



Market review

It is a pleasure to write this newsletter because the positive performance that we talked about last October, carried on through December, resulting in a good 2009 for the Fledgling Fund. The unit price lifted 7% during the three months to 31 December, which was stronger than the broad New Zealand share market, and reflected strong share price performances from NZ Exchange, Ryman Healthcare, Freightways and Pumpkin Patch.

In our last newsletter we talked about upcoming company profit results which were due to be released in October, which would give us a clue as to how companies were performing. As it happens, the profit results from our companies were positive, with a few pleasant surprises, and so their share prices continued to rise, or at least, they didn't fall much! We now have the next profit reporting season ahead of us with a number of companies due to provide updates in February and March. We do not expect any nasty surprises because as the global financial crisis has developed, companies around the world have tended to become quite conservative and have made sure that the expectations of analysts have been kept in check.

From here, we believe that the outlook is pretty positive. We do not expect world share markets to rocket significantly through 2010, but we do expect positive returns for the year ahead, and we do believe that shares will be a better place for investors to have their money than in the bank.

There are broadly two drivers of a company's share price – its' multiple and its earnings. The earnings bit is relatively easy to understand – if a company grows its profits per share, then each share becomes more valuable, so its share price will likely increase. The multiple, or price earnings ratio (P/E) is the share price divided by the earnings per share. The higher the multiple, the more you are paying to get \$1 of earnings from a company. Ideally, you want to buy shares in a company whose earnings are increasing each year, but which has a low multiple, that will hopefully increase in the future as investors realise what a good company it is.

Last year's strong performance by world share markets was as much about multiples as it was about earnings. When investors became really uncertain about shares in late 2008, they were no longer prepared to pay a high multiple, even for great quality businesses. They also didn't believe that companies would be able to grow their earnings – we were in a recession after all. Well, to our relief and pleasure, it turned out that companies could grow their earnings last year, and some grew them more than expected, so their share prices were pushed up. Not only that, but as investors began to get more confident and started to return to shares in March 2009, they were again prepared to pay higher multiples. Those two factors led to strong share market performance and allowed the Fledgling Fund to finish nearly 30% higher for the 2009 year.

In the year ahead, we expect that earnings growth will be key to making money out of shares. Fortunately, the companies owned by the Fledgling Fund are among the best in the market at growing earnings.

Carmel Fisher, Managing Director

Fledgling Fund Performance

As at 31 December 2009



The unit price was:

\$1.1079

The unit price was up/down:

7.15%

3 months

The fund size was:

\$2.9m

28.75%

12 months

-12.21%

24 months*

The benchmark was up:

0.7%

3 months

3.4%

12 months

6.0%

24 months

*annualised

The Fund invests in New Zealand shares and its performance benchmark is the 90 day bank bill index (what you could earn in the bank).

The Fund's largest investments were:

- Ryman Healthcare
- Mainfreight
- New Zealand Exchange
- Metlifecare

The stocks that made the most impact on the Fund's performance in the past three months were:

- New Zealand Exchange +15.8%
- Ryman Healthcare +13.7%
- Delegats +12.5%
- Freightways +10.8%



Not every day in your school holidays will be sunny, so here are some indoor activities that you might like to try on the cloudy days:

A Numbers Game

Go through the daily newspaper and find the smallest and largest number. You might like to try it with other members of your family – the winner will be the person who can find the largest number in the newspaper. At the end of the holiday, for an extra challenge, see if you can write the largest number found, in words.

Go on a number hunt in your house and around the neighbourhood. Write down examples of things that can be measured in ones, tens, hundreds, thousands, ten thousands, hundred thousands, millions, and billions.

Triangulation

In triangulation, you race against your friends to draw as many triangles as you can. You will need a sheet of white, unlined paper; a ruler and some pencils.

How to Play Triangulation:

- Step 1:** This is a game for two or three players. With the ruler and a pencil, the first player makes a small triangle in the center of the paper: The player's score for that turn is one, since one triangle was formed.
- Step 2:** The second player is allowed to make three lines with the ruler and pencil. They may make the lines anywhere they like.
- Step 3:** If they make them around the first triangle, with two sides overlapping two sides of the first triangle, their score is two; one for the triangle they made and one for the triangle within the triangle they just made. By overlapping lines, they also set up an interesting opportunity for multiple scores in the future.
- Step 4:** Play continues with each player making three moves and scoring according to the number of triangles contained in the triangle just formed. The game ends when players run out of room on the paper.

