



from the
Undergrowth
September 2011



At a Glance as at 31 August 2011	
Unit Prices (\$)	
NZ Growth Fund	3.2046
Australian Growth Fund	2.1367
International Growth Fund	1.0306
Fledgling Fund	1.1503
KiwiSaver Growth	1.0465
KiwiSaver Conservative	1.0589
Infrastructure Fund	1.1813
Trans Tasman Fund	1.3471
High Income Fund	0.9997
Performance (August 2011)	
NZ Growth Fund	-3.7%
Australian Growth Fund	-1.9%
International Growth Fund	-8.2%
Fledgling Fund	-3.7%
KiwiSaver Growth	-4.2%
KiwiSaver Conservative	-0.3%
Infrastructure Fund	-2.9%
Trans Tasman Fund	-3.5%
High Income Fund	0.1%
NZ50 Gross index	-2.1%
S&P/ASX 300 (\$NZ)	-1.9%
MSCI Global Small Cap Index (\$NZ)	-5.5%

What a great time to host a Rugby World Cup. Even for those who can take or leave the game, there will be enough happening around New Zealand for us all to take six weeks off reading the financial pages, reacting to depressing headlines, and worrying about the Americans and Europeans ... well, except the ones wearing shorts and rugby boots!

Samuel

Our Portfolios

What has been going on since we last spoke?

"I'm a winner. I just didn't win today."
Greg Norman

It will be good to get some wins during September – even if we don't win all our games, the country as a whole will win from the increased economic activity generated by thousands of visitors. And if our visitors have a great time, hopefully they'll come back soon and keep up the momentum that has already started to build. The excitement is palpable.

Thank goodness for the distraction because frankly, markets ceased to be entertaining some months ago. There was little to get excited about during August because irrespective of the positive reporting season and the occasional snippet of good economic news (in New Zealand at least) the twin fears of US recession and European default dominated everything. We talked last month of the dawning realisation that politicians have limited tools in their arsenal and that there is no easy fix. Unfortunately, realising the magnitude of the problem doesn't necessarily make it easier to cope with. Instead, investors reacted to every piece

of information that reinforced the dire state of affairs, and gave little heed to contrary indicators that might give reason for cheer. The worst bit of news that snuffed out a few days of optimism was the zero job creation in the US during August. It was uncanny that the number of new jobs created in the month was exactly zero – not one or two or ten, but zero. The US economy has not been stalled to such an extent since World War Two.

We should probably get used to hearing the R word again – right now there is a modicum of economic activity but it won't take much for the US economy to become recessionary. Some argue that there can't be a double-dip recession because the first one never really ended and this may well be true. Because the debt in Europe and the US is so unmanageably high, we must expect a prolonged period of low growth and it may be interspersed with recessionary conditions.

But, and it is a big but, the outlook for the whole world no longer hinges on America's fortunes, or on Europe



because Europe is a collection of economies, some doing better than others and some more likely to assist the rest of the world get back into the groove.

Our closest neighbours will likely prove our best allies in terms of economic recovery and despite persistent talk of slowing growth in China, there is still a good enough level of economic activity throughout Asia and Australasia to present opportunities for capital growth.

The best way to cope with the immediate future is to look for assistance in the right quarters. Politicians are not the real hope of the world – they will continue to argue on both sides of the Atlantic, across the Tasman, and come November, here in Aotearoa. Central bankers aren't going to help that much either – with interest rates as low as they are, there is not much scope to change the economic path either by dropping or lifting official cash rates. Consumers are not in a strong enough position to drive a consumption-led recovery as people are still reducing personal debt and worrying about job security.

The saviours could well be businesses and their leaders. We know that corporate balance sheets are in good shape and there is no evidence of the bad habits of yesteryear. The last couple of profit reporting seasons have shown evidence of earnings growth, perhaps not as strong as the market would have liked, but positive nonetheless. When corporates start to respond to revenue growth by employing people and capital, that's when good things can really start happening. You will have noticed some improved consumer and business confidence surveys both here and in Australia – improved confidence is a prerequisite for increased spending.

Admittedly increased corporate spending does not seem likely in the weeks ahead, but that's okay, we've got some rugby games to focus on in the meantime.

