

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

	Aspiring Fund	NZG50	ALL Ords Accumulative Index (rebased in \$NZ)
Month November	0.14%	-2.80%	4.37%
Quarter to Date	1.97%	-1.12%	4.92%
Financial Year To Date	27.31%	24.14%	37.89%
Last 12 Months	36.98%	18.63%	38.36%
Annualised since PIE (1/10/07)	6.79%	-13.40%	-6.60%

The Unit Price 1st December 2009 was \$1.3742.

The performance for the month of November was 0.14% after all expenses

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

New Zealand Equities	33.2%
Australian Equities	43.3%
Global Equities	1.8%
Corporate Credit	11.0%
Cash	11.7%

PERFORMANCE GRAPH

Fund Comparison



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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PERFORMANCE

Global markets generally had another strong month in November, with the notable exceptions being Japan (-6.9%) and New Zealand (-2.8%). Whilst Japan probably suffered from rising concern over its sovereign debt position the only factors we can point to for New Zealand's poor performance were a large meal of equity offerings for institutions to digest and more insipid decision-making by our government (see the commentary section for full rant).

November was a middling month for the Aspiring Fund with our small 0.14% positive return being less than the average of the New Zealand and Australian market performances. Although our gain for the month was small enough to be almost invisible it brought to 9 the total consecutive months of positive returns for the Aspiring Fund.

Some of our longer term "core stocks" had poor or average months, especially in Australia, which meant we have failed to benefit from that market's strength. Transpacific Industries (our largest Australian holding and second largest holding overall) had a poor month, losing 11% for the month, after AGM comments that were somewhat bland. The AGM speech may have reflected a subdued short-term outlook or simply a change in boardroom style following the introduction of a new major shareholder -- the Australian market seems intent on the former view.

We continue to see TPI as having very strong market positions and to have the potential to significantly increase margins on a two-year view. We believe it has previously been managed for growth and that, with attention to detail, margins will be able to track up from 11% currently to over 15% (Waste Management in the US earns 17% margins from a weaker competitive position)

Tower Australia, another large holding, was dumped by the market after its September year result. Profit was lower than expected due to some one-off costs and, in plain language, an unusual number of heavily insured individuals dying unexpectedly young. Otherwise, the company continues to perform extremely well in terms of revenue, policy number and underlying profit growth.

The New Zealand market suffered from indigestion following a number of issues, recapitalisations and sell downs -- Kathmandu, DNZ Property, Kiwi Income Property Convertible Notes were all new issues settled or announced during the period. The recapitalisation of PGW and the sell down of Infratil's Auckland International Airport stake also required institutions to find money from elsewhere. The leaders such as Telecom, Fletcher Building and Contact were the obvious candidates.

Our largest holding, Pyne Gould Corporation, was hit by profit-taking. It may also have been affected by backwash from the Pyne Gould Wrightsons announced rights issue as we suspect many investors are "rotating" out of one successful recapitalisation play into another. We remain comfortable that the core Marac subsidiary has the balance sheet, management and opportunities in front of it to justify a significantly higher share price. After being up 10% at one stage, the shares ended flat for the month. Such gyrations illustrate the volatile, and almost irrelevant, nature of monthly returns.

We sidestepped the two big new issues for the month-- we did not bid for Myer and our bids for Kathmandu were well below the clearing price. We did, however, participate in the Auckland International Airport sell down which we believed was priced at a level offering very asymmetric risk.

It is a relatively challenging time currently for fund managers, with very mixed economic signals, fluctuating currencies, some seemingly high share prices and jumpy markets as witnessed by the gyrations around the recent problems with Dubai debt.

Opportunities we thought would present themselves in the form of new listings have proved to be mirages-- we did not bid in the DNZ float and the Synlait IPO was pulled due to insufficient levels of retail demand.

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If anything, we are once again drawn to spend more time looking at debt or hybrid debt instruments and, on balance, Australia continues to offer more opportunities in this area than New Zealand. While there are patches of apparently irrational strength in the Australian equity market- the retailers are a clear example- most of the market just looks fully priced in the same way as most of the New Zealand market. However we expect New Zealand investors in Australia to benefit from the tailwind of currency appreciation.

Currencies are notoriously hard to predict but we would be surprised if the NZ\$ does not settle into a lower trading range against the A\$ over the next year or two. While the Fonterra news is an unequivocal positive for the New Zealand economy we are hanging on to the coat-tails of the Australian economy at best. Rodney Dickens, whose economic analysis we have ignored at our peril, has some compelling evidence that freely floating currencies tend to be driven by differing economic growth rates which is a powerful argument for A\$ strength. We also expect a continuation of our Government's spineless attitude to fiscal reform and the relatively good job market in Australia to re-ignite the drift of our best and brightest across the Tasman- better for the A\$ than the NZ\$.

