

ASB



Jonathan Beale
Head of
Investment Services

Well, it's certainly been quite a year. With the collapse of several finance companies, KiwiSaver launching and new investment income taxation legislation, we've seen a huge amount of change across the industry.

The collapse of some finance companies had brought much media scrutiny onto the subject of investments and advice. It has, quite rightly, brought to attention the subject of risk versus reward, and "advisers" who are more concerned with lining their own pocket instead of researching the risk of the investment funds that they recommend. What it has clearly demonstrated, is the real need for investors to look beyond just interest rates when choosing a suitable investment.

Risk and return are the fundamental drivers of any investment, and sadly, as many New Zealanders have recently discovered, the ultimate risk is that you may not get your money back. This is why, at ASB, we place such importance on the process of understanding your investment needs before we offer advice. You can be sure that ASB's investment recommendations are founded on rigorous analysis and research and are matched for compatibility with your personal needs before they are offered as investment opportunities.

We have also put a lot of work into maximising the opportunities presented by the recent PIE taxation legislation. ASB has from the start of October 2007, had PIE funds available for investment. If you would like to know more or have any general queries about your investments, please call one of our Account Managers on 0800 108 084.

Jonathan Beale, Head of Investment Services

Spotlight Investment

Introducing the EasyFunds range.

We're pleased to introduce a brand new PIE compliant managed fund to add to our suite of investment options. EasyFunds has been designed to take advantage of the recent PIE tax legislation, and provides a range of investment options that are tailored specifically for the everyday investor.

EasyFunds has five different funds designed to suit the investment goals of a wide range of profiles. EasyFunds offers solutions ranging from short term security and stability, to funds that invest in a high proportion of shares that aim for capital growth over the long term. Call 0800 108 084 or visit www.asb.co.nz to learn more.

in touch

YOUR INVESTMENT UPDATE

Theme for the last 6 months

Over the last few months, financial markets were plagued by worries over the deterioration in the US sub-prime housing sector. A bigger-than-expected rate cut from the US Federal Reserve in September, helped boost sentiment, but this decision weighed on the US dollar, which fell to multi-year lows.

Soft US economic data, particularly in the labour and housing markets, also caused the US dollar to fall significantly, generating a lift in all currencies, including the New Zealand dollar.

> Cash and Fixed Interest

The NZ dollar set a post float high of US \$0.81 in July, and then fell heavily in the wake of the woes of the subprime mortgage market. This is the part of the market that lends to borrowers of poorer credit quality. We are unlikely to revisit this high, but the NZ dollar is looking fairly strong against a weak US dollar, and is likely to trade around the current level for the rest of 2007.

The financial market turmoil caused many investors to sell shares and buy bonds. Both local and US long term yields subsequently fell, and are currently trading with yields below long term averages.

> Property

Residential property is showing signs that higher interest rates are reining in the strength evident in the market in late 2006 and earlier this year. Annual price growth is starting to soften and housing turnover has slowed noticeably since March. Listed property share prices have also softened slightly over the past 6 months.

> New Zealand Shares

Notwithstanding the recent financial market turmoil, NZ shares ended the September quarter 4% higher on average than they were 6 months before. It was, however, a very volatile period. At one stage in August, the NZX50 had fallen 10% from this year's peak (to date) back in May, but has largely recovered.

> International Shares

International sharemarkets have also been volatile, but largely positive over the last 6 months. The Japanese Nikkei was down over the period, but all of the other main markets posted gains, with the US Dow Jones Industrial Average posting a new all time high of 12.5% over 6 months. However, the strong New Zealand dollar detracted from international share returns when measured in NZD terms.

Chris Tennent-Brown,
NZ Economist, ASB.

