

Nest Egg News

– Your KiwiSaver Update

JULY08



It is incredible to think that KiwiSaver has turned 1 year old! The first year has absolutely flown by and uptake of KiwiSaver has surpassed all expectations. We have nearly 14,000 members in our Scheme and enquiry levels continue to be strong. Thank you for your support and for recommending us to others. Whilst the markets have been turbulent to say the least we do know that the buying opportunities being presented to us is allowing us to position the portfolio for long term growth.

At a glance

As at 30 June 2008

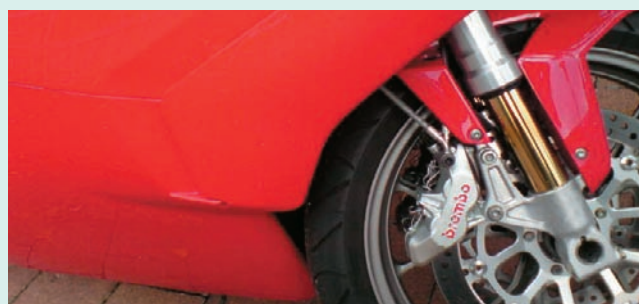
Unit Price	\$0.8918
Fund Size	\$30.6M
Performance	-4.0%

A Word From Your Investment Team

The KiwiSaver portfolio grew in value by 3.4% over the quarter to June which, given overall market conditions, was pleasing. April and May were strong months but share prices were depressed in June as investors worried about rising inflation, higher oil prices and slowing economies. The softening in sharemarkets represents a real opportunity for members, as our portfolio companies look very cheap and we are confident they will grow comfortably in excess of market earnings growth rates. Warren Buffett once said "Be greedy when others are fearful and fearful when others are greedy". That is exactly how we are navigating through this volatile period.

During June, we added a couple of exciting new companies to your KiwiSaver portfolio; Wakefield Health and Brembo. Wakefield Health provides private surgical and medical health services in the Wellington and Hawkes Bay regions. The favourable demographics of New Zealand with an aging, active and aware population provides continuing growth opportunities in the private surgical hospital sector over the long term. To maximize these growth opportunities, Wakefield is investing in their existing facilities, particularly with a major redevelopment and expansion of Bowen Hospital and the addition of another operating theatre at Wakefield Hospital. Acquisitions or mergers are also being considered to grow Wakefield's presence in other NZ regions. These strategies, we believe, will enable the company to continue to grow profits strongly over the foreseeable future.

Those of you who are motor enthusiasts may be aware of Brembo and what a great product they produce. Brembo is a global leader in high performance braking systems. The majority of sales come from high end cars (customers include Ferrari, Audi, Porsche, Mercedes-Benz) and motorcycles (customers include Ducati, Harley Davidson). The company recently announced its first contract with BMW and are also expanding into the U.S, a relatively new and underpenetrated market for the company. These two incremental growth drivers combined with a loyal customer base and a long history of earnings growth excites us. Retailers use the presence of Brembo in their product as a key selling tool and many people simply refuse to use anything else. A walk down Takapuna's main street the other day reinforced this and we snapped this pic of a Ducati proudly sporting Brembo brakes.



Member Tax Credits Update

Fisher Funds will be claiming the member tax credits (MTC) for the 2007/2008 KiwiSaver year on members' behalf during July. IRD have 30 days in which to process the claim and send payment back to us to invest in your KiwiSaver account. The MTC will be noted as a separate transaction on your statement so you can clearly identify this amount.

Selecting Great Companies

This month we follow on in our series introducing you to our investment analysis framework STEEPP by taking a look at the first P – People.

When assessing the merits of investing in a company we place the utmost importance on the people involved. Great management to us means two things – vision and the ability to execute on that vision.

Bevan Slattery, the CEO of Pipe Networks embodies both of the factors that make great managers. Bevan's strength in building Pipe Networks has been in seeing the opportunities thrown up by changes in the shape of the telecommunications industry and creating value for shareholders in the process. A good example of this is when local loop unbundling occurred in Australia. Bevan had the vision to recognise that this would mean the smaller Internet Service Providers (ISP) and telcos would want to bypass Telstra's expensive fibre optic network. By working with a number of firms Bevan was

able to cobble together a consortium to finance the building of Australia's third largest metropolitan fibre optic cable network. In the process of doing this he opened up new, profitable business opportunities for Pipe as a leading "dark fibre" provider and created more than \$90m of value for shareholders in Pipe. The vision to see opportunities in changing market conditions and the talent to pull together a team to deliver results are the marks of a top quality leader and are what we look for in the CEOs of companies we invest in.

Before we invest in a company we always visit the company and meet with the management team. We pride ourselves on the strong relationships we forge with our portfolio companies and it is a big part of the recipe of ensuring that we know more about their business than anyone else.

Mortgage Diversion Delayed

In late June the New Zealand Banker's Association advised that banks would not be processing mortgage diversion applications until August. This is while the Banker's Association and IRD resolve ambiguity in the mortgage diversion legislation that would unwittingly exclude large numbers of KiwiSaver members from being able to participate.

We now intend to update our KiwiSaver website with all the in's and out's of mortgage diversion in late July closer to it being available.

Quarterly Statements

Despite the best efforts of our administrator, the quarterly statements were posted later than we initially advised and much later than we had hoped. This was a one off delay and we will be reverting to our normal quarterly

statement cycle from here. You'll also be pleased to know that we are currently developing an online access facility that will enable you to view your account balance and transaction history etc. This will make life easier for everybody! We hope to be able to deliver this later in 2008 and we will keep you updated on developments.

Tax Statements

We are also sending tax statements to all members this month. There is nothing you need to do with this tax statement – it's for your records. You do not need to include it in your tax return (if you are one of the few that file a tax return) and it will not require you to file a tax return if you don't otherwise need to. However, if you have advised us of the wrong Prescribed Investor Rate (PIR) (this is the PIE tax rate used) the IRD may contact you about that. Please check your tax statement and if your PIR has changed, or is incorrect, please let us know.

A New KiwiSaver Year!

If you've been reading our newsletters over the past few months, then hopefully you are aware that July 1 2008 marked the start of the second year of KiwiSaver. The Government matches your contributions up to \$20 per week from 1 July to 30 June. For those of you who aren't working or are self employed you can now put your annual contribution for the second year into the Scheme. You can make payment by either sending us a cheque (made out to Fisher Funds) or by transferring the money direct into our bank account:

Fisher Funds – BNZ – 02-0500-0799760-001

Please ensure you enter your member number, IRD number and surname in the reference fields so we can identify your funds and allocate them to your account.

Don't forget, we also have a direct debit facility available allowing you to contribute on a regular basis. This takes away any emotions about when is the best time to invest as you benefit from dollar cost averaging. The direct debit form can be downloaded from our website or we can post a copy to you.

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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