

“march of the markets”

investment commentary



Performance as at 31st March 2009

Market 31/03/09	3 month % change	6month % change	One year % change
MSCI World Index	(11.8%)	(30.9%)	(42.2%)
<i>Asia Pacific</i>			
MSCI Asia Pacific ex Japan (G)	(9.6%)	(24.8%)	(38.5%)
NZSX50 (G)*	(4.6%)	(16.2%)	(25.4%)
ASX200	(1.7%)	(21.5%)	(31.3%)
Nikkei 225	(8.5%)	(28.0%)	(35.3%)
<i>Americas</i>			
Dow Jones	(13.3%)	(29.9%)	(38.0%)
<i>Europe</i>			
MSCI Europe (G)	(9.8%)	(29.7%)	(39.9%)

* Note: Returns are in local currency, except where designated.

International Equities



After a dramatic 12 months that saw problems in “Wall Street” spill over into “Main Street” as economic growth sagged under the weight of the credit crunch International Equities appear to have a better outlook moving forward. Equities remain cheap relative to bonds and forward PE ratios remain “fair”. With markets being forward looking however confidence still remains fragile and we may well see negative corrections should more surprises come to pass. Areas such as Asia continue to hold promise with continued solid growth prospects although which by their standards may seem like a recession.

Australasian Equities



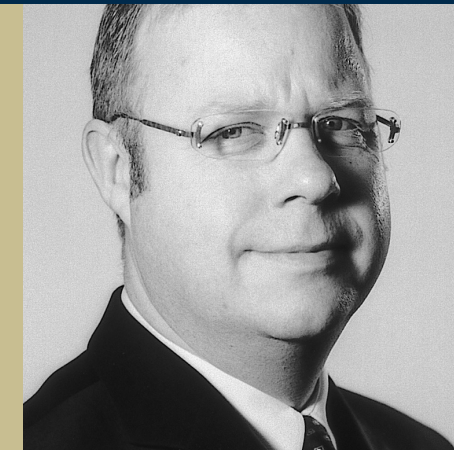
The Australasian banking system has proved to one of the more robust financial systems in the world with most local financial institutions performing well. Our expectation is that equities will recover on the back of better investor sentiment and performance from offshore markets and once the fiscal stimulation and monetary policy stimulation packages announced in Australia and New Zealand flow through the respective economies.

Domestic Fixed Interest



What a difference 12 months makes! Cash has gone from an Official Cash Rate (“OCR”) rate of 8.25% at the start of 2008 to 2.5% 12 months later. There appears to still be room for the OCR to be cut further although it is probable interest rate cuts will slow as the Reserve Bank will be mindful to keep higher relative interest rates versus offshore rates in NZ to support the NZ currency. Despite the daily diet of gloom fed to us by the media one does have to reflect on the huge stimulatory impact that lower debt servicing costs (as a result of lower interest rates), tax cuts and fiscal spending will have on the local economy over the medium to long term. Whilst 2009 may not see the impact of these packages there is no doubt that the 2010 year should see local economy start to provide positive signs of recovery.

Welcome to the investment commentary and update for the Lifestages KiwiSaver Scheme for the period to 31st March 2009. This is the first commentary and update for the 2009 year and we plan to send you another update for the six months to 30th September 2009 and every six months thereafter. This commentary also compliments the six monthly statements you will receive on your KiwiSaver account detailing the various transactions you have made.



Graham Duston,
Executive Director for
Funds Administration
New Zealand (FANZ).

Hurricanes, volcanic eruptions and tornadoes have a savage beauty that takes your breath away, even as one laments their destructive power. And bear markets can also be inspiring in their scale and scope. The last 12 months has shown us that there has been no hiding place for investors. Most major sharemarkets are down 30 – 40% in local dollar terms and diversification has not helped much as most markets have almost been perfectly correlated with each other. Many investors will be viewing results from other investments the likes of which we have not seen since the 1930s. The period between October 2008 and March 2009 saw the International Monetary Fund restate its economic forecasts six times alone (all of them downward) as the world's financial systems struggled to cope with the receivership of Lehman Brothers in October 2008 and slowing economies.

And yet investors in the Lifestages KiwiSaver Scheme will have noted that the fund performance for the financial

year ending 31st March 2009 was a positive one for investors. This result will make your scheme one of the few KiwiSaver schemes in New Zealand to turn in such a performance over the last 12 months. There are a number of reasons for this solid performance. These include:

- 1. Consistent Investment Philosophy and Processes.** As we noted in our last commentary the Lifestages KiwiSaver Scheme is based on an investment approach that started in 1992. This approach has almost always consistently generated positive returns (refer to graph on page 3) even in times of extreme investment market volatility. There is nothing like having a road tested approach in difficult times!
- 2. Strong Investment Manager Performance.** Without exception all of our investment managers have performed well relative to their investment mandates and this also helped the Lifestages KiwiSaver Scheme perform well.

