

FROM THE
undergrowth

APRIL 2011



Frank commented that March was a biblical month in that we had earthquakes, battles, tsunamis, and he was sure that he heard locusts (actually they were cicadas). There were certainly a few prayers uttered last month because at times, we all felt that our lives were impacted by factors way bigger than us, and way outside our control. Fortunately the Bible also has references to redemption and happy endings, so things can get better from here.



Our Portfolios

What has been going on since we last spoke?

At a glance
As at 31 March 2011

Unit Prices (\$)

NZ Growth Fund	3.2386
Australian Growth Fund	2.5557
International Growth Fund	1.2604
Fledgling Fund	1.1649
KiwiSaver Growth	1.1853
KiwiSaver Conservative	1.0598
Infrastructure Fund	1.2920
Trans Tasman Fund	1.5003

Performance (March 2011)

NZ Growth Fund	3.7%
Australian Growth Fund	0.5%
International Growth Fund	-0.7%
Fledgling Fund	3.6%
KiwiSaver Growth	0.6%
KiwiSaver Conservative	0.5%
Infrastructure Fund	0.6%
NZ50 Gross index	2.1%
S&P/ASX 300 (\$NZ)	0.7%
MSCI Global Small Cap Index	0.0%

It's hard to imagine a more turbulent background for investment decision making. We have had extreme weather and environmental events, political unrest, sovereign debt issues and the aftermath of the global financial crisis that needed to be considered before deciding how to invest.

It is interesting to consider the markets' reactions to the events of the past few months, because there is some comfort to be had. As we know, March featured the human tragedies of the Japanese earthquake, tsunami and nuclear crisis and the political unrest in the Middle East. And yet world share markets finished the month flat and in some instances slightly ahead.

This is not to say that share market investors are insensitive and focused only on capital markets. Rather, what seems to be happening is that markets are taking these external shocks in their stride because they have a better understanding of their impact on the world's future, and also, the impact is perhaps milder than it used to be and is therefore less worrying.

Perhaps the best example can be seen in the rising oil price. There have been five major oil shocks since 1973 and each has had a powerful impact on financial markets. But as the impact of successive oil shocks has become less destructive to economic growth, so has the reaction of financial markets become less extreme. This is at least partly because higher crude

oil prices no longer have a dramatic effect on global inflation. It is also partly because, rightly or wrongly, market participants have come to expect that the oil price will return to normal after an excessive spike, so it is just a matter of waiting for normality to return. And it is also because the effects of a higher oil price are different in different countries and different industries, so there are winners and losers. Higher energy prices cause some industries to do worse, such as car manufacturers, but others do better, such as alternative energy suppliers. And some businesses are able to pass on higher fuel costs to customers, so their profits are hardly impacted at all.

"I do not think there is any other quality so essential to success as perseverance. It overcomes almost everything, even nature."

John D. Rockefeller

This is a very encouraging idea to consider. The world and world markets are learning to adapt to some pretty scary and extreme events that a hundred years ago would have brought life to an abrupt halt. We have learned how to think our way through external events and consider the consequences and the reactions to each surprise, and sometimes the

Have you joined KiwiSaver yet?*

Your Portfolios (cont.)

consequences can give us real hope. One of the best examples was seen in the photographs of a broken and busted road caused by the Japanese earthquake that, seven days later, had been repaired and was as good as new. If the world can react as quickly and efficiently to other challenges that will come our way, and there is no reason that it shouldn't given the cohesion and coordination of focus that we've seen since the global financial crisis, the outlook is indeed one that we should feel good about.

New Zealand

The gross portfolio return of +3.7% for March was ahead of the NZ50 Gross Index (+2.1%) which was quite an achievement given that major index stock, Fletcher Building (not owned in our portfolio) lifted another 6.5% after a strong February. Fletcher Building accounted for most of the NZ50 index increase.

Mainfreight and NZX were the major contributors to performance during the month. **Mainfreight** announced the acquisition of the Wim Bosman Group, a Netherlands based transport company for NZ\$205m (before earn-out). This is a significant acquisition for Mainfreight for several reasons – it gives scale, it opens new trade lanes such as Europe to US and Europe to Asia which Mainfreight previously hasn't had, and it 'internationalises' the company which will now derive more earnings outside New Zealand than within it. **NZX** hosted a briefing day during the month and took the opportunity to re-iterate several key points; 1) The company is confident of achieving double digit revenue growth in the current year 2) It is achieving strong cash flows now that all major capital projects are completed 3) It is again increasing the dividend and has committed to increase the dividend by at least 1cps each year and 4) It believes that it will have a cash balance of at least 62cps by the end of 2012. Investor optimism has also been boosted by talk of SOE privatizations in the coming two or three years.