New Zealand

The gross portfolio return of -3.6% was well behind the NZ50 Gross Index (-2.1%) mainly due to a pull-back in the **Mainfreight** share price following a strong run over recent months. The index was also hard to beat in August given the strength of market heavyweights Telecom (up 1.8%) and Contact Energy (up 4.4%). The other stock to hinder performance during the month was **F&P Healthcare** which despite upgrading its expected 2012 trading result, has been impacted by the elevated NZ\$, particularly against the US\$. The NZ share market has been a relative outperformer for the year to date, and our New Zealand fund has proven quite resilient in these volatile times.

Australia

In August, despite what was perceived by investors as a generally supportive earnings season, the broad market S&P/ASX 300 index fell 2.0% and is now down 9.8% over the past five negative months. Not only was the market down in August but volatility spiked to extreme levels with significant intra-day moves – at its worst the small cap index was down almost 17% from the beginning of the month before staging a dramatic recovery. Our portfolio was significantly less volatile than the market, reflecting the

higher than normal cash levels we have and the portfolio's overweight to reasonably priced, highly cash generative companies that tend to be more stable performers in volatile times.

Other than the results season, which dominated company news, there weren't a lot of other announcements that drove prices over the month. We said goodbye to **Centrebet** from the portfolio during the month as the takeover has gone through. We will retain a residual right to a tax benefit that could be worth up to another \$0.60 per share but as at delisting date we had owned Centrebet for almost exactly 5 years. Over that period it returned 44.7% versus the index which fell 13.0%, so it will be missed!

International

International small cap stocks were hit especially hard in August and our performance also suffered as Germany's Index was down 20% in August. Even though we had cut back our allocation to Germany this year, we still had nearly 15% of the fund invested in German companies. Remember that Germany is one of the stronger economies in Europe - we've used this opportunity to add to selected holdings and have increased our weight in Germany to 17% of the fund.

Shares in **Ports Design**, which is one of our top 5 holdings, sold off more than 20% in August despite solid operating results and commentary. We use opportunities like this to add to our holding.

We added three new companies to the portfolio during August. **PSI AG** is a leading supplier of control systems and software solutions for utilities and the energy industry. It is a similar business to Telvent, one of our companies that was acquired by Schneider Electric, and is a market leader in Germany. We sold our shares in **Actelion** earlier in 2011 as valuation was extended due to takeover rumours. This month we bought back into this market leading company at bargain basement levels. We also added **Dolby**, the global market leader for pretty much anything audio in consumer electronics.

Infrastructure

The Fisher Morrison Infrastructure Fund returned -2.9% in August. Our infrastructure positions that depend on volumetric usage such as railways and couriers were the main contributors to negative returns this month. Our airports and more defensive positions in the energy and water sectors outperformed as investors sought shelter in high quality defensive infrastructure stocks. Our fixed income and cash exposure was at 33% at the close of the month and provided a buffer to the market downturn.

Fixed Income

A number of the leading economic indicators we monitor point toward a deteriorating economic picture in many parts of the world. In managing our fixed income portfolios, we feel it prudent at this time to pare back our weightings to lower rated companies and cyclically exposed sectors in our portfolio.

Government bond yields in certain parts of the world are now at levels not seen since the 1940's. While we believe some of these yields are justified, we find others downright wrong. Fearing higher interest rates in some 'problem nations', we have greatly reduced (or totally removed) our investments within those countries. We are also assessing our options in some cases on the optimal way we can

hedge the overall portfolio from a dramatic deterioration in those countries or regions.

We continue to hold higher than usual levels of cash. Elsewhere in the portfolio we have made investments in high quality companies that represent both value and protection from a worsening economic environment.



A bird's eye view

This month we introduce you to a fellow member of the Fisher Funds family who recently needed help reviewing her portfolio.

Helen found out about Fisher Funds in November 2008 when she attended a presentation that Carmel gave to a group of businesswomen. She liked the way that Carmel talked about share market investing – it didn't seem anywhere near as frightening as Helen had assumed it was. At the time Helen was working as a bank executive and earning a good salary, a fair bit of which she saved in an accelerated savings account. She and Jonathan were engaged and their plan was to buy a house as soon as they possibly could, though they didn't plan to start a family for at least another five years.

Helen put \$10,000 into the Fisher Funds NZ Growth Fund and started a monthly investment of \$500 into the Fisher Funds Australian Growth Fund. Helen didn't really have a fixed goal, other than to be able to eventually buy a house.