3. Capital Preservation. We intuitively understand that for most investors it's all about capital preservation. We behave and act accordingly. It was for this reason that we also only introduced a Capital Stable KiwiSaver portfolio upon launching in 2007 as we were concerned about the general investment environment. We know that one of the key planks to investment success is to preserve capital in tough investment markets as it makes it easier to progress from there when markets eventually turn (as they inevitably do).

I must say how saddened I have been over the last 12 months that many New Zealanders have had to find this out the hard way by investing in overly aggressive KiwiSaver schemes given the investment environment. In my personal experience I have found that investors often understand return but not risk. The issue for many investors is that they will now find out the hard way that if you have lost 30% you actually have to make 43% to get back

Important

This document is intended for information purposes only and should be read in conjunction with the Investment Statement for the Lifestages KiwiSaver Scheme which can be obtained by contacting the Manager on 0800 502 442 or by contacting your local Building Society or financial adviser. This information is of general nature only and has not been prepared with regard to the needs of any investor. Investors should be aware that future performance may not reflect past results and the performance of the fund, repayment of any capital or any particular rate of return are not guaranteed. Details are current as at the date of preparation and are subject to change. An adviser disclosure statement is also available, on request, and free of charge from your local Building Society branch or financial adviser.

comment

Continued...

to square one. A 50% loss means you have to make 100% to get back to square one. This will be hard to do! It may well be that some investors are well educated and are prepared for market volatility when investing in growth portfolios but some others may have taken advice that now probably appears to be some what self serving from an industry perspective and not necessarily in some investors best interests.

And yet whilst one looks back in the rear view mirror and sees a "trainwreck" looking forward the environment does in our view appear some what more positive.

In a way, it is a mirror of the "irrational exuberance" that occurred in the late 1990's. In Britain and America for example the dividend yield for equities is now well above the yield on government bonds (even allowing for the likelihood of lower payouts), something not seen since the 1950s. Perhaps the best way to think about market values is in terms of odds. Back in 2000, they were against investors making money in equities over the long term because of the likelihood that valuations would revert to the mean. Now the odds are more in investors' favour. Today's prices may or may not be rock bottom, but in our view they do provide an opportunity for investors who can afford to be patient.

The Geithner Plan to shore up confidence in US banks announced in late March 2009 was the latest move by policy makers to throw the "kitchen sink (and any other kitchen appliance they can get their hands on)" at the

"credit crunch" and the issues it has caused. When this plan is viewed within the totality of the US government response to the profound crisis confronting the world's largest economy (and viewed along side the other fiscal and monetary policy initiatives being rolled out world wide) the combined initiatives are truly awesome in scope, magnitude – and potential risks. Our view is that the world will muddle through this period and recover some poise and confidence over time. We do expect that the massive monetary and fiscal policy initiatives introduced will have a positive impact on investment markets over late 2009 and 2010. The G-20 talkfest held in the United Kingdom in early April is the latest sign of the world wide commitment to resolving the credit crunch. World leaders pledged US\$1.1 trillion in loans and guarantees to impoverished countries and agreed to crack down on tax havens and hedge funds.

Because of our more positive view of the long term world situation we do believe that the time is now right to consider developing other investment options as part of the Lifestages KiwiSaver Scheme that may have a more growth orientated focus. We will be undertaking work on this over the next six months and will keep you informed as to our progress in this area.

I must admit to cringing when I read that we noted in our April 2008 commentary that we did not expect a "global recession"! In our defence we were certainly well positioned for the overall negative trends and issues but the speed and ferocity of the "credit

crunch" over the last year has taken almost everyone by surprise, including ourselves. Perhaps this is the key lesson of the "credit crunch". The key to successfully navigating these difficult investment times is about being disciplined, conservative and consistent in your approach and temperament. We believe that while these philosophies may go out of "fashion" with some sectors of the investment community at times, our track record since 1992 shows that they never go out of "style".

Our philosophy of continuous improvement and our consistent investment approach continues to give us confidence in the future. Thank you for your support. We look forward to being of service to you in the future.

