



webinar
series

Every cloud has a silver lining

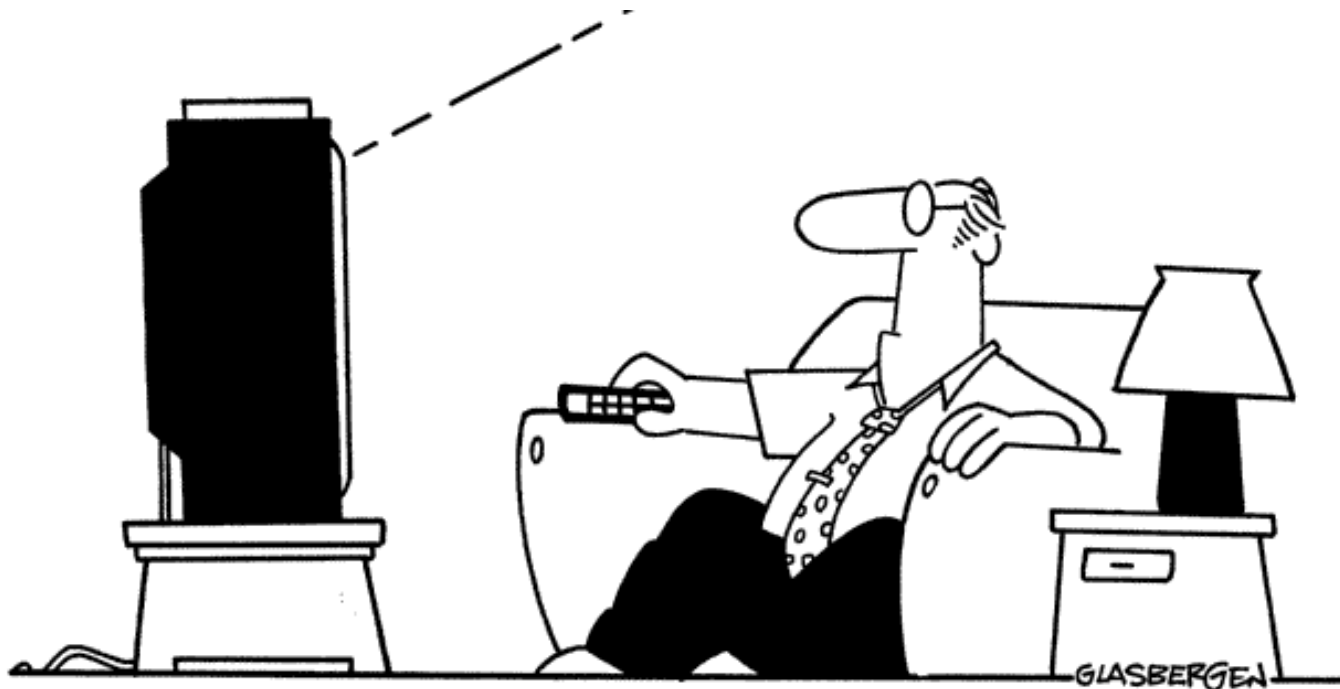
Carmel Fisher

November 2011

What a time we've had ...



The single biggest determinant of performance has been daily headlines...



“Stocks fell sharply today on predictions of speculation of rumors of negative indicators.”



Reasons to be optimistic?

- History is rhyming but not repeating
- There is no evidence of a double-dip recession
- Markets averted bear market territory in September
- Analyst expectations are lopsided
- Company profitability remains sound
- Buybacks, dividends and M&A activity are good signs
- Inflation is muted and interest rates are low
- Confidence is near all-time lows

History never repeats ... or does it?