Australia

Despite a raft of negative news from around the world, the broad Australian market picked itself up from a 6% mid-month flogging to post a gain for month of 0.7%. Our portfolio lifted 0.5% for the month, and we used the mid-month sell off to increase our exposure in a number of positions – Dart Energy, CSG, Universal Biosensors, McPherson's, Pharmaxis, DWS, Retail Food Group and WHK Group. In all we deployed around 3% of the portfolio into stocks during the big down weeks of the month with these transactions showing healthy gains by month end.

We continued to increase the currency hedge during March closing the month at around 80% hedged. Despite intra-month volatility the currency ended the month virtually unchanged.

There were a number of big price moves during the month. On the positive side of the ledger, **Credit Corp** (+12.2%) continued to post impressive gains reflecting the company's positive earnings momentum. **CSG** (+24.5%), after being a very disappointing performer, rose strongly after releasing positive FY11 earnings guidance. This is a great example of what happens when the market is positioned against a cheap stock that delivers an improved outlook. Last but not least, after a somewhat inexplicable period of underperformance, **Pharmaxis** (+7.7%) rallied into what we expect will be positive news with European licencing in the second quarter.

On the negative side was **Bravura Solutions** (-17.9%) which slipped following news that the expected takeover of the company will not

proceed. **Dart Energy** (-14.1%) fell following the sale of a large quantity of stock that had been placed to the shareholders of Composite Energy which Dart has acquired.

International

The International Fund portfolio fell 0.68% during March which was a fairly resilient performance given the tumultuous global backdrop for the month. The major event for markets to digest this month was the Japanese tsunami and subsequent nuclear crisis. It may be of interest to know that our senior analyst, Scott Brown, was in Tokyo doing research and meeting with companies when the big earthquake struck. Luckily he is now safe back home but he has certainly been impacted by the experience, as indeed has the whole world to some extent.

The one potential positive of the Japan disaster is a weaker Yen, with the G7 announcing a coordinated intervention. This will be extremely good for exporters and six of the seven Japanese companies we own get the majority of their sales from outside of Japan.

Elsewhere in the portfolio, we sold our shares in **City Telecom** as after a nearly 300% return, it now has an expensive valuation and we are finding better investment opportunities elsewhere.

We bought shares in a French company called **Zodiac**. They are a leading supplier of aeronautical equipment for airplanes in three main segments; cabin interiors, aircraft systems, and aero safety & technology. As the global market leader in more than two-thirds of the products and systems they sell they are well poised to benefit from increased content per plane on new programs such as Boeing 787 and Airbus A380 and A350.

Infrastructure

The Fisher Morrison Infrastructure Fund lifted 0.57% during March, outperforming the global infrastructure and utility sector by nearly 3%. Our portfolio is weighted towards infrastructure assets that we expect to benefit from the US economic recovery and this continued to deliver positively for the portfolio despite the macro events of the month. We have introduced an exposure to UK water infrastructure, **Severn Trent** into the portfolio, giving us a stable, cash flow generating company with a strong and growing dividend.

We do not have any material exposure to Japan or nuclear energy in the portfolio which was a key contributor to outperformance during the month. The fund paid a quarterly distribution in line with our stated objective to deliver an annualised 5% yield.



A bird's eye view

This month we proudly introduce the Fisher Funds High Income Fund..

Before Christmas, we told you we had listened to your suggestions and understand that you want choice along the risk spectrum, so that you can move your money into lower risk assets when you're nervous and then dial up the risk again when you are feeling more confident. You also want proper diversification – not just a choice between New Zealand, Australia and International.

Next week, an Investment Statement will be available for the **Fisher Funds High Income Fund**, a fund that invests in fixed interest securities around the world to provide a competitive, regular income and modest capital growth.

Fixed interest investing is new for Fisher Funds, but it is not new to the High Income Fund portfolio manager, David McLeish, who joined us in January having returned from London where he has specialised in debt markets for more than ten years.

Many investors are content with using term deposits and government bonds for their fixed interest investments, knowing that these investments are safe, their capital will be returned and they will receive regular, predictable income payments. However, the value of fixed interest investments can fluctuate with market conditions, meaning that there are often opportunities to achieve some capital growth as well as getting regular income payments and capital preservation. In a low interest rate environment, a little capital growth can make the difference between an acceptable return and an inadequate one.

Our High Income Fund gives you all the benefits of low-risk fixed interest investments, with the additional benefit of having your funds managed for you by a seasoned investment professional with a record of success. Please call us if you'd like to receive an Investment Statement for the High Income Fund, and we'll tell you all about it.