COMMENTARY

Whilst the rallies in Australia and New Zealand have run into some resistance/profit-taking over the past two months the US market had a stellar run in November, putting on 5-6% depending on which index one follows. We find this strength somewhat alarming as each month of large gains requires increasing certainty about the magnitude and sustainability of the economic recovery necessary to underpin the implied earnings growth. Given the magnitude of the Government stimulus package which has underwritten what strength there is in the US recovery we believe it makes sense to suspend judgement until that package has washed through.

To quote one of the most thoughtful analysts we have found in the US, John Hussman (website www.hussmanfunds.com), an academic, fund manager and respected commentator, musing on his failure to pick the strength of the current rally:

"I should have assumed that Wall Street's tendency towards reckless myopia -- ingrained over the past decade -- would return at the first sign of even temporary stability. The eagerness of investors to chase prevailing trends, and their unwillingness to concern themselves with predictable longer-term risks, drove a successive series of speculative advances and crashes during the past decade -- the dot-com bubble, the Tech bubble, the mortgage bubble, the private-equity bubble, and the commodities bubble. And here we are again."

... "Frankly, I've come to believe that the markets are no longer reliable or sound discounting mechanisms. The repeated cycle of bubbles and predictable crashes over recent decades makes that clear."

As an aside, John Hussman's website offers free access to both his weekly commentary on the US market and occasional feature articles by Bill Hester and Hussman himself. Highly recommended for those with the time and interest.

In continuing to be relatively heavily invested in the market we are guilty to some extent of "chasing prevailing trends" but we are still dancing very close to the door.

In New Zealand the market seems somewhat more sober in its pricing of equities than the US. Fletcher Building is the only stock of note for which the market is assuming a hockey stick earnings profile. At the same time some economists are starting to forecast growth rates of 3% + for 2010 and 2011. If they are right we will be pleasantly surprised.

In Australia there is a lot of optimism now built into share prices, with for example many retailers trading on PE's of 15+ forecast 2010 earnings which have a fair amount of recovery built in. To us, this suggests that investors are probably "banking" the brokers' earnings growth forecasts for 2011 of around 25%. We will believe it when we see it.

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We have found it harder and harder to find opportunities in the market even though the economy is undoubtedly robust and some areas of stimulatory spending such as government infrastructure projects and major Northwest resource developments effectively locked in. Still, our bias will remain to push more money into Australia where there is a greater breadth and depth of market and more exposure to global economies.

This view has been reinforced by our increasing despondency over the lack of economic leadership in New Zealand.

Last month we were mildly critical of the lack of political leadership which saw National fail to address the long-term fiscal cost of national superannuation and rising health-care needs (issues brought to top of mind by a Treasury report).

Now, we have the Government commission some of our brightest and wisest, headed by Don Brash, to report on how to bridge the income gap with Australia by 2025 -- and then dismiss every recommendation, not on economic grounds but on grounds of political expediency.

In doing so, they are exhibiting the inter-temporal decision-making qualities of your average teenager (and incidentally the households in New Zealand whose management of their own affairs has seen household debt to GDP blow out to 170%). All they seem interested in is delivering short-term patchwork solutions and "pleasure" to the electorate and leaving the long-term problems until a later date (by which time it may be too late). There are plenty of global precedents for this- most notably the United States determination to maintain debt-funded consumption at unsustainable levels- as well as our own experiences under the last five years of both Robert Muldoon and Michael Cullen's stewardship.

By dismissing the Task Force 2025 report as "too radical" the government is reinforcing the prejudices of voters that rational economic management is not desirable. New Zealand is not the only country with a problem of governments adopting short-term panaceas to enhance their re-election chances, but it is disappointing nonetheless.

Now that we have that off our chest, we will go back to managing your money diligently and with caution in these difficult-to-predict times.

Top 10 Holdings at 30 November 2009

Pyne Gould Corp	6.2%
ANZ tier 1 Debt	5.9%
Transpacific Industries	5.7%
Ansell	4.6%
Tabcorp	4.1%
Downer EDI	3.3%
Adelaide Brighton	3.2%
Methven	3.1%
Freightways	2.7%
Cavotec	2.7%

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HOUSE KEEPING

We are currently planning an upgrade to our website and one consequence of this is a change to the server responsible for distributing our monthly newsletters. This may cause next month's newsletter to be delivered to your junk mailbox. We leave it to you to judge whether that is appropriate but please check that mailbox as well as the normal inbox and advise us if the electronic sorting process is even more brutal and the newsletter is lost in the ether.

As it is the middle of the holiday season both the newsletter and unit price update may be slightly later than usual but we expect to have the newsletter out by 11 January.

Have a Merry Christmas
from the Aspiring team

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