Graham Duston,



Executive Director Funds
Administration New Zealand
(Manager of the Lifestages
KiwiSaver Scheme)

fund performance

Lifestages KiwiSaver Scheme

Lifestages KiwiSaver Scheme

As at 31st March 2009

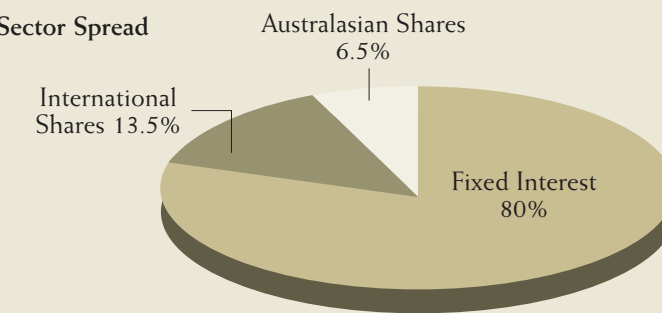
We are pleased to advise that the Lifestages KiwiSaver Scheme has produced a positive result for investors despite the extreme investment market conditions. The Lifestages KiwiSaver Scheme commenced investing on 1 October 2007 with the same investment approach (and performance) as the Lifestages Superannuation Scheme since that date. We look forward to another solid year over the 2009/2010 financial year.

Unit Price: 2.00710

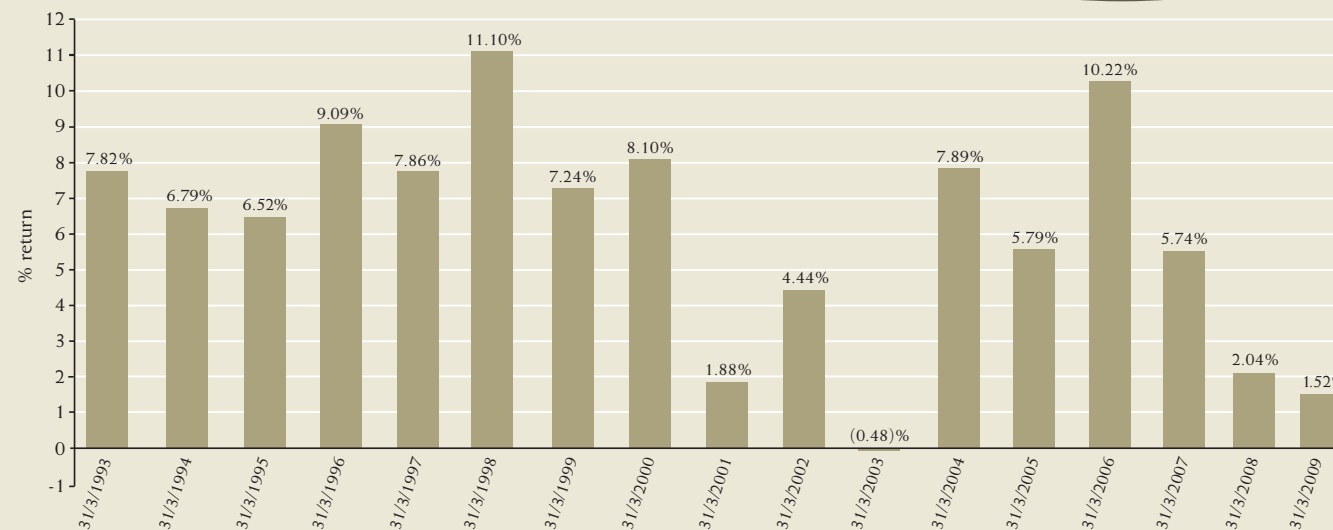
Gross Returns* (Gross of tax)

3 Months	-0.66%
6 Months	-0.83%
12 Months	1.52%

Sector Spread



Pre-Tax and After Fee Annualised Returns for 17 Years to 31 March 2008**



“We could stick a sign outside this hall tonight and put 'rock concert' on it, and we'd have one kind of crowd come in. And we could put 'ballet' and we have a somewhat different kind of crowd come in. Both crowds are fine. But it's a terrible mistake to put rock concert out there if you're going to have a ballet, or vice versa. And the only way I have of sticking a sign on Berkshire, as to the kind of place I'm asking people to enter is through the communications and policies.”

Warren Buffett "Warren Buffett Speaks"

* Actual performance of Lifestages KiwiSaver Scheme.

** Performance Information shown for the Lifestages Superannuation Scheme from 1 April 1992 to 31 March 2009 and for the Lifestages KiwiSaver Scheme from 1 October 2007 to 31 March 2009.