NEWS OF THE WORLD

no.203.078 JUST ENOUGH HEADLINES TO KEEP YOU WORRIED - Since 1802

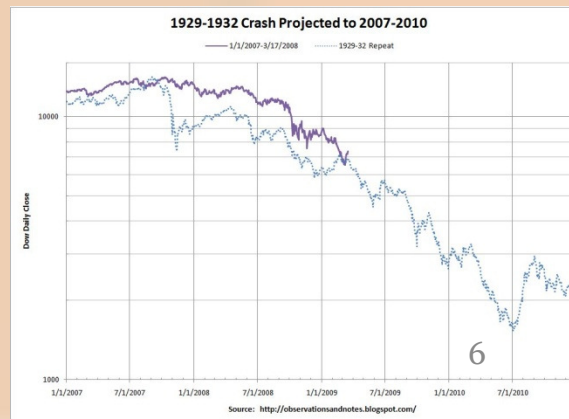
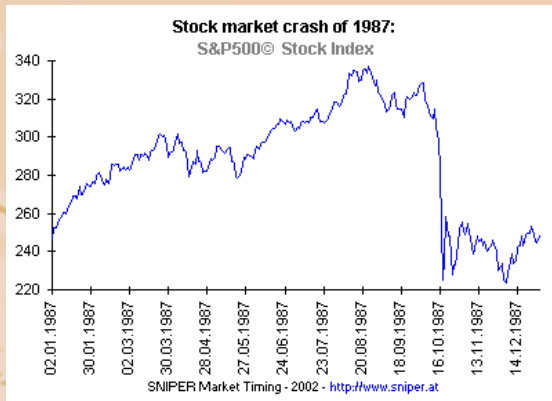
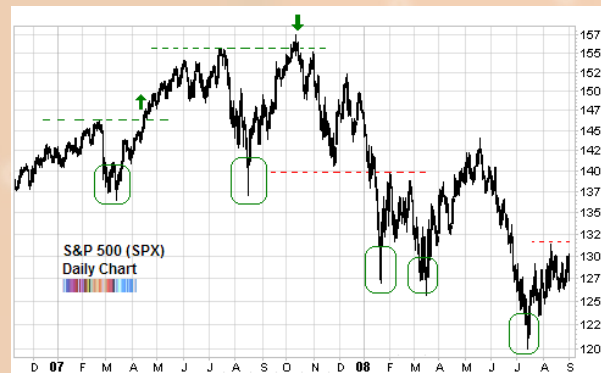
Stock market history repeating

Flawed comparisons

Numerous headlines have compared 2011 markets with 2008, 1929, even 1987. These comparisons are flawed as today there are several important differences. Today the global financial system is much healthier than it was, largely due to lessons learned from the past. Central bankers and politicians are coordinated in their efforts which, while sometimes inept, are focused on a fundamental and longstanding solution. Second, companies are in good shape, holding record levels of cash. Third, the share market is more reasonably valued today.