Helen came into the office last month and had a list of questions – she laughed at her "school teacher approach – must have got it from my mother". Essentially her questions were about what she should expect from her investments. Nearly three years into her five year plan, she hasn't got as much of a deposit as she had hoped and wondered whether she should increase her monthly investment, change funds, or

expect to have to keep on saving for an extra year or so. Part of her wants to buy a house now, since mortgage rates are low and with the help of her parents, she and Jonathan could probably get a nice place. She also knows that she can use her KiwiSaver fund (which she started in 2008) to help contribute to her first home deposit, but she has decided she doesn't want to touch that because her KiwiSaver fund is "for when I retire, not now".

We talked to Helen about the current investing environment which seems certain to be one of low-growth for some time yet. This means that her NZ and Australian funds, while hopefully generating positive returns, are unlikely to double her deposit any time soon. The low-growth environment also means that low interest rates are probably going to be here to stay for the foreseeable future. Having talked further with Jonathan, Helen decided that they are not ready to buy a house and would rather do so with a decent deposit so it takes pressure off them both in terms of repayments, particularly once they start a family. Helen increased her monthly investment to \$650, putting the additional \$150 into the Fisher Funds Infrastructure Fund which appealed to Jonathan because it was lower risk and might even invest in the SOEs if they are floated next year.

If you feel your investments need a review, please contact us on 0508 FISHER (0508 347 437) and we'd be happy to help.



Are your investments moving in the right direction?

If you are looking for an investment focused on capital preservation, low risk, stable returns and regular income then you need look no further.

The Fisher Funds High Income Fund gives you access to a diverse and high quality, hand-picked portfolio of fixed interest securities. Locally managed but globally focused, the Fund has the flexibility to search out the most competitive investment opportunities from around the world.

You'll benefit from the lower risk and lower volatility typically associated with fixed interest investments as well as enjoying a regular, competitive return which can be paid to you each month. You can also access your money at any time without penalty.

For an Investment Statement and to find out more about how the Fisher Funds High Income Fund can help diversify your investment portfolio, call us, visit our website or talk to your investment advisor.

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Meet your investment team



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Analyst



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Portfolio/Research Associate



David McLeish
Senior Portfolio Manager,
Fixed Interest

Getting to know ...

Daksha Dhanji

Client Services Manager



It's been a while since we introduced you to our team, so here's a quick profile of one of the people you might speak to if you call or pop into the office.

Daksha joined Fisher Funds three months ago having been a key member of the Huljich KiwiSaver client services team. As a lover of the outdoors, Daksha has thoroughly enjoyed the move to our Takapuna office right next to the beach, particularly with the improving weather which gives a hint as to what summer might hold.

Daksha loves being part of a team and says she loves being in a position where she can educate New Zealanders about the importance of saving for retirement. Before her OE to London, Daksha spent a number of years working for the Inland Revenue Department, which is possibly where she developed her tenacity in working through problems to arrive at the best outcome for clients.

Daksha was originally from Wellington – as were quite a number of our team members – and then moved to Auckland after getting married. Her large extended family keeps her busy and she enjoys escaping from the city in the weekends.

Outside the office Daksha has a keen interest in team sports, particularly hockey which she played for many years. Contrary to her colleagues' beliefs, Daksha is not a big fan of cricket (or butter chicken for that matter!!).

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Fund Performance

Fund Net Returns	1 Year	2 Years	3 Years	5 Years	7 Years	Since Fund Inception
NZ Growth Fund	16.1%	7.1%	-1.0%	-4.1%	3.5%	9.3%
Australian Growth Fund	-1.6%	8.4%	5.8%	1.4%	N/A	5.9%
International Growth Fund	-9.3%	-2.5%	0.7%	N/A	N/A	0.8%
Infrastructure Fund	0.2%	5.2%	N/A	N/A	N/A	10.7%
Kiwisaver Growth Fund	0.7%	4.5%	4.8%	N/A	N/A	1.2%
KiwiSaver Conservative Fund	4.5%	N/A	N/A	N/A	N/A	2.6%
Trans Tasman Fund	10.3%	4.6%	2.5%	4.1%	N/A	5.0%

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

Fund Pre-tax Returns	1 Year	2 Years	3 Years	5 Years	7 Years	Since Fund Inception
NZ Growth Fund	17.3%	8.2%	0.1%	-4.0%	6.0%	11.9%
Australian Growth Fund	-1.5%	8.4%	6.1%	1.4%	N/A	7.4%
International Growth Fund	-9.3%	-2.5%	0.7%	N/A	N/A	0.8%
Infrastructure Fund	0.2%	5.2%	N/A	N/A	N/A	10.7%
Kiwisaver Growth Fund	0.7%	4.5%	4.8%	N/A	N/A	1.2%
KiwiSaver Conservative Fund	4.5%	N/A	N/A	N/A	N/A	2.6%
Trans Tasman Fund	10.3%	4.6%	2.5%	4.1%	N/A	5.0%