Fund Name	6 months	1 year	3 years p.a.	5 years p.a.	Since Inception p.a.
NZ Income Funds (before Tax and after Fees) ¹					
NZ Cash Income Fund	3.84%	7.60%	7.03%	N/A	6.57%
NZ Mortgage Income Fund *	3.95%	7.84%	7.56%	N/A	7.27%
ASB Retail Unit Trust Strategies (after Tax and Fees) ²					
Conservative Strategy	2.74%	5.46%	6.75%	6.10%	N/A
Moderate Strategy	2.93%	6.07%	7.55%	6.86%	N/A
Balanced Strategy	3.36%	7.47%	9.16%	8.36%	N/A
Growth Strategy	3.78%	8.69%	10.73%	9.73%	N/A
Dynamic Strategy	6.26%	12.12%	14.05%	12.44%	N/A
ASB Retail Unit Trust Funds (after Tax and Fees) ³					
ASB Money Market Trust	2.54%	4.95%	4.59%	4.10%	3.85%
ASB Residential Mortgage Trust *	2.71%	5.27%	5.01%	4.69%	4.61%
ASB NZ Fixed Interest Trust	1.39%	2.17%	3.08%	3.13%	3.75%
ASB World Fixed Interest Trust	2.58%	4.15%	5.14%	4.05%	4.15%
ASB NZ Property Trust	3.10%	11.30%	9.41%	8.25%	5.32%
ASB World Shares Trust	4.71%	8.36%	12.98%	10.95%	4.51%
ASB NZ Shares Trust	2.75%	15.93%	10.75%	12.96%	5.55%
ASB Emerging Markets Shares Trust	23.78%	32.32%	26.14%	20.62%	7.79%
ASB Diversified Income Trust	2.39%	5.12%	N/A	N/A	5.14%
ASB Easyplan Funds (after Tax and Fees) ³					
ASB Easyplan Cash Enhanced Fund	2.15%	4.11%	4.15%	3.76%	3.98%
ASB Easyplan Conservative Fund	2.69%	5.82%	6.75%	6.00%	4.38%
ASB Easyplan Balanced Fund	3.33%	8.59%	9.53%	8.39%	5.34%
ASB Easyplan Growth Fund	3.84%	10.39%	11.62%	10.00%	4.52%
ASB Superannuation Master Trust Funds including the State Sector Retirement Savings Scheme (after Tax and Fees) ³					
ASB Conservative Fund	3.58%	6.78%	8.15%	7.24%	5.78%
ASB Balanced Fund	4.25%	8.39%	10.07%	8.91%	3.19%
ASB Growth Fund	4.97%	9.91%	12.02%	10.64%	4.69%
ASB Cash Fund	2.60%	5.10%	4.74%	4.21%	4.08%
ASB NZ Fixed Interest Fund	1.52%	2.51%	3.46%	3.43%	3.49%
ASB World Fixed Interest Fund	2.67%	4.27%	5.20%	4.11%	4.54%
ASB Property Fund	8.94%	16.63%	14.52%	12.46%	10.92%
ASB NZ Shares Fund	3.04%	16.65%	11.44%	13.97%	8.77%
ASB World Shares Fund	5.70%	9.42%	14.19%	11.63%	-0.12%

Monthly Returns	Month	Gross Return per month (After Annual Fees)	Net Return per month (After Annual Fee @ 33% Tax)	Net Return per month (After Annual Fee @ 19.5% Tax)
NZ Income Funds				
NZ Mortgage Income Fund *	Apr-07	0.60%	0.40%	0.49%
	May-07	0.64%	0.43%	0.51%
	Jun-07	0.63%	0.42%	0.50%
	Jul-07	0.67%	0.45%	0.54%
	Aug-07	0.69%	0.46%	0.55%
	Sep-07	0.67%	0.45%	0.54%
NZ Cash Income Fund	Apr-07	0.59%	0.39%	0.47%
	May-07	0.62%	0.41%	0.50%
	Jun-07	0.61%	0.41%	0.49%
	Jul-07	0.64%	0.43%	0.52%
	Aug-07	0.68%	0.45%	0.54%
	Sep-07	0.65%	0.43%	0.52%
ASB Retail Unit Trusts				
ASB Residential Mortgage Trust *	Apr-07	0.63%	0.42%	N/A
	May-07	0.63%	0.42%	N/A
	Jun-07	0.62%	0.42%	N/A
	Jul-07	0.65%	0.43%	N/A
	Aug-07	0.69%	0.46%	N/A
	Sep-07	0.57%	0.38%	N/A
ASB Money Market Trust	Apr-07	0.58%	0.39%	N/A
	May-07	0.61%	0.41%	N/A
	Jun-07	0.61%	0.41%	N/A
	Jul-07	0.63%	0.42%	N/A
	Aug-07	0.67%	0.45%	N/A
	Sep-07	0.56%	0.38%	N/A
	Month	Gross Distribution Return (After Annual Fees)	Net Distribution Return (After Annual Fee & 33% Tax)	Net Return per month (After Annual Fee & 19.5% Tax)
ASB Diversified Income Trust	Apr-07	0.61%	0.41%	N/A
	May-07	0.63%	0.42%	N/A
	Jun-07	0.63%	0.42%	N/A
	Jul-07	0.63%	0.42%	N/A
	Aug-07	0.44%	0.30%	N/A
	Sep-07	0.60%	0.40%	N/A

