



Nest Egg News

February 2012

At a Glance

as at 31 January 2012

Unit Prices (\$)

Conservative	\$1.0892
Growth	\$1.0573

Performance (December 2011 & January 2012)

Conservative	+1.7%
Growth	+0.2%

Happy New Year and welcome back! I hope you all enjoyed a relaxing holiday break and whilst the sun might not have shone as we'd have liked, at least markets behaved themselves over the holiday period and started 2012 in a positive frame of mind. We've fielded enquiries in recent weeks from investors keen to know what's going to happen in 2012. We've devoted most of this issue to sharing with you our views on the "big picture" investment themes. Hopefully this will help you understand our investment logic and how these themes are influencing our portfolio composition. Read on...

Samuel



New Year, New Office

From Monday, February 27th, Fisher Funds will be moving two doors down from our current office to:

**Level 1
Crown Centre
67-73 Hurstmere Road
Takapuna
Auckland**

Our postal address and telephone numbers will remain the same however we are looking forward to a more spacious office layout to accommodate our growing team. We still welcome you popping in to discuss your investments with us. We'll provide the coffee!

Introducing Mark Brighthouse

We are delighted to introduce Mark Brighthouse as our new Chief Investment Officer. Mark joined us in December in this new role which gives him responsibility for overseeing the investment team, asset allocation, currency, and overall investment strategy. This means that Mark will be looking after the allocations in KiwiSaver, ensuring your portfolios are in the best possible position for your retirement nest egg. Mark is a well respected investment professional having held a variety of investment industry roles for 24 years. He is a Chartered Financial Analyst (CFA) and was the President of the CFA Society of New Zealand from 2008-9.



That's all very well you say, but what's he like outside work? When Mark is not working he enjoys the peace and quiet of an early morning cycle ride in the Waitakeres or a tramping trip with his children (though that's not always guaranteed to be peaceful and quiet!). He gladly assists his freelance writer wife with her articles on films, food and wine but admits to being of no help whatsoever when she is covering fashion or decorating.

A word from your investment team

When I cast my eye back over our 2011 newsletters there were many common threads dominating discussion, namely, European debt concerns, sluggish global economic growth and the prospect of a double dip recession. These concerns remain, however we are increasingly seeing signs (through improving economic data) that the worst may be behind us. The market also appears to be recognising that the world hasn't ended and that the headline risks have been well signalled and reflected in asset prices. Companies are actually making progress towards strategic goals and lifting profits and the deleveraging of companies and households has meant that balance sheets are in a much better position than four or five years ago. Before we get too excited though, in spite of improving investor sentiment and markets trending upwards, we will likely experience continued volatility in 2012.

The table overleaf captures what we consider will be the key themes to influence investment markets in 2012. We continue to manage your portfolios very actively and our thinking overleaf is driving how we are currently positioning your KiwiSaver portfolios.

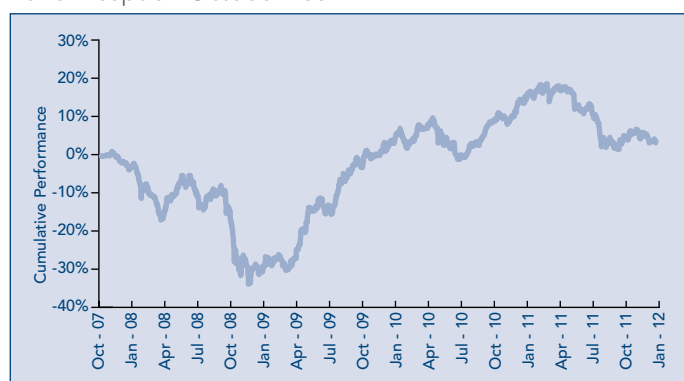
Key theme	What we think	How it has influenced our portfolios
Europe will experience a recession in 2012.	We think the most likely outcome is that European countries will "muddle through" these difficulties. There is a small chance that some dramatic measures might even be seen as a positive.	We are monitoring key indicators of financial stress in Europe. If concerns begin to recede we may increase our weightings to international shares.
The US economy is improving despite concerns in Europe and China.	Even though there are signs of better job prospects for Americans (the US economy added new jobs in every month last year), we would still describe it as a sluggish recovery.	We are defensively positioned with higher than normal cash levels in portfolios.
Some countries are in a better position than others if things get tough.	We are concerned that Japan has a lot of debt and a shrinking workforce which is an undesirable mix.	In our income portfolios we have put in place some hedging strategies to protect investors from a spreading debt crisis. Our weightings to shares tend to favour NZ, Australia and China.
Sharemarket valuations are either fair or cheap depending on the type of measure used.	We also look at the valuation of sharemarkets relative to cash rates and bond yields and this gives clearer positive signals.	Our strategy of hand picking companies to invest in gives us comfort despite a mixed valuation situation.
Global inflation pressures are easing.	We have noticed that global food prices are now declining. Deflation is potentially a bigger risk than inflation.	We believe it will be a long time before interest rates need to rise. Inflation concerns are not likely to impact on portfolios at this stage.
Interest rates are low and the market expects them to fall further.	The renewed concerns about global growth have pushed interest rates to record low levels.	Low interest rates are a reason to consider lifting sharemarket weightings if global risks recede.
The NZ dollar is low against the Australian dollar but high against many other currencies.	We are surprised that the NZ dollar hasn't risen against the Australian dollar given that the recent economic news for NZ has been better. Against other currencies such as the US dollar the NZ dollar is close to historical highs and at risk of a decline.	We have hedged a portion of the exchange rate risk on Australian shares but remain unhedged in terms of other currencies.

Fund Facts - Fund Performance

Fund Pre-tax Returns	1 Month	3 Months	6 Months	12 Months	2 Years*	3 Years*	Since fund inception*
Growth	1.6%	-0.7%	-3.2%	-8.6%	0.6%	13.8%	1.3%
Balanced**	1.3%	0.7%	-0.4%	-2.2%	2.4%	N/A	5.1%
Conservative	0.9%	2.1%	2.5%	4.9%	4.2%	N/A	3.3%

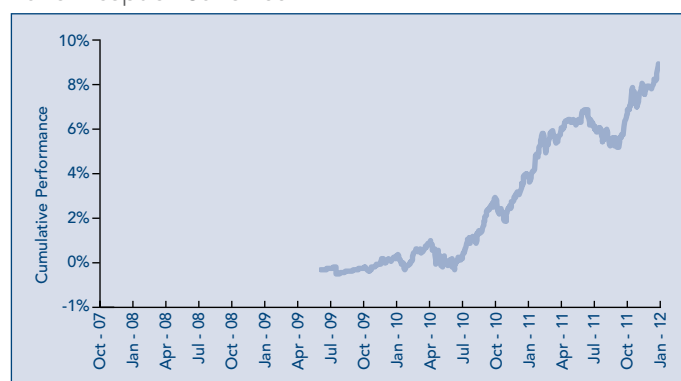
Fisher Funds KiwiSaver Scheme - Growth Fund

Fund Inception October 2007



Fisher Funds KiwiSaver Scheme - Conservative Fund

Fund Inception June 2009



* Annualised return before tax and after fees

** The Fisher Funds KiwiSaver Scheme does not have a separate Balanced Fund. A Balanced investment strategy is available and reflects a 50% weighting in our Conservative KiwiSaver fund and a 50% weighting in our Growth KiwiSaver Fund. This option has only been available since the launch of the Conservative KiwiSaver Fund in 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.

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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