Joke Time

Here are some jokes that you may want to share with your family:

1. Mother: Why did you just swallow the money I gave you?
Son: Well you did say it was my lunch money!
2. Why is money called dough? Because we all knead it
3. Where do bees keep their money? In a honey box
4. What happened when the cat swallowed a coin? There was money in the kitty
5. How did the man feel when he got a big bill from the electric company? He was shocked.
6. Where can you always find money? In the dictionary.
7. How can you get rich by eating? Eat fortune cookies.
8. Why do wallets make so much noise? Because money talks

ha ha!

ha ha!

ha ha!

Finding a Financial Mentor

teen talk

!?



Reading books, magazines and newsletters like this one are great ways to learn more about finance. But don't forget the human touch. Adults who are already in your life may be able to serve as financial mentors, helping you make the most of your money.

Who could you ask? A good mentor knows the subject matter, relates well with you and shows a genuine interest in your success - although final responsibility for what you do with your money stays with you. Your parents are obvious choices for financial mentors, but there are other possibilities.

Consider:

A grandparent, aunt, uncle or other family member. You've probably noticed that many older relatives enjoy showing their affection by instructing you on subjects they've found useful, so asking them to teach you about finance may make both teacher and student happy.

As you think about your family, you may discover that, as in other situations, your relatives have different strengths. One relative might own a business, another might know about rental properties. Which area interests you - or would you like to know a little about everything?

A family friend. With your parents' permission, you might enlist the help of a trusted adult to teach you what they know about money. Consider someone who runs a business or is a financial planner - or maybe just an adult you admire.

The instructor of a school or community education program in finance. Take advantage of your school's offering on the subject, or look into taking an evening class at another venue. The latter classes probably won't be designed specifically for young people, but you may want to investigate them anyway.

Someone your own age who has taken the time to become informed about money. There might be someone at your school who has a real interest in money. Perhaps your school notice board is one place to look for other students who share your interest in business.

Reading about finance and surfing the Internet are good starting places, but there really is nothing better than discussing your ideas with someone who can share their views in return.

Number Fun

1. Pick a number between 1 and 10 (including 1 or 10).
2. Multiply your number by 9.
3. Add the digits of the number created in step two.
4. Subtract 5 from the number created in step three.
5. Find the letter in the alphabet that corresponds with the number created in step four; for example 1 = A, 2 = B, 3 = C ...
6. Pick a country in Europe that starts with the letter you found in step five.
7. Pick an animal that starts with the last letter of your country.
8. Pick a colour that starts with the last letter of your animal.
9. Let us guess what you got!!!

Brain Teasers

See if you can work out the meaning of these brain teasers

ECONOMY

**COVER
COVER HEAD COVER
COVER**

VA DERS



Budgeting for the School Holidays

We are now experiencing the best of summer and with Christmas behind us, you and your children will be well into school holiday activities. This can be an expensive time of year and so it is the perfect opportunity to discuss the cost of activities and possibly discuss a budget with your children for activities during the holiday period.

Discussing costs with your children

Spending time with your child planning activities that they want to do and talking about the costs involved is a great way for them to understand the cost of activities and how these can quickly add up. You may want to agree an amount with your child that you both think is reasonable to spend on activities over the school holidays. Your child can then start to plan activities that they want to do over this time. Help them search for the costs involved and any additional expenses that they may not have thought about, for example would there be additional costs for lunch or are they happy to pack a picnic to take with them? Encourage your child to think about activities that they enjoy that have little or no cost.

Discuss with your child variations to activities that they could do that would be less expensive, for example rather than going to the movies perhaps they could hire a DVD, invite some friends over and have a movie afternoon.

There are also many activities that they may have forgotten about that have no cost involved such as going to the beach, going to a park and feeding the ducks, or visiting the local library.

Earning extra money

If your child has activities that they would like to do and this is outside the amount you have allocated, they may want to look at ways that they can earn some money for this. Look around and find something your kid likes to do. Some ideas are:

- Babysitting
- Dog walking
- Mowing lawns
- Newspaper or leaflet delivery
- Car washing

Teaching your children to work with a budget is an important part of good financial management and independence. If you can start your children understanding the value of money now you will help them to value the money they earn in the future and use it wisely.



Number Fun Answers

We think that you chose Denmark, as it is the only country in Europe starting with a "D", and that your animal was a Kangaroo and your colour was Orange. But please let us know if you chose something else!

Brain Teaser Answers

Growing Economy, Head for cover, Space invaders

Competition Winner

Congratulations to Isabella Spratt who is the winner of our competition to guess the unit price as at 30th November. The unit price was 1.492 and Isabella had the closest guess at 1.03. We are sure Isabella would have found the \$200 prize useful for the Christmas holidays.

Photo: Frank Jasper (Director) and Isabella

