ASPIRING ASSET
MANAGEMENT LTD

REPORT TO THE UNIT HOLDERS IN THE ASPIRING FUND FOR THE MONTH ENDED 31 July 2009

	Aspiring Fund	NZG50	ALL Ords Accumulative Index (rebased in $NZ)
Month July	5.00%	7.90%	10.20%
Quarter to Date	5.00%	7.90%	10.20%
Financial Year To Date	17.30%	16.40%	25.50%
Annualised since PIE (1/10/07)	3.30%	-17.30%	-13.80%

The Unit Price 1st August 2009 was $1.2646.

The performance for the month of July was 5.0% after all expenses

Our asset allocation at the end of the month was approximately:

New Zealand Equities	30.9%
Australian Equities	39.3%
Hybrid Debt	18.6%
Cash	11.2%

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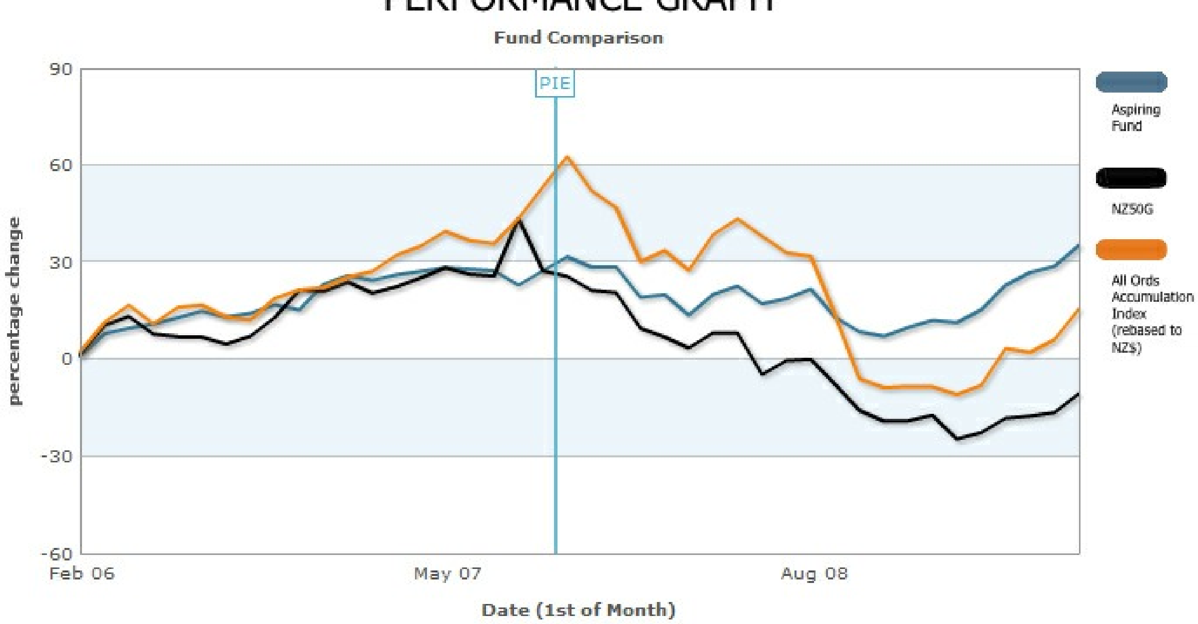
PERFORMANCE GRAPH



Comparisons between the unit price performance of the Aspiring Fund and Australian and New Zealand market indicies prior to the introduction of the "PIE" regime are not particularly valid. In that period the fund paid full tax on all capital gains whereas the indicies performance is without any allowance for tax. That the unit price of the fund matched the performance of the New Zealand index in a rising market prior to the introduction of the PIE regime suggests a level of out performance not picked up by the graph

PERFORMANCE

July was a stellar month for equities. The Aspiring Fund's return for the month was the fourth best since the fund's inception, helped to a degree by our decision to increase our equity weightings through the month in order to 'ride the wave'.

Our returns, however, were less than either the broad New Zealand market or the Australian market's return in NZ$. Given our starting asset allocation and cautious nature some level of underperformance was entirely predictable.

A gratifying consequence of July's performance is that the Fund's unit price has reached a new high water mark, meaning every investor in the Fund is now ahead in absolute terms. This may be small consolation for those who have earned about 2% as a result of investing at the previous high water mark reached at the end of October, 2007 but the New Zealand market has declined 28% over the same time period—only marginally better than the NZ$ performance of the All Ords Accumulation index which was down 29%.

The Australasian markets' performance during July was impressive but unremarkable in a global context as most Asian markets were up over 10%, the US was up 7.4%, UK 8.5% and Germany 10.9%. Coming immediately after the strength of the previous quarter this has made for one of the best 4 month performances in history for global equity markets.

