



## **CLIENT UPDATE**

### **JANUARY 2010**

#### **GROSVENOR PORTFOLIO UPDATE**

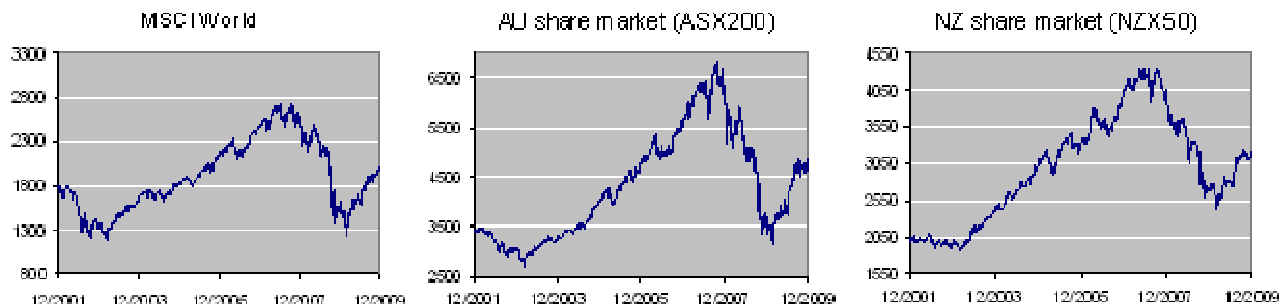
**- for the 6 months ended 31 December 2009**

The latest period has delivered one of the best six-monthly returns since the early 1990s, a time when share markets were also recovering from a global recessionary period. As has often been the case historically, the speed and extent of market increases in recovery scenarios usually takes most investors by surprise.

Whilst we have been (pleasantly) surprised by the performance of markets this period, we remain skeptical that economies, businesses and households have all returned to "normal", as seems to be implied by the continued strong performance since the market bottomed in early March. Given the extent of the recent gains and our sense that the markets have now got a little ahead of themselves, we have begun to implement and actively manage an insurance protection strategy on the US stock market. This strategy continues to give you exposure to the market upside, whilst only costing a relatively small premium from the upside gains to buy some downside cover. In addition, we also made the following key portfolio changes over the period:

- Further reduced the level of overall currency hedging on your international shares from 40% to 20% as the NZ Dollar rose towards \$US0.75c.
- Lengthened the average maturity profile of your NZ fixed interest portfolio by buying long-term government stock as interest rates rose back to 6%.
- Completed an annual asset allocation review which resulted in a modest overall reduction in the exposure to underlying shares – this will be implemented during the next quarter.

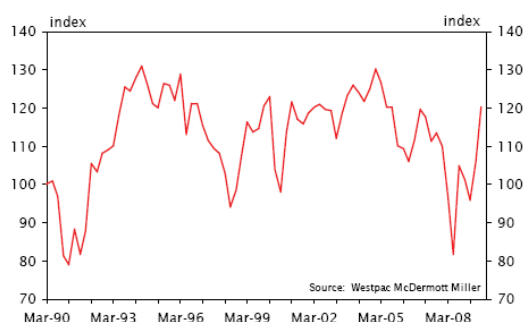
Despite our near term caution, it also seems clear that a significant amount of cash remains in accounts earning low interest rates that are likely to stay low for a considerable period of time. A portion of this cash, earmarked for longer term investment in shares, has missed the recent rally and is looking for any pullback in shares as an opportunity to invest. We do not therefore expect any short-term decline to either test the March market lows or to be prolonged. We are also continuing to research a range of new investment opportunities, which we hope to include in your portfolio over the next few months and we look forward to providing further information on this in your next update.



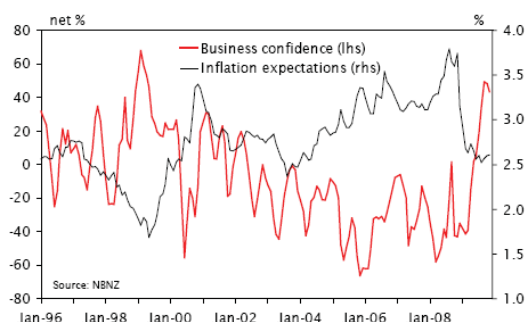
## NZ ECONOMY – CONFIDENCE GROWING

Consumer confidence leapt to a four-year high in the quarter, led by a material improvement in the short term economic outlook and year-ahead financial conditions. However, present conditions continued to provide sombre reading, highlighting still tight cash flows and rising unemployment.

NZ Consumer Confidence



NBNZ Business Confidence



The November business survey saw a small drop in the headline confidence measure, but the details were overwhelmingly stronger. Own-activity expectations rose to a new cycle high and intentions for hiring, investment, exports and prices were all higher.

Given the volatility and unpredictability of economies and therefore investment markets, holding a well-diversified investment portfolio has enabled investors to capture growth by staying invested. Having such discipline ensured that emotion (fear) didn't cloud investment decision making. Regular savers into investment portfolios have benefited especially with new monies being invested into markets as they dropped to historical lows.

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## KIWISAVER – FIRST HOME BUYERS SUBSIDY

When KiwiSaver was introduced in 2007, one of the benefits was a first home buyers subsidy where individuals can withdrawal their own savings plus a grant from the Government of \$1,000 per year, up to a maximum of \$5,000.

To be eligible for the first home deposit subsidy, applicants must:

- contribute a minimum of 2% of their income for at least three years to KiwiSaver
- be a first home buyer (or in a similar financial position to a first home buyer)
- be buying a house within the regional house price caps (\$300,000 in most areas)
- have a household income within the income caps (\$100,000 per individual/couple)
- live in the house for at least six months

KiwiSaver therefore provides a home ownership savings opportunity for younger individuals.

If you have any questions regarding KiwiSaver or to review your existing KiwiSaver investment, contributions and provider, please contact Michael Shears directly on (03) 964 4222.

*Please feel free to contact us if you have any questions from this update, or if we can be of any assistance.*

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## OUR CONTACT DETAILS

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