Your questions

We share our response to one of the questions asked by investors during the month:

Q: Why did Fisher Funds find it necessary to buy the **Huljich KiwiSaver** business? The Huljich brand is severely damaged, the size of it will surely make it harder for you to give the service levels we existing clients expect, and I just don't understand why size is that important to you.

A: Thanks for the opportunity to answer your questions and hopefully allay your concerns.

The decision to acquire Huljich was made after completing in-depth due diligence. Valuing businesses is what we do every day as part of managing your money and we approached this transaction in exactly the same way. We certainly feel we are well placed to assess the value of a competitor.

The Board and Management of Fisher Funds believe that the acquisition of the Huljich KiwiSaver Scheme is very positive for both Huljich and Fisher Funds members. We're providing the Huljich members with a credible, experienced investment manager and a more sustainable future given the issues that faced the Huljich business. The addition of the Huljich members will deliver economies of scale and drive down the fixed expenses the Scheme, which are only set to increase with increasing regulatory and compliance requirements. Consolidation of KiwiSaver providers has long been talked about and this acquisition signals our intent to be a sustainable and credible long term Kiwisaver provider. It is true that 100,000 members will represent a greater workload, however

we outsource much of the administration and believe that the enlarged business can be managed relatively seamlessly.

It is important to understand that this is a takeover and not a merger. Neither Peter Huljich, nor any other Huljich executive or shareholder, will be involved once the transfer is complete. We are employing some of the Huljich administration staff to ensure we continue to service our clients in the fashion you've come to expect. However, the shareholding and executive of Fisher Funds is not changing.

A key element of the acquisition was only taking on the assets that we were happy with and would not impact on performance. We have cherry picked their current investments that we like and will receive cash for those that we do not like or that are illiquid. We will not need to change our investment approach at all as a result of the purchase.

Rest assured, we remain as focussed as ever on delivering great performance and great service and it is these criteria on which you should ultimately assess us.

Fund facts Fund Performance

Fund Net Returns	1 Year	2 Years	3 Years	5 Years	Since Fund Inception
NZ Growth Fund	9.2%	22.3%	0.9%	-1.4%	9.7%
Australian Growth Fund	19.7%	42.6%	15.5%	5.3%	9.7%
International Growth Fund	4.7%	23.5%	8.4%	na	7.0%
Infrastructure Fund	8.1%	17.9%	na	na	15.9%
KiwiSaver Growth Fund	10.2%	28.1%	11.2%	na	5.0%
KiwiSaver Conservative Fund	5.2%	na	na	na	3.3%
Trans Tasman Fund	9.2%	27.5%	9.7%	6.0%	7.3%

NB... annualised returns, after tax and fees.

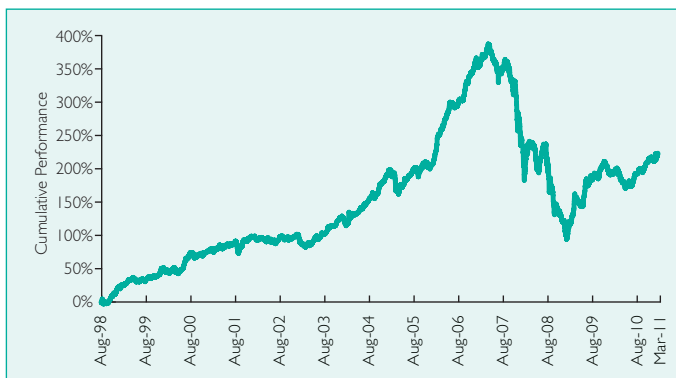
Fund Pre-tax Returns	1 Year	2 Years	3 Years	5 Years	Since Fund Inception
NZ Growth Fund	10.2%	23.6%	2.0%	-1.4%	12.3%
Australian Growth Fund	19.7%	43.0%	15.8%	5.3%	11.3%
International Growth Fund	4.7%	23.5%	8.4%	na	7.0%
Infrastructure Fund	8.1%	17.9%	na	na	15.9%
KiwiSaver Growth Fund	10.2%	28.1%	11.2%	na	5.0%
KiwiSaver Conservative Fund	5.2%	na	na	na	3.3%
Trans Tasman Fund	9.2%	27.5%	9.7%	6.0%	7.3%

NB... annualised returns before tax and after fees. They differ from actual returns experienced during these periods.

