

Nest Egg News

– Your KiwiSaver Update

SEPTEMBER08



At a glance

As at 31 August 2008

Unit Price	\$0.9090
Fund Size	\$43.8M
Performance (August)	1.5%

As we mentioned in last month's newsletter, August saw the majority of our companies report their profit results to the market. It is a welcome opportunity for investors to change their focus to the companies themselves (eg. How have they performed compared with expectations? What is the outlook for the next 12-18 months?) rather than being preoccupied with bigger global issues that affect share market sentiment each day. As you'll read below, your KiwiSaver portfolio emerged from the reporting season in great shape and is well positioned for future growth.

A Word From Your Investment Team

Overall, the investment team was extremely pleased with the quality of profit results reported – there is a noticeable spring in the step of everyone in the office! Whilst there is no doubt that our companies are operating in a very challenging environment, the results released in August confirmed that their business models are robust, management teams continue to execute well and have been able to adapt where necessary. It was encouraging to see markets respond rationally to the results season, with share price increases for those companies that reported in line with or above expectations.

As you will have read in this newsletter before, the key thing we look for from our companies is earnings growth. If a company achieves average annual earnings growth of 15% it will double its earnings in 5 years. If a company consistently grows its profits, its share price will ultimately follow. The table below summarises the average earnings growth achieved across the companies that reported in the KiwiSaver portfolio.

Portfolio	Average Earnings per Share Growth (EPS)
New Zealand	33%
Australia	40%
International	28%

As you can see, on average your companies comfortably exceeded the 15% benchmark that we aim for. With over 60 company announcements in August there are too many results to go through individually so we have highlighted several across the portfolio.

New Zealand

Delegats reported a 77% increase in earnings, largely driven by selling each case of wine for more than expected (achieving a 38% premium over the industry standard) and continuing growth in key export markets. Its Oyster Bay label holds the number one New Zealand wine category position in Australia, UK and Canada and the continued global growth in the Super Premium segment will ensure Delegats can capitalise on its bumper 2008 harvest. The stock has risen 10% since this result was released.

Freightways reported a 5% lift in earnings over the prior year. This was a creditable result given tough domestic conditions. Freightways is often looked to as a "bellwether" for the NZ economy and whilst volumes of express packages were down slightly, this was more than made up by price increases. In recent years Freightways has deliberately expanded its business beyond its traditional lines (to lessen its exposure to the cycles of the New Zealand economy) and it has completed a series of successful acquisitions in the information management arena. These businesses performed well and now represent 15% of total revenues and are growing strongly. Freightways has the capability for very strong growth as the economy recovers. The stock has risen 9% since this result was released.

Australia

Toxfree Solutions, an integrated waste management company, grew its earnings by 36% in the year to 30 June 2008, ahead of expectations. This was a very sound result reflecting organic growth of 25% along with the benefits of acquisitions completed

A Word From Your Investment Team Continued

in recent years. Tox is well positioned for further growth with a strong presence in and exposure to resource-related development activity in northern Western Australia.

Pipe Networks continued its strong run of results announcing earnings growth of 31%. Pipe is a telecommunications network provider offering a very cost effective alternative to the major telco's such as Telstra for corporate and small telco data services. Over the year it increased its domestic network of laid fibre optic cable by 26% to 1,098km and successfully grew its customer base. 2009 is shaping up well and we expect to see earnings growth continue at this level. The stock has rallied 18% as the market greeted this result enthusiastically.

International

EBIX, who we profiled in May's Nest Egg News, grew its earnings by a massive 127%! This result reflects EBIX's successful expansion

outside of its United States stronghold with a third of its business now sourced from outside the US. The insurance industry is ripe for automation and EBIX dominates in this space. The stock has followed suit increasing 50% year to date.

Icon, an Irish contract research organisation grew earnings 36% and that's after growing earnings 37% in 2007 and 51% in 2006. This may not be a household name to you but they are a market leader in their industry. Their customers – biotechnology and pharmaceutical companies – aren't affected by the overall macro economy and continue to award new contracts. The stock has marched along nicely this year increasing 32%.

With reporting season now over, we have a new set of yardsticks by which to assess our companies. In the meantime, we'll continue our hands-on research, meeting with our companies, their competitors and of course, looking for other undiscovered gems.

Aussie Super – Bringing it home!

Have you worked in Australia in recent years? If so, you'll soon be able to bring your compulsory Aussie superannuation funds back to NZ.

During August the Government announced they had reached a deal with Australia that will enable Kiwis to transfer their Aussie super back to their KiwiSaver scheme. Presently, you can't bring these funds back to NZ until you reach Australian retirement age.

A deal is expected to be formally reached and signed in October this year with implementation sometime in 2009.

If you have an Aussie super fund and think bringing it back home might be an option for you, then please email us at kiwivsaver@fisherfunds.co.nz with your account number. We'll keep you updated via email as more details become available.

Likewise, our KiwiSaver scheme is QROPS approved which means that we can accept transfers of UK pension funds. Please contact us if you want to understand how to make this happen.

MTC & Quarterly Statement Update

During August the IRD passed over to us the Member Tax Credits (MTC's) for your KiwiSaver accounts. A small percentage of claims were initially held up and were not processed until September so don't be alarmed if they don't show up on your next quarterly statement. Quarterly transaction statements for the period 1 June to 31 August 2008 are being sent in the first half of September so expect to see these in your mailbox shortly.

Fund Performance

Fund Pre-tax Returns	1 month	3 months	6 months	Since fund inception (Oct 07)
KiwiSaver	1.5%	-2.2%	2.3%	-9.1%

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 kiwivsaver@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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