BLACK TUESDAY

NEW YORK, TUESDAY, OCTOBER 29, 1929



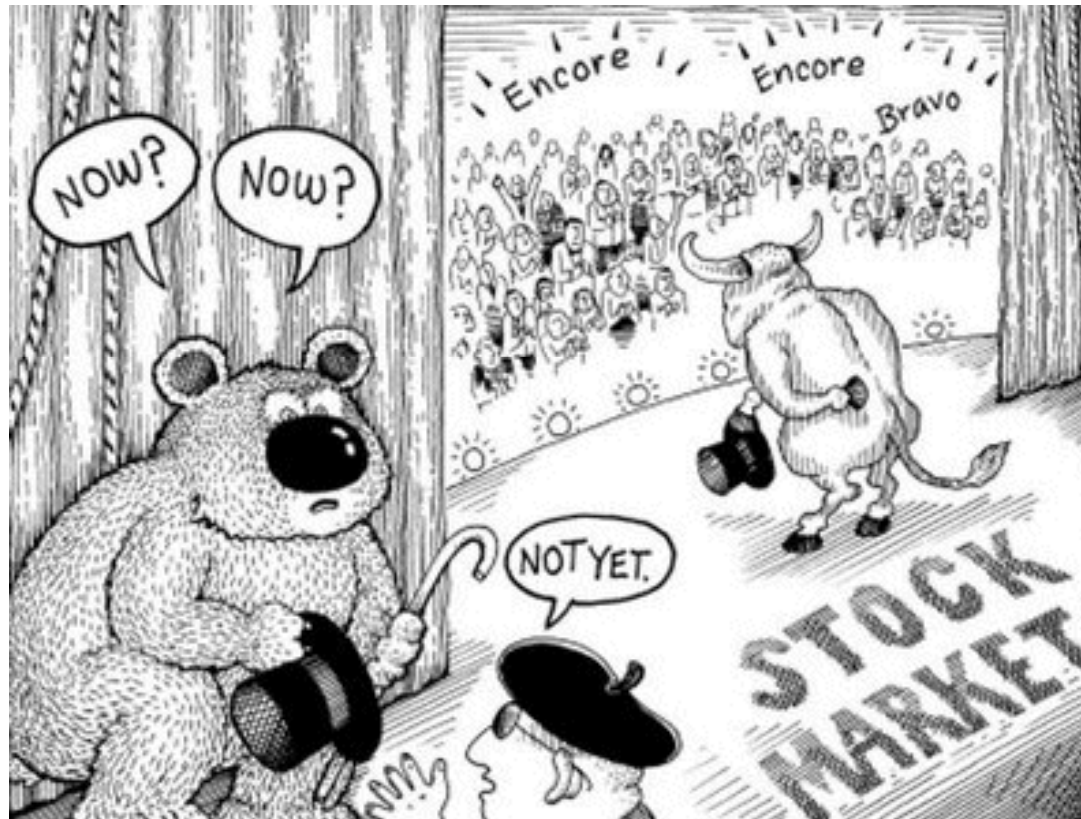


No evidence of a double-dip recession

A number of metrics point to underappreciated economic strength globally and the likelihood of continued growth ahead:

- Philadelphia Economic Index increased to 8.7 in September, from minus 17.5 in August, the biggest one-month rebound in 31 years
- US industrial production jumped 3.2% year on year in September, with considerable strength in manufacturing
- Eurozone industrial production lifted 5.3% in August from a year earlier
- US retail sales increased 1.1% in September – the largest gain in seven months
- China's Q3 2011 GDP lifted +9.1% - slower than previous qtr, but strong
- Japanese machine orders jumped 11% in July with foreign orders leading overall growth
- UK exports rose 0.6% in August with the £24bn exported the highest total since records began in 1998
- US housing starts jumped 15% from August to September indicating green shoots

No bear market either





Analyst expectations are lopsided

“Analysts are prone to making increasingly inaccurate forecasts when economic growth declines. In 2011, GDP growth has done precisely that.”

McKinsey & Co

If analysts are wrong again, expect earnings growth to exceed forecasts, which should propel share prices higher.

Company profitability remains sound

- Average profit growth for the stocks in the S&P/ASX 200 Index came in at 11 per cent, a healthy boost on the anaemic average of 5.5 per cent in 2009-10
- So far, 63.7% of US companies that have announced Q3 results have beaten analysts' estimates. It's still early in the earnings season. But at this rate, more companies are beating expectations than they did in Q1 and Q2
- Last NZ company profit reporting season saw earnings generally above expectations. Annual shareholder meetings are cautiously optimistic. Consensus forecast is for our portfolio companies to grow their earnings by 14.8% on average in the year ahead.

