

Investor Newsletter

Autumn 2009 Volume 1 Issue 4

Welcome to the autumn 2009 edition of our Investor Newsletter.

In this edition we will cover:

- Review of the March 2009 Quarter
- Update on our new computer system
- Government Deposit Guarantee Scheme update
- Property maintenance tips
- Change of premises
- NZF Group Limited-Capital Notes
- How to contact us

**Our current
"Hot Rates"**

6.25% pa*
for 15 months

7.75% pa*
For 28 months

*(Interest paid quarterly
or at maturity)*

Review of the March 2009 Quarter

The fall out from the credit crunch that started in late 2007, continues to send shock waves throughout the global financial markets and has dampened world growth prospects. While this has resulted in central banks around the world dropping their official cash rates to help revive their economies, the fall in deposit rates has reduced the income earning ability of savers and investors who rely on their investments to supplement their income.

Some investors have been attracted to healthy rates that are still available for those that invest beyond the expiry of the Government Deposit Guarantee Scheme (see comments below). For other investors that like the comfort offered by the scheme, the rates are well down from the past.

Low deposit rates for short term investing are likely to continue for some time i.e until the global economy starts to show signs of recovery. However, this is not expected until at least 2010.

Update on our new computer system

In our last newsletter, we advised that we were in the progress of migrating (transferring) the data (information) from our old computers systems to our new system. This is a key project and requires extensive testing (checking) to ensure the information is correct before we shut down our old computer systems. The data transfer is done as a trial/test exercise initially, to ensure what we see is what we expect to see. Once this is tested and we are confident the data transfer has been done correctly, a formal data transfer is done. After this we undertake an extensive user testing phase, effectively putting the new system through its paces. Once we are happy with this we 'go live' i.e. switch over to the new system.

Government (Crown) Deposit Guarantee Scheme (DGS) update

*the **deposit guarantee scheme** is being considered (by the Government) and **options will be announced in due course***

While some investors who have been with us for a while are investing for terms beyond the expiry of the DGS (to achieve higher returns), others have been asking the question as to whether or not the government will roll over, extend or modify the DGS when it expires on 12/10/2010. We spoke to Treasury (Government) in February and they advised the following:

"The government offered the deposit guarantee for a two-year term as a response to international financial market turbulence. This will give time to see how well international financial markets stabilise. A thorough assessment about the ongoing need for, and design of, an arrangement, if any, to replace the deposit guarantee scheme is being considered and options will be announced in due course."

The good thing is, it is being worked on. We will update the position for you again in our next newsletter. However, we suspect that they should have formulated a position before this date as NZF (and no doubt the banks and other financial services organisations) will be following them up to get clarification.

Property maintenance tips – Autumn

The changing of leaves in autumn is beautiful and sad, the beauty is the wide range of colours the leaves reveal and the hope that an Indian summer may keep the temperatures up. The sadness is that we have to finally say goodbye to another summer and that winter is lurking just around the corner. Autumn however is a great time to prepare for winter. Here are some maintenance tips to keep you busy over autumn:



- Clean gutters and down pipes
- Check roof and flashings
- Check and clean chimney
- Service wood burner
- Check plumbing for leaks (insulate pipes)
- Check attic or ceiling space for moisture
- Check insulation
- Test windows and doors for proper operation
- Aerate your lawn
- Seed and fertilise your lawn
- Test smoke detectors
- Change heating and air conditioning filters

Change of Premises - We've moved!

As a result of the expiry of our lease in our current premises and a large office being vacated on the same floor as our subsidiary (Finance Direct Limited), we took the opportunity to lease new space. We moved over the weekend of 21 – 22 February and we are now in the process of settling in. While our address has changed (Level 2, 88 Broadway, Newmarket, Auckland, 1023), our telephone numbers and PO Box remain unchanged at this stage.

We have moved to
Level 2, 88 Broadway,
Newmarket,
Auckland

NZF Group Limited – Capital Notes

We have had investors express concern about the fall in our interest rates and the impact of this on their income. As mentioned earlier in this newsletter, interest rates around the world are falling and regrettably we have to follow the trend to avoid being swamped with money we cannot (or are not prepared to) on lend.

For those investors that are seeking enhanced returns, there are a number of options available that provide (now) above market rates and regular income.

Capital notes offer investors rates above what we can offer. For example, NZF Group Limited (formerly New Zealand Finance Holdings Limited - NZX listed parent company of NZF Money Limited) issued a 5 year capital note series in 2006. These notes were issued at a rate of interest (referred to as coupon rate) of 9.75% p.a. with quarterly interest. The capital notes mature on 15/3/2011.

For investors...
seeking enhanced
returns..... **Capital**
notes offer...rates
above what we can

For those that have never invested in capital notes, these are commonly issued by companies to fund their activities as an alternative to (and usually along side of) bank funding. They are very similar to unsecured debentures and pay a fixed rate of interest. They are generally medium to long term in duration and are redeemed at face value at the end of that period.

NZF Capital Notes are a market traded security on the NZDX (NZ debt securities exchange) and cannot be purchased from NZF. Should you wish to consider investing in NZF or any other capital notes, you should contact your Broker or Financial Adviser for more information and advice.



How to contact us

If you have any questions about anything in this newsletter, your secured term investment or if you would like to request a copy of the NZF SuperKiwi Investment Statement & Application or NZF Prospectus, we would be delighted to hear from you. Our contact details are as follows:

Telephone: 09 379 9090
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Note: Rates quoted above are subject to change without notice. Please ring us on **0800 20 70 70 or go to our website **www.nzf.co.nz** to check our latest rates.*