

Investor Newsletter

Spring 2009 Volume 1 Issue 6

Welcome to the spring 2009 edition of our Investor Newsletter.

In this edition we will cover:

- Review of the September 2009 Quarter
- Government Retail Deposit Guarantee Scheme update
- Susan's Muesli Slice recipe
- How to contact us

**Our current
"Hot Rates"**
8.25% pa*
for 21 months

6.55% pa*
for 12 months

*(Interest paid quarterly
or at maturity)*

Review of the September 2009 Quarter

It is pleasing to see economic indicators in New Zealand are showing signs of recovery and that we appear to be on the positive side of the recessionary trough. Longer rates have moved higher and shorter rates lower as the Reserve Bank left the last Official Cash rate (OCR) unchanged at 2.5%. The housing market has staged a recovery, although hopefully we avoid the distortionary bubble of the past.

The swine flue, like SAR's has avoided becoming a pandemic and the fear something like this would create worldwide.

The final quarter of 2009 is looking brighter, particularly when compared to the final quarter of 2008 after the collapse of the US Lehman Brothers.

Retail Deposit Guarantee Scheme (RDGS) update

We have created some "Questions and Answers" as a result of the announcement on the extension of the RDGS that was originally introduced by the government in October 2008 as a result of the world wide credit crisis. These questions and answers we hope will give our position on the extension going forward and clarify things as they stand right now.

What were the changes announced on 25 August 2009 by the Minister of Finance?

The changes are covered on The Treasury website <http://www.treasury.govt.nz/economy/guarantee/retailextension>. However, in summary, it is proposed that the Government's Retail Deposit Guarantee Scheme (RDGS) will be extended to 31/12/2011 for any bank or non bank that wishes to participate and has a credit rating of BB or better from an approved ratings agencies.

Note: All investors should refer The Treasury website link referred to above, to read the detail on the proposed extension

*All non banks...such as us...**must have** an international **credit rating** by 1 March 2010 under new Reserve Bank requirements...*



*the **Government is clear** that they want banks and **non banks** such as us **to stand on their own two feet** rather than rely on government assurances*

Is NZF rated BB or better?

Few non banks (including NZF) currently have an international credit rating. However, we are going through a rating exercise right now, as are some other non banks.

What will be the rating for NZF?

It is highly unlikely that any institution that is currently going through a rating exercise would be able to say what their rating will be. They simply won't know. The rating is determined by the ratings agency issuing the rating. In our case, we are working with Standard & Poors.

Is it likely that NZF will achieve a BB or better rating?

We would hope so, but we do not know what our final rating will be.

When will NZF know what its final rating will be?

All non banks (i.e. Building Societies, Credit Unions, Finance Companies and such like) that do not have an international credit rating (which are the majority) must have a rating by 1 March 2010 under new Reserve Bank requirements where their deposit base exceeds \$20m. The rating requirement is not related to the RDGS per se, as this requirement was legislated well before the RDGS.

If NZF get a BB or better rating, will NZF apply for an extension under the RDGS to 31/12/2011?

At this stage we have not decided whether or not we will seek an extension as:

- (a) it only extends the scheme for just over 1 year from expiry of the current scheme
- (b) the extension imposes significantly more costs that in the end will need to be passed on to investors in the form of much lower deposit rates. Further, given it will only extend the scheme for a little over a year, we have to consider the merits of applying for an extension and the impact on our investors
- (c) the Government is clear that they want banks and non banks such as us to stand on their own two feet rather than rely on government assurances
- (d) new RBNZ requirements for non banks such as us will come in to force well before the current RDGS expires which will significantly beef up reporting and monitoring of non banks.

When will NZF make a decision on whether or not they will apply for an extension?

We understand that applications for extensions may be sought up to the expiry date for the current scheme i.e. 12/10/2010. We will therefore review the situation should the minimum credit rating be achieved by NZF. After that, we will make decision on application and will communicate this to our investors.

Susan's Muesli Slice recipe

Ready In: 1 ¼ Hours
Makes: 24

- 1 cup desiccated coconut
- 1 cup rolled oats
- 1 cup cashew nut pieces
- 1 cup sunflower seeds
- ½ cup sesame seeds
- ½ cup pumpkin seeds
- ¾ cup Milo powder
- ½ cup liquid honey
- ¼ cup raw sugar
- 125g butter
- 1 cup Nestle Milk Melts, melted

Preheat oven to 180C. Line the base of a large slice tin (30cm X 25cm). Combine the coconut, rolled oats, cashew nuts, seeds and Milo in a large bowl.

Place the honey, raw sugar and butter in a small saucepan and, stirring constantly, bring to the boil. Continuing to stir, simmer mixture for 5 minutes. Add to the dry ingredients and mix in well.

Press the mixture evenly into the tin. Bake for 18 – 20 minutes until the top is golden brown. Cool in the tin and drizzle with melted Milk Melts. Cut into bars, and store in an airtight container.

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:

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KiwiSaver™
Poua he Oranga