

REPORT TO THE UNIT HOLDERS IN THE ASPIRING FUND FOR THE MONTH ENDED 30 June 2009

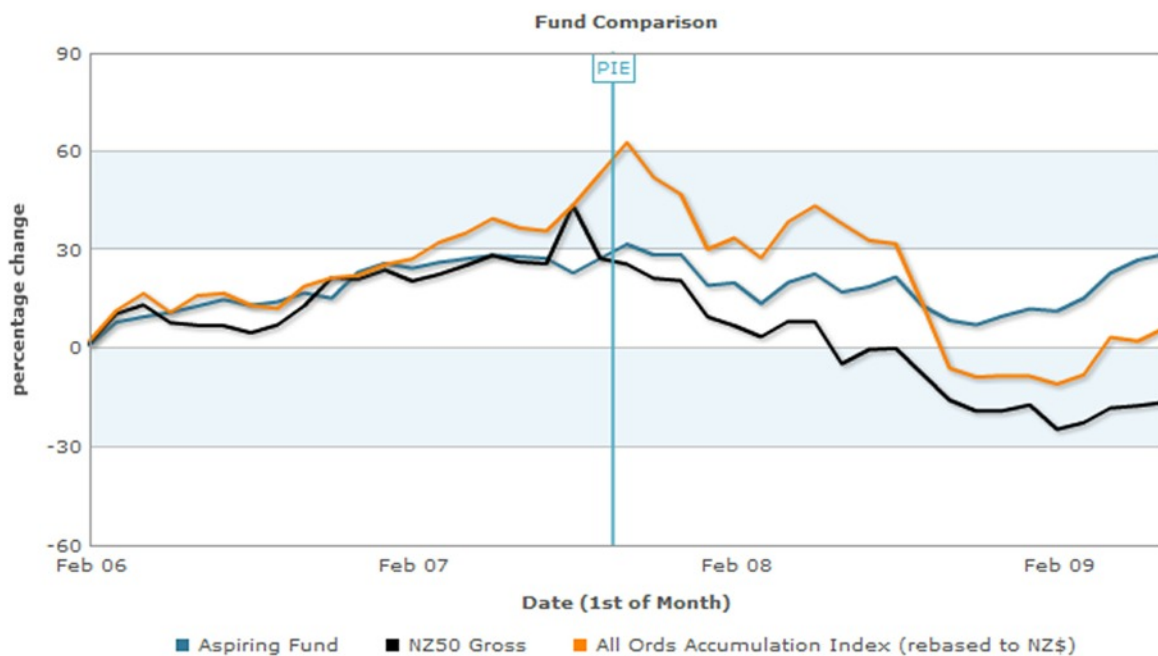
	Aspiring Fund	NZG50	ALL Ords Accumulative Index (rebased in \$NZ)
Month June	1.47%	1.20%	3.80%
Quarter to Date	11.70%	8.10%	15.40%
Financial Year To Date	11.70%	8.10%	15.40%
Annualised since PIE (1/10/07)	0.59%	-21.46%	-18.98%

The Unit Price 1st July 2009 was \$1.2043.

The performance for the month of June was 1.47% after all expenses

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

New Zealand Equities	25%
Australian Equities	27%
Corporate Credit	24%
Cash	24%



Comparisons between the unit price performance of the Aspiring Fund and Australian and New Zealand market indices 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 indices 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

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As our asset allocation would suggest we remained cautious throughout the month and this was reflected in the Fund's return.

The globally synchronized rally in risk assets showed signs of coming to an end during June with Australia, Japan and the NASDAQ all posting solid gains but the UK, German and French markets all lost ground while the broader US market was mildly lower. Another noteworthy feature was declining turnover across all markets.

Australia had a better month, driven by positive economic news including a surprisingly strong GDP result for the first quarter of 09 which confirmed the "lucky country" as the only major Western economy not officially in recession.

There was little that stood out in either our performance or portfolio for the month. As expected, our corporate debt has come to the end of its large rerating run but the yield to maturity is still well above cash rates and we have no concerns about the credit quality of the portfolio so we will continue to hold it unless we receive a silly bid. The rate of new capital raisings in the Australasian markets seemed to slow during the month, depriving us of some small but very low risk opportunities for marginal gains.

With hindsight, for the quarter we were clearly far too cautious in our asset allocation but we got out of jail thanks to a resurgent corporate debt market as the world lost its dire pessimism of earlier in the year. Our quarterly performance of +11.7% fell almost exactly midway between the Australian and New Zealand markets' performance for the quarter.

At the start of the year, we could never have envisaged the returns seen in the past six months (Aspiring +17.3%, NZX50 gross +3.6%, All Ords Accumulation Index +16.3%). Our current and expected asset allocation makes a repeat of this performance over the next 6 months unlikely. However, that asset allocation has not arisen by accident. While we accept that the probability of global collapse has diminished significantly and that this has been an important contributor to the relief rally, we can see no evidence yet of the preconditions necessary for an improvement in corporate profitability which is, of course, a necessary condition for a sustainable equity market rally.

For this reason we still tend to be agnostic with a bearish bias. The range of possible outcomes remains broad and, if time in the market has taught us anything, it is that predicting the future is difficult under "normal" circumstances. These are anything but "normal" circumstances and we approach them with open minds and an awareness of the value to be derived from being flexible.

COMMENTARY

Many economists and government officials continue to spot "green shoots" everywhere but we remain cautious about the extent and likelihood of global growth rebounding in the short term. Executives of companies globally (FedEx, Toll and GE, for example) and locally (Hellaby Holdings, Fletcher Building and Methven recently) continue to stress that they see little signs of improvement and that the short-term outlook is either negative or impossible to predict.