Companies are awash with cash for buybacks, dividends and M&A activity



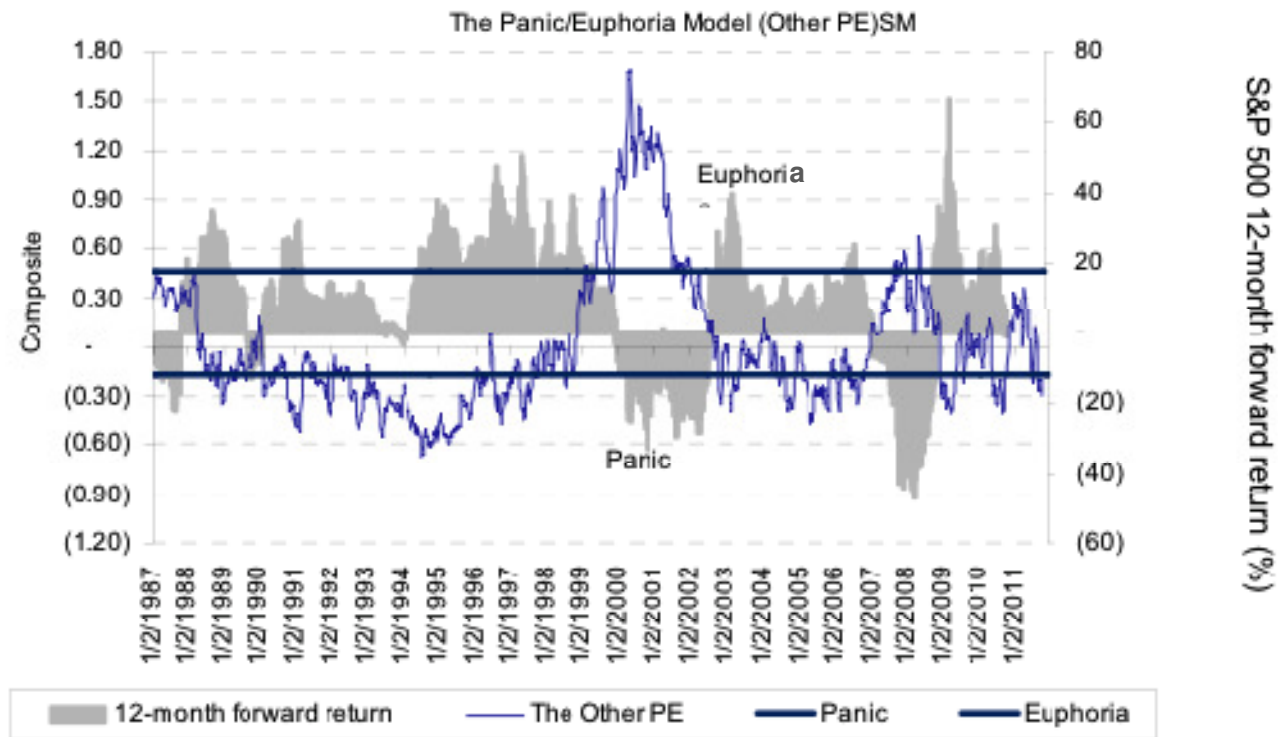
US companies hold record levels of cash, currently \$2 trillion. According to S&P, this is enough for them to operate for 73 months.

Inflation and interest rates are low





Confidence is near all-time lows



Other reasons to be positive...

- New Zealand – resilient, low correlation with offshore markets
- Infrastructure – resilient, growth with lower volatility
- Sentiment can turn quickly and significantly – a la October
- Experience helps – we've been through volatile markets before
- It could be worse – we could be in Greece!



Our experience – volatility is here to stay

Fisher Funds New Zealand Growth fund

Worst month ever

• January 2008 -13%

Best month ever

• March 2006 +11.2%

Worst year ever

• 2008 -46.5%

Best year ever

• 2006 +43.4%

Before the GFC

• 11% of monthly returns were +/- 5%

After the GFC

• 33% of monthly returns were +/- 5%

Our experience – volatility is here to stay

Fisher Funds Australian Growth fund

Worst month ever

- October 2008 -24%

Best month ever

- April 2009 +15%

Before the GFC

- 15% of monthly returns were +/- 5%

After the GFC

- 42% of monthly returns were +/- 5%

Before the GFC

- No monthly returns +/- 10%

After the GFC

- 15% of monthly returns were +/-10%

Thank you ... questions?



"THE GOOD NEWS IS ... IN ALL THOSE BLACK, OMINOUS CLOUDS HANGING OVER THE WORLD SCENE ... SOMEWHERE, THERE'S BOUND TO BE A SILVER LINING."



Disclaimer

The information given during this presentation is class advice and is not to be taken as 'personalised financial advice'

A disclosure statement is available upon request