/10/08	Account fee	-\$2	\$0.7109	-2.8133
3/11/09	Regular contribution	\$100	\$0.7232	138.2743
30/11/08	Account fee	-\$2	\$0.6971	-2.8690
1/12/08	Regular contribution	\$100	\$0.6918	144.5504
31/12/08	Account fee	-\$2	\$0.7024	-2.8474
5/01/09	Regular contribution	\$100	\$0.7223	138.4466
31/01/09	Account fee	-\$2	\$0.7179	-2.7859
2/02/09	Regular contribution	\$100	\$0.7199	138.9082
				2,240.6451
Member contributions		\$800		
Government contributions		\$1,020		
Account Fees		-\$14		
		\$1,806		
Dollar value of KiwiSaver account 2/2/09				\$1,613.04
Dollar value as % of contributions				89.3%

Mortgage diversion now available

We are pleased to confirm that we are now able to offer the mortgage diversion facility (MDF) to qualifying KiwiSaver members. This is an attractive feature of KiwiSaver because you can use your long term savings plan effectively to build a long-term nest egg while reducing your mortgage at the same time.

MDF, in short, allows you to divert up to half (no more than 50%) of your employee contributions towards paying off your mortgage. The following criteria relating to your mortgage and KiwiSaver membership need to be satisfied in order to qualify for MDF.

Member Eligibility

MDF is available to a KiwiSaver member at any time after 12 months have expired since the earlier of:

- (i) the date that the IRD received the first contribution in respect of the member; and
- (ii) the date that the relevant KiwiSaver scheme provider received the first contribution made for the member’s benefit to the scheme.

Mortgage Eligibility

The following rules govern whether a mortgage qualifies for participation in the mortgage diversion facility:

- The mortgage must be over the mortgagor’s principal residence and must secure obligations in respect of the mortgagor’s principal residence, whether or not the mortgage also secures other obligations.
- Mortgage diversion is not available where the family home is in a family trust (because the trustees, not the mortgagor, are the mortgagors) or a Loss Attributing Qualifying Company (LAQC)
- The facility is available for new and existing mortgages.

Mortgage diversion now available continued

- Contributions diverted from the member's KiwiSaver scheme may only be applied to the payment of amounts (including principal, interest or any other amounts payable) that are owing under the home loan facility secured by the qualifying mortgage
- The member must not be able, without making specific application to the mortgagee to access, withdraw, or redraw (as applicable) the amount of any diverted contributions.
- To avoid doubt, the above restrictions apply even if the home loan facility-
 - a) is a reducing revolving credit contract; or
 - b) permits amounts that have been paid by that person over and above any repayment amount or minimum payment amount

specified, or amounts that have been paid in advance of any specified schedule of repayments, to be accessed, withdrawn, or redrawn or otherwise advanced to that member (if applicable).

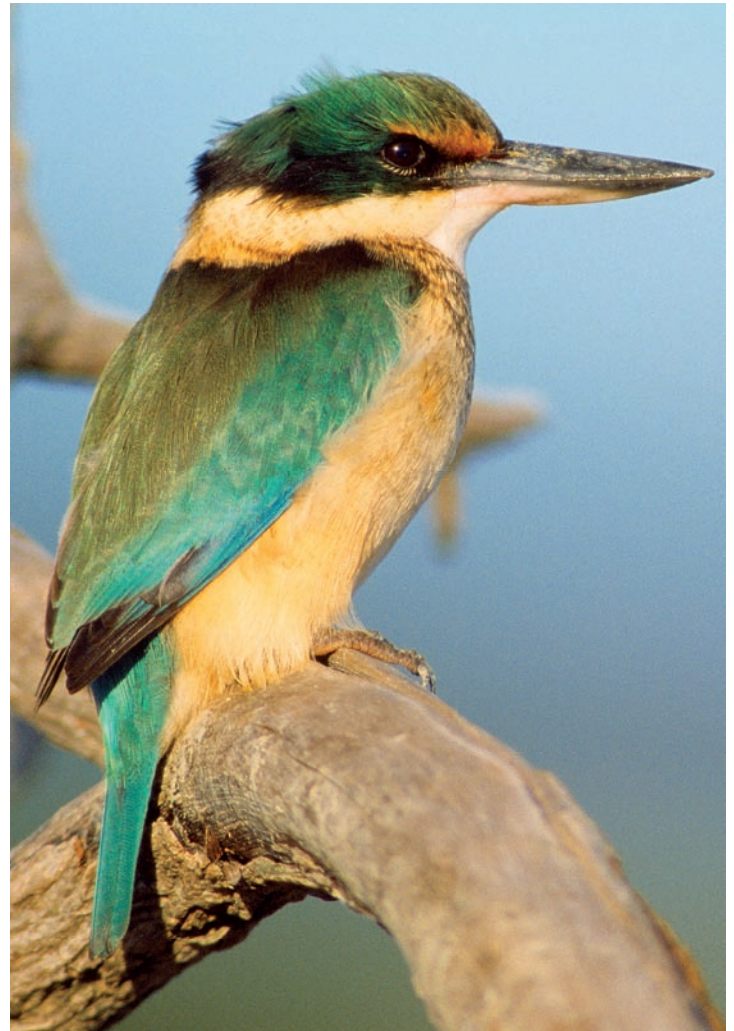
Fisher Funds does not charge a fee for offering MDF. However, your mortgage lender may charge a fee so it pays to check with them.

If you want to find out more about MDF and how it could work for you, please email kiwisaver@fisherfunds.co.nz and we'll send you a comprehensive information pack. Alternatively there is a dedicated section on MDF on our website that you can review. Our Client Services team is also available to answer any questions you may have.

Fund Performance

Fund Pre-tax Returns	1 month	3 months	6 months	12 months	Since fund inception (Oct 07)
KiwiSaver	2.2%	1%	-19.9%	-20.9%	-28.2%

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 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 www.fisherfunds.co.nz/kiwisaver

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