

Nest Egg News

– Your KiwiSaver Update

NOVEMBER08



At a glance

As at 30 September 2008

Unit Price	\$0.7109
Fund Size	\$40M
Performance (October)	-13.4%

We decided to wait until after the NZ election before writing this month's issue as the outcome was going to potentially have an impact on the shape of KiwiSaver as we know it today. Under a National led Government, changes will be made to KiwiSaver. We have included a section specifically focusing on the proposed changes and how they may affect you along with our usual features.

A Word From Your Investment Team

The volatility that emerged in mid September continued throughout October. The Dow Jones fell 14% in October, its biggest monthly percentage fall in 10 years, in spite of lifting 11% in the final week, its biggest percentage gain for 38 years.

Despite this record fall (and not discounting the poor unit price performance for the month), a large number of your KiwiSaver portfolio companies released really positive news to the market, giving us confidence that your companies continue to be well run and are still executing their plans. Just because their share price has fallen, doesn't actually mean they have dropped the ball – the market will recognise this at some point! We've highlighted just a few for you:

Delegats (NZ) – we visited the company in October and management indicated that first quarter case sales are still very strong into exports markets at higher price points than last year. Its key brand, Oyster Bay, has also recently become the number one selling Sauvignon Blanc label in Australia – always nice to trump the Aussies on their home turf!

Pipe Networks (Aus) – reconfirmed its full year guidance at its AGM of profits in excess of \$11M equating to NPAT growth in excess of 50% over the prior period.

Icon PLC (Ireland; healthcare company that provides specialized services in clinical trial management) announced yet another better than expected earnings result with operating earnings growing 45% year over year.

Conceptus (US; a "new" permanent birth control system for women) the company reported its first ever profit and it was ahead of expectations. This is typically a big catalyst and the stock rallied more than 50% as a result.

Hyflux (Singapore; one of Asia's largest water treatment companies) reported earnings ahead of expectations, growing 160% over last year. Management remains optimistic due to growing orders and requests from Chinese municipalities to accelerate projects.

Blog Feedback

A quick thank you to those of you who provided comments on our blog on National's proposed KiwiSaver changes. It's always interesting to read different points of view. To those of you who wanted us to compare the dollar impact of KiwiSaver as it is today and National's proposed scheme at retirement, we'll endeavor to do this in coming months – we ran out of room this month!

KiwiSaver under National

National has proposed to make the following four changes to KiwiSaver effective 1 April 2009.

Introduce a minimum employee contribution rate of 2%

The current minimum employee contribution is 4% of gross salary or wages. Members will still be able to contribute at this rate or 8% (the other option already available).

Cap compulsory employer contributions at 2%

Employers were required to contribute 2% from 1 April 2009 anyway but the subsequent yearly 1% increases in 2010 and 2011 will not go ahead. Employers will be free to contribute more than the minimum they are required to under the scheme – some employers already do this.

Discontinuing the employer tax credit

The employer tax credit, paid by the Government directly to employers, currently matches the compulsory contributions that employers are required to make – up to \$1,040.

Repealing the recent ERA Amendment

A recent amendment to the Employment Relations Act was rushed through Parliament (without public consultation) prior to it winding up for the election campaign. This amendment effectively rules out some arrangements which have been negotiated between employees and employers, as the KiwiSaver rules permit, whereby:

- The employer makes matching contributions to KiwiSaver accounts, as the scheme requires.
- In the interests of workplace fairness and harmony, the employer also gives an equivalent pay increment to their non-KiwiSaver employees.

National will allow such arrangements to continue to occur, if they are negotiated between employers and employees in good faith, and if employers are fulfilling their obligations to make KiwiSaver contributions.

However, to allay fears that some KiwiSaver members could appear to be taking a pay cut to join KiwiSaver, National will also amend the KiwiSaver

Act to make it clear that no employee can have their gross taxable pay reduced as a consequence of joining KiwiSaver.

So what does this mean for members?

The proposed changes affect employees only. KiwiSaver for the self employed, under 18's and not employed remains exactly as it is today. All KiwiSaver members will still receive the kickstart when they join, \$40 per annum fee subsidy and member tax credit up to \$1,040 per annum. National has also promised to keep the first home deposit subsidy (to those who are eligible).

The table below highlights what contributions will be made every year to an employees KiwiSaver account from 1 April 2009:

Income	Employee Contribution (4%)	Employer Contribution (2%)	Member Tax Credit	Fee Subsidy	Total
\$40,000	\$1,600	\$800	\$1,040	\$40	\$3,480
\$60,000	\$2,400	\$1,200	\$1,040	\$40	\$4,680
\$80,000	\$3,200	\$1,600	\$1,040	\$40	\$5,880
\$100,000	\$4,000	\$2,000	\$1,040	\$40	\$7,080

Even with the proposed changes, KiwiSaver remains a very generous scheme in which to participate and save for your retirement.

What happens next?

National's proposed changes to KiwiSaver need to be legislated via the parliamentary process. No timelines have yet been given but this will need to be completed prior to 1 April 2009 and will obviously require majority support in the House. We'll keep you updated with developments as they occur.

Fund Performance

Fund Pre-tax Returns	1 month	3 months	6 months	Since fund inception (Oct 07)
KiwiSaver	-13.4%	-20.7%	-21.1%	-28.9%

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 our KiwiSaver website at the following page:

<http://www.fisherfunds.co.nz/kiwisaver/kiwisaver-growth-scheme.asp>

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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