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	7 Years
NZ50G	9.5%	3.6%	-0.3%	-1.1%	2.7%
90day bank bill	3.0%	2.9%	3.7%	5.6%	6.1%
S&P/ASX300 (Calculated in \$NZ)	0.3%	3.0%	-0.7%	2.3%	9.6%
MSCI Global Small Cap Index (in \$NZ)	-1.3%	2.1%	-2.8%	-4.1%	N/A

August's Biggest Movers

New Zealand

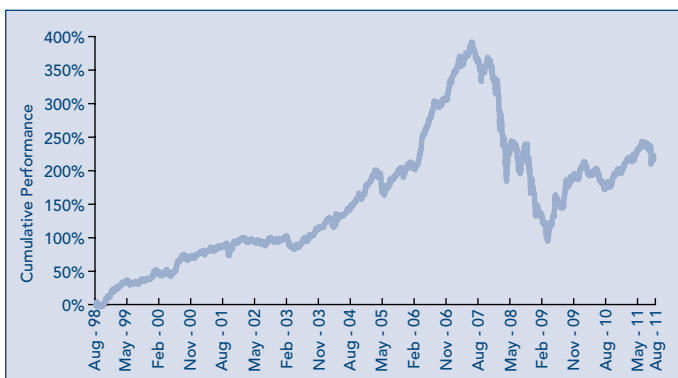
Pumpkin Patch	-13%
F&P Healthcare	-11%
Kathmandu	-8%
Opus Consulting	-6%

Australia

Nanosonics	-23%
Universal Biosensors	-17%
Sedgman	15%
Oakton	-11%

International

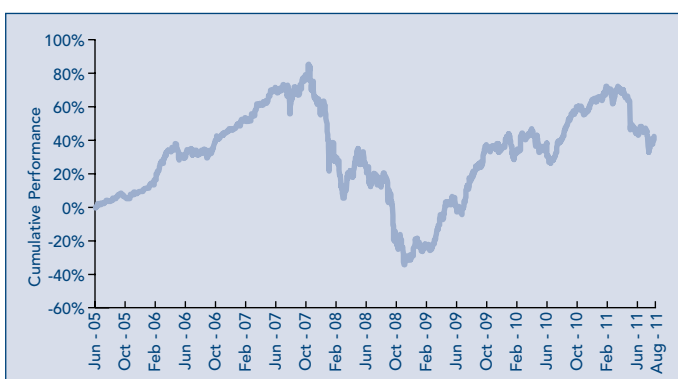
China Automation	-41%
Ports Design	-20%
Brembo	-20%
Hansens Natural	20%



New Zealand Growth Fund

Fund Inception August 1998

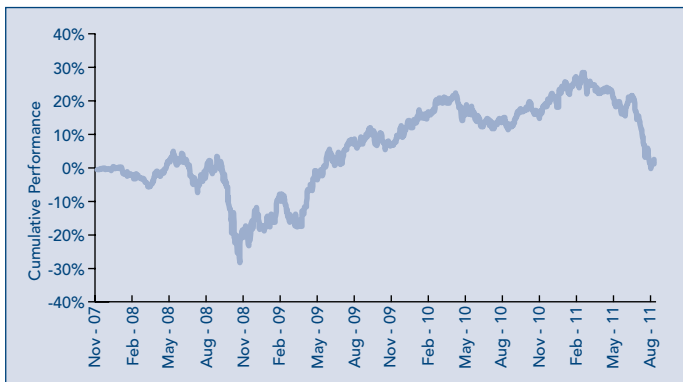
Portfolio Holdings - Abano Healthcare, Delegats, Fisher & Paykel Healthcare, Freightways, Infratil, Kathmandu, Mainfreight, Metlifecare, Michael Hill, NZX, Opus International, Pumpkin Patch, Ryman Healthcare, Wakefield Health, Tower Limited.