* Closed to new investors and closed to increases by existing investors. Units in the NZ Income Funds and ASB Unit Trusts, and membership in ASB Easyplan Retirement Savings Scheme (together the 'managed funds') are issued by ASB Group Investments Limited ('ASB Group Investments'), a wholly owned subsidiary of ASB Group (Life) Limited and a related company of ASB Bank Limited ('ASB'), Units and Membership in ASB Superannuation Master Trusts (also included in the definition of managed funds) is issued by Public Trust. Neither ASB Group Investments, ASB or its subsidiaries (the 'Banking Group'), the Commonwealth Bank of Australia, nor any other company in the Commonwealth Bank of Australia Group, nor any of their directors, nor any other person, guarantees these managed funds (including the repayment of any capital) or the performance of those funds (including any of the investments or returns). Investments in the managed funds do not represent bank deposits or liabilities of the Banking Group or the Commonwealth Bank of Australia, and are subject to investment risk including loss of income and principal invested. The information expressed in this update is of a general nature only and is believed to be accurate at the date of issue. You should seek professional advice before making an investment decision. Neither ASB, ASB Group Investments or their related companies, nor any of their directors or employees, accept liability for any loss or damage arising directly or indirectly out of the use of or reliance on the information in this report. Terms and conditions relating to your investment are contained in investment statements for each of NZ Income Funds, ASB Retail Unit Trusts, ASB Easyplan Retirement Savings Scheme and ASB Superannuation Master Trust, as applicable. Copies of the registered prospectuses for the managed funds are also available on request.

The above table quotes historical performance and is intended as a guide only. Past performance cannot be seen as an indication of future performance as returns fluctuate according to market conditions.

1. Before tax but after annual fees (NZ Income Funds): The returns reported are based on all distributions made and income accrued for the period. The returns assume a lump sum invested at the beginning of the period and the reinvestment of all distributions, and that no withdrawals or additional investments have occurred. Returns for periods greater than one year are annualised.

2. After tax and annual fees (ASB Retail Unit Trust Investment Strategies): The returns for ASB Bank Investment Strategies are based on the returns of the underlying assets and assume that no rebalancing of asset allocations has taken place. Returns for periods greater than one year are annualised. Commencement date for these returns is 1 October 2007. These returns include the performance of the relevant indices prior to inception for sector funds commencing after 1 October 2007.

3. After Tax and annual fees (excluding ASB Superannuation Master Trust administration fees) (ASB Unit Trusts, ASB Easyplan Retirement Savings Scheme and ASB Superannuation Master Trust): The returns reported above are the percentage changes in the unit price for each Fund for the period stated. The returns for ASB Unit Trusts are adjusted for dividends/distributions (except the ASB Money Market Trust and the ASB Residential Mortgage Trust where returns are based on all distributions/dividends made and income accrued for the period). The returns assume a lump sum invested at the beginning of the period with no subsequent contributions or withdrawals. Returns for periods greater than one year are annualised.