We find it hard to imagine that companies with client bases as diverse as Fedex or businesses as diverse as GE would be worse informed than economists, central bankers, politicians and analysts. We have also been impressed by the dramatic reversal of insider activity reported in US companies. Insiders were significant net buyers in the first quarter of this year but they have been huge sellers in to the last quarter's rally.

Some economic statistics and forward indicators are improving but these, in the main, signal that the rate of decline is slowing not reversing. Whilst the former is a normal pre-requisite for the latter, it is not necessarily a predictor.

In the US the manufacturing ISM index rose to 42.8, ahead of consensus and ahead of the 40.1 level of April. Until it becomes clear that these types of short term statistical improvements are not simply a result of gyrations in the inventory cycle we will continue to watch the corporate announcements as a more reliable guide to the outlook for the US economy.. US unemployment is now at 9.5% from 8.9% in April using the most optimistic measure available. If we add in part timers who want full time work and people who have given up looking it is over 16%. With capacity utilization in the US running at about 68% it is hard to see either business investment or consumer spending being an engine of growth. That only really leaves the Government and, with a fiscal deficit of about 12% of GDP they are also out of options. At a state level, things are no better as exemplified by California now paying its state employees with IOU's and requiring them to take 3 days unpaid leave a month.

The only positive to be drawn from all this is that we no longer regard inflation as an imminent or inevitable consequence of the fiscal and monetary stimulus being administered. There is simply too much spare capacity, too little demand and too much private sector saving.

This focus on the US is not to suggest things are any better in the rest of the developed world and we could write an equally bearish section on Europe, Ireland, the UK or Eastern Europe but the central theme is the same everywhere. In fact, late last week Sweden's central bank broke new ground by imposing a negative interest rate of -0.25% on the overnight balances its banks leave with the central bank. If liquidity is the core problem banks face this approach might make sense but huge overnight balances at central banks (a common feature of banking globally) are not consistent with a liquidity problem.

We think the real problem globally is solvency. Neils Jensen, a very well respected US fund manager, estimates that the Fed has injected \$2 trillion into a US banking system which has written off \$14 trillion. Normal prudence would dictate that a banking system whose capital base has been eroded so severely should be reducing loan growth in order to avoid exacerbating the excessive leverage which gave rise to the problem in the first place.

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We do not expect the Australasian banking system to be immune to these problems but we believe the capital raisings already undertaken and the relative prudence that our banks have shown over the last few years will ensure that we remain among the economies least affected by the global banking crisis.

Locally, there has been much evidence of job shedding from companies such as Pacific Brands, Line 7, Lane Walker Rudkin, CWF Hamilton and Fletcher Building. Happily our unemployment rate is still very low by global standards, inflation is a non-existent threat for the time being, our banking system remains sound and our Government has not succumbed to the temptation of fiscal stimulus which we view as inter-generational theft. In addition there are signs of stabilizing house prices although that may be offset by declining rural land prices over the next few months.

The National Bank Business Survey for May showed improving headline numbers -- the net confident measured 5.5%, up from 1.9% in April, but there was also many negatives to take away from the survey in that employment, investment and pricing intentions were all weaker than April. Most importantly, profitability expectations also fell again.

We interpret the improvement in the headline numbers as being driven by simple relief that economic armageddon looks less likely.

Meanwhile, the New Zealand currency continued to creep up slightly during the month which will put more economic pressure on exporters.

The Reserve Bank seems very uncomfortable with the currency at these levels but the reality is you have to look at our competition. The US and UK, for example, seem to be actively debasing their currencies, possibly for global competitiveness reasons, whilst the Japanese economy is groaning under decades of economic mismanagement and a reliance on manufacturing exports.

The Reserve Bank kept the overnight cash rate steady at 2.5% in June but one senses there is another downward movement in the wings if the currency remains strong (the Reserve Bank continues to use the "monetary conditions index" consisting of the combination of interest rates and the currency as a tool even though it has discarded targeting certain levels as a policy setting). Their problem is that the last two interest rate cuts resulted in the currency strengthening leaving them with a real conundrum. We interpret the constantly re-iterated commitment to the OCR staying at about these levels till the end of next year as an indication of how desperate they are to see the currency weaken by minimizing the reasons for yield carry traders to hold it.

We continue to believe the Australian and New Zealand dollars will remain naggingly high especially against the US, although there will be volatility for the Kiwi, in particular, caused by increasing economic stress on our farmers and other exporters and the desire by the Reserve Bank for a lower currency.

The biggest positive for New Zealand currently is improving migration which will help stabilise the housing market and give consumers more confidence.

The overriding issue that continue to keep us cautious is that consumers in most Western nations are likely to increase their savings rates as fast as they can to rebuild balance sheets and live more sensibly. In the US household saving has swung from -3% last year to +7% currently. This obviously has huge implications for consumption, industrial production, tourism, employment etc. Developed world governments which are currently running massive deficits requiring equally massive bond sales will be faced with the same issue in the long run, again inevitably acting as an anchor to economic growth.

Readers are probably as weary as we are of the bearish tone to our newsletters in recent times. We do try to be objective but find little reason to expect the best and, if we fear the worst we increase the chances of preserving capital if our concerns prove valid, and being pleasantly surprised if we are wrong.

Top 10 Holdings at 30 June 2009

ANZ Tier 1 Capital debt	11.2%
Sky City Aces	7.3%
Santos	4.6%
Pipe Networks	3.8%
Cavotec	3.8%
Dexus Property	3.4%
Methven	2.8%
The Warehouse	2.7%
Michael Hill	2.7%
Sky TV	2.6%