Australian Growth Fund

Fund Inception June 2005

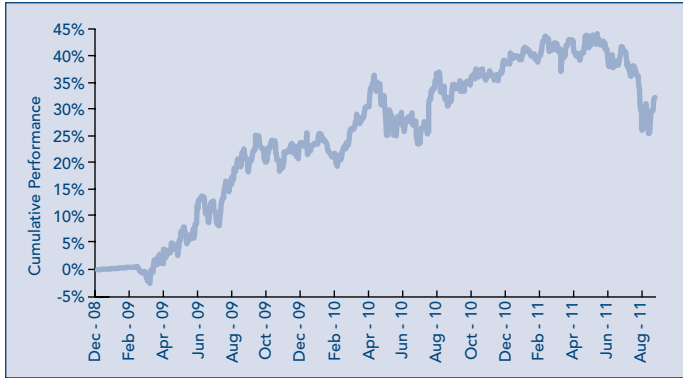
Portfolio Holdings - Austbrokers, Bravura, Credit Corp, CSG, Dart Energy, DWS, Solutions, McMillan Shakespeare, Nanosonics, Nick Scali, Pharmaxis, Reckon, Retail Food Group, The Reject Shop, Toxfree, Treasury Group, Universal Biosensors, Vision Group, WHK Group.



International Growth Fund

Fund Inception October 2007

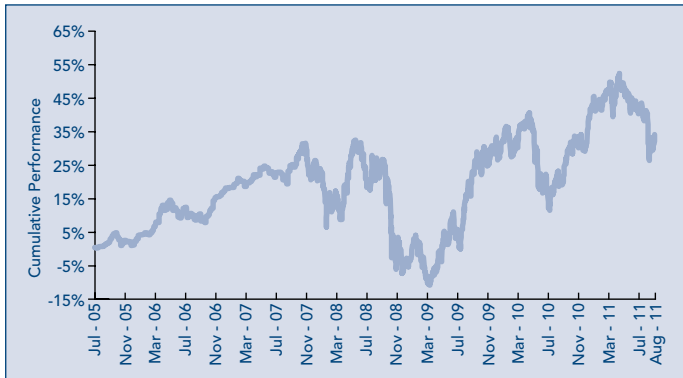
Portfolio Holdings - Actelion, Advent Software, Asahi Co Ltd, Autodesk, Biotest, Brembo, China Automation, City Telecom, Conceptus, Dolby, Equinix, Fook Woo Group, Gameloft, Hanger Orthopedic, Horiba, Hsu Fu Chi International, Hyflux Limited, Interactive Intelligence, Icon PLC, Midas, Nokian Renkaat, O2 Micro, Okano Valve Manufacturing, Orthofix, Ports Design, Prestige International, PSI AG, Qiagen, Raffles Education, Sarin Technologies, Stratec Biomed, Telvent, Torishima Pump, TravelSky, Wasion Holdings, Wellstream, Wirecard.



Infrastructure Fund

Fund Inception December 2008

Portfolio Holdings - Flughafen Wien AG, Fraport AG, Norfolk Southern Corp, 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, Severn Trent, ITC Holdings, International Power.



Trans Tasman Fund

Fund Inception July 2005

Portfolio Holdings - Fisher and Paykel Healthcare, Kathmandu, Mainfreight, Nuplex, Ryman, Sky TV, Tower, Adelaide Brighton, Amcor, Boart Longyear, Challenger Financial Services, Computershare, Emeco Holdings, Fairfax Media, Incitec Pivot, McPhersons, QBE Insurance, Rio Tinto, Suncorp-Metway, Tower Australia, Telstra, WorleyParsons, Works Finance (NZ).

Returns

	1 Month	3 Months
High Income Fund	0.12%	0.67%

Distribution Summary

Date	Distribution Amount
15 June 2011	0.35 cents / unit
15 July 2011	0.35 cents / unit
15 August 2011	0.40 cents / unit



High Income Fund

Fund Inception April 2011

Portfolio Holdings - Auckland City Council, Barclays Bank PLC, BBVA SM, China National Oil Offshore Corporation, Genesis Power Ltd, Glencore International PLC, GPG Finance PLC, HBOS PLC, Hutchison Whampoa International, Lloyds Banking Group PLC, NZ Government, Pernod Ricard SA, Telefonica SA, Z Energy Limited, Santos Limited, Reliance Industries Limited, Globo Comunicacoes, Rabo Bank Nederland.

Fisher Funds KiwiSaver Scheme

Fund Inception October 2007

Portfolio Holdings - A current listing of companies in the KiwiSaver portfolio can be viewed under 'more about our scheme and your options' on the homepage of our website <http://kiwisaver.fisherfunds.co.nz>.

For a copy of any of our investment statements, visit our website www.fisherfunds.co.nz or phone 0508 FISHER (0508 347 437)

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