Market Indices	1 Year	2 Years	3 Years	5 Years
NZ50G	5.3%	15.2%	-0.3%	-1.5%
90day bank bill	3.1%	3.0%	4.5%	6.0%
S&P/ASX300 (Calculated in \$NZ)	9.0%	28.1%	6.5%	6.4%
MSCI Global Small Cap Index (in \$NZ)	16.2%	25.8%	8.0%	-1.9%

March's Biggest Movers	
New Zealand	
NZX	26%
Delegats	15%
Kathmandu	12%
Wakefield	-11%
Australia	
CSG	25%
Bravura	-18%
Dart Energy	-14%
Austbrokers	-14%
International	
Okano Valve	-39%
Torishima Pump	-20%
Prestige International	-12%
Hyflux	12%

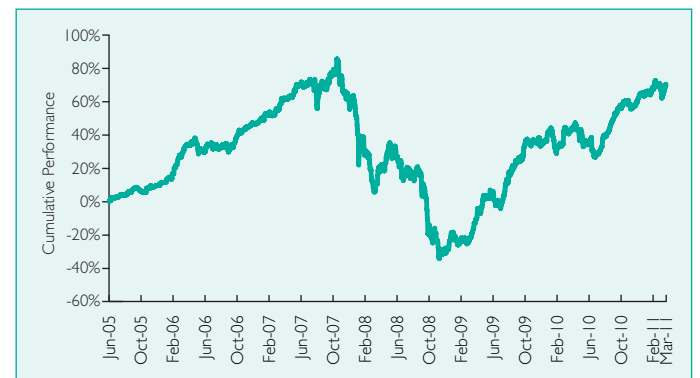
New Zealand Growth Fund



Fund Inception August 1998

Portfolio Holdings – Abano Healthcare, Delegats, Fisher & Paykel Healthcare, Freightways, Infratil, Kathmandu, Mainfreight, Metlifecare, Michael Hill, NZX, Opus International, Pumpkin Patch, Ryman Healthcare, Tower Limited, Wakefield Health.

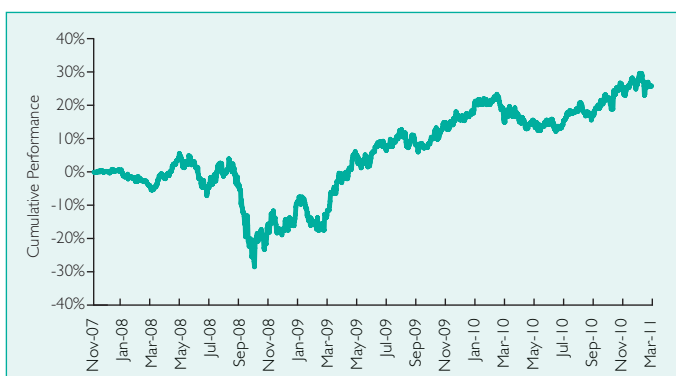
Australian Growth Fund



Fund Inception June 2005

Portfolio Holdings – Austbrokers, Bravura, Centrebet, Credit Corp, Dart Energy, DWVS Solutions, McMillan Shakespeare, Nanosonics, Nick Scali, Oakton, Pharmaxis, Reckon, RP Data, Toxfree, Treasury Group, Universal Biosensors, Vision Group, WHK Group.

International Growth Fund



Fund Inception October 2007

Portfolio Holdings – Advent Software, Asahi Co Ltd, Autodesk, Biotest, Brembo, China Automation, Conceptus, Equinix, Fook Woo Group, Gameloft, Hanger Orthopedic, Hansens Natural, Horiba, Hsu Fu Chi International, Hyflux Limited, Icon PLC, Interactive Intelligence, Jumbo, Midas, Nokian Renkaat, O2 Micro, Okano Valve Manufacturing, Orthofix, Ports Design, Prestige International, Qiagen, Raffles Education, Sarin Technologies, Shinko Plantech, Stratec Biomed, Telvent, Torishima Pump, TravelSky, Wasion Holdings, Wirecard, Zodiac Aerospace.

Infrastructure Fund



Fund Inception December 2008

Portfolio Holdings – Flughafen Wien AG, Fraport AG, Norfolk Southern Corp, TNT N.V., Flughafen Zuerich AG, Asciano Group, Union Pacific, Auckland Airport Bonds, Contact Bonds, Genesis Bonds, Meridian Energy Bonds, NZ Post Bonds, Vector Bonds, Wellington International Airport, Fedex.

FISHER FUNDS MANAGEMENT LIMITED | PO Box 33 549 | Takapuna | Auckland | Telephone 09 445 3377

Freephone 0508 FISHER (347 437) | Fax 09 489 7139 | Email enquiries@fisherfunds.co.nz | www.fisherfunds.co.nz

The information and any opinions herein are based upon sources believed reliable, but the Company, its officers and directors make no representations as to its accuracy or completeness. All opinions reflect our judgement on the date of this report and are subject to change without notice. The information contained in this publication should not be used as a basis for making an investment decision about any particular company. Professional investment advice should be taken before making an investment. Past performance is not a reliable guide to future performance. * For an investment statement on any of our funds, please go to our website or call us on 0508 FISHER (0508 347437).