It has been so good that the Dow Jones index is now back at last October's closing level. However, it is notable that the Dow is still down 20% in the ten and a half years since 31 December 1999. It is precisely that sort of performance which makes us question the logic of those who say you can't time markets so just buy good companies and hang on for the long run.

We have added some value to the Fund by stock selection but the great bulk of our value add so far has come from the ability to preserve capital by holding high levels of cash or bonds when we believed circumstances warranted it.

The Fund has now had 13 months of negative returns since inception (a total of 42 months) with a cumulative return from those months of -32.3% while the NZ50 Gross Index had 20 months of negative returns over the same period for a cumulative loss of 54.7%. We made many mistakes in that time and we are very imperfect market timers but the discipline of a focus on capital preservation in uncertain times has swamped the cost of imperfect execution.

During July we sold all of our Sky City Aces and the shorter dated ANZ Tier 1 capital issue and reinvested the proceeds in equities, taking our weighting up from 52 to 71%.

We didn't have large exposures to the star performers of the month—Sky City (+23%), which had an unexpected earnings upgrade, Fisher and Paykel Appliances (+30%) and Nuplex (+27%) which were rerated for their exposure to the global economic upturn and a strong Australian economy.

Last month we stated we were agnostic about the market with a bearish bias. Although many future problems looming on the long term horizon concern us—principally the buildup of excessive government debt and the need for individuals as well as Governments to reduce expenditure and rebuild balance sheets—we have pragmatically become neutral in our short term outlook

Top 10 Holdings at 31 July 2009

ANZ Hybrid	6.9%
Sky TV	3.7%
Pipe Networks	3.6%
Cavotec	3.5%
QBE	3.4%
Fairfax Debt	3.2%
Santos	3.2%
Methven	2.9%
Michael Hill	2.9%
The Warehouse	2.7%

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COMMENTARY

With central banks around the globe committed to keeping interest rates low and positive news flow (of sorts) coming from the corporate and "statistical" sectors there has emerged globally an increased appetite for risk assets. In part, this is simply a reflection that the reward for holding lower risk assets is now so poor.

The US reporting season saw a number of positive surprises, mostly a function of expectations having been beaten down previously and of capable managers moving quickly to reduce costs. Demand is still weak and outside of inventory cycles and government stimulation packages ("cash for clunkers" being the latest) generally still declining. Profits globally continue to fall and the good news, like most of the green shoot economic statistics of late, is in the second derivative ie the rate of decline in profits etc is slowing as opposed to reversing.

Markets appear willing to look through bad news in the belief that the 2009 calendar year will see "trough earnings". This may or may not be so, but earnings are unlikely to recover in any V shaped pattern and the U-shaped recovery we see may be very elongated and have the odd zigzag along the bottom. We have a suspicion that the market might be a tad over confident about the speed of any economic recovery globally, although there is much evidence that the Australian economy is performing very strongly.

Investors have become confident simply because they stared down the possibility of the bleakest of collapses and are just relieved that at the moment we look as though we will be getting away with "merely" the deepest recession since World War II and the accumulation of massive government IOUs.

Our slightly increased confidence in the market comes from a more cynical view that the problems that will arise from the blowout in government debt around the globe (at the time just before the ageing demographic kicks in) will probably take a couple of years to fully develop and meanwhile much money is returning to the market from the sidelines.

This, however, is not a high conviction belief so we will "dance near the door" with liquid big cap companies making up a reasonable portion of the portfolio. To be frank, these are such unusual times that we have little confidence in our ability to predict the future and we are reassured that many commentators whom we respect share our lack of clarity. This is a dangerous environment in which to bet the ranch on any specific outcome.

In New Zealand July saw some more small signs of relative improvement in economic statistics. The NBNZ business confidence survey improved on most measures. Profitability expectations lifted to -13.8 from -24.2 -- still a negative number, which means the majority of companies are suggesting profits will continue to fall, which fits in with the AGM comment from our listed concerns such as Methven and Mainfreight during the month.

Building permits are rising off a low base and volume and price data for the sale of existing homes also suggests an improvement in the housing sector. With net immigration rising to somewhere between 25-30,000 a year there is a growing need for housing starts to lift. The current low interest rate environment should facilitate increased confidence in the sector.

Whilst this points to some sort of level of household-led growth, the productive sector is being constrained by the strong New Zealand dollar relative to the US currency. In particular, our farmers will be looking on with some angst at the continued flight of the Kiwi.

The combination of household consumption/investment growing and the productive sector struggling is not ideal for long-term economic performance. Currently, our bias is towards directing more money towards Australia, where the economy seems to be intrinsically stronger, rather than backing what we suspect will be a short run rally in New Zealand.

Aspiring Asset Management Ltd
www.aaml.co.nz

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