

Time to buy

We have now passed the midpoint of 2008 and financial markets are still struggling to cope with the combined effects of the credit crunch and the exponential increase in oil prices.

Economic growth has weakened across the globe, but there are still pockets of strength to be found. China, for example, grew at an annualised rate of 9.71%¹ over the first half of 2008.

But before you ask "Why isn't all my money invested there?", the Chinese sharemarket has been one of the worst performers, having fallen by over 40% since the start of the year.

Despite the many stories of how people have made their fortune by timing the market well, evidence suggests that for the average investor, this is near impossible; luck is the most likely reason for success.

Patience is, in fact, the reward for investors, as most long-term gains on sharemarkets are made or lost in just a few trading days each year. For example, taking away just the five 'best' days from the New Zealand sharemarket during 2007 means you would have missed out on 9.32%.²

While the negative 'noise' currently being made by the media is hard to ignore, the key to achieving your financial goals remains – stick to a long-term strategy. Although

markets are down and most investors have lost money, now is not the time to sell.

We have all heard the adage "buy in gloom, sell in boom", but the reality is many investors are so nervous and concerned about the current state of the markets that they fail to heed this time-tested advice. Rather, they simply sit and wait for prices to recover or, even worse, sell at the bottom of the market.



If you choose to sell in the current 'gloom', you are ensuring you are selling cheap. But have you considered doing just the opposite? Now could be a very good time to buy.

As no-one knows when the markets will hit rock bottom, you should not invest all your money at once. Drip-feeding contributions will help average out the cost of your investments, rather than you attempting to buy at the 'perfect' time and missing it.

In times such as these, you need to revisit your reasons for implementing your long-term investment strategy and evaluate if anything has fundamentally changed.

If so, what modifications need to be made and what is the best approach to accomplishing these? If not, stand fast in the knowledge that your portfolio is well-positioned to take advantage of the eventual market recovery and will allow you to achieve the standard of living you desire.

Contact us to discuss how best to take advantage of today's low prices.

¹ National Bureau of Statistics – China

² Yahoo Finance – sum of five largest daily NZX 50 Index gains

For further information please contact the team at:

Lyford Asset Management Ltd

Level 3, 79 Boulcott Street,
PO Box 11-249, Wellington
Tel: (04) 471 0662
Fax: (04) 471 0615
Email: invest@Lyfords.co.nz
Website: www.Lyfords.co.nz

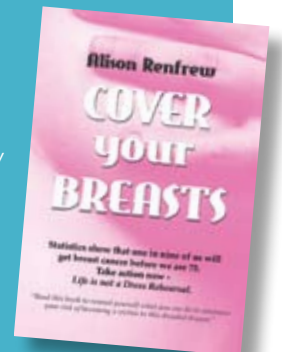
*Creating, Managing and
Protecting Your Wealth*



"Cover Your Breasts" by Alison Renfrew

Over 1,400 copies have been sold and a second edition is now available. This book is a must read for anyone who has been recently diagnosed with cancer. It is also highly motivational (it's not just about cancer) for those who haven't.

The retail price is \$34, but you can secure your copy for \$25. Call Kirsty on 04 471 0662.



life's tip #1

*"The best way to escape from a problem is to solve it."
– Alan Saporta*

A bigger choice is on its way

Until recently, the number of offshore fund managers who registered funds for distribution in New Zealand was limited due to the high cost of developing and registering a New Zealand prospectus and investment statement. However, this has now changed with the recent signing of the Trans-Tasman Mutual Recognition of Securities Offerings regime.

This regime will allow product issuers, such as fund managers, to offer their products in both New Zealand and Australia with minimal added costs.

We are currently working with Morningstar, an international researcher of managed funds,

What does wealth mean to you?

When you hear the word wealthy, what do you think of? Do you think of having your own private aeroplane, living in a mansion and driving fancy cars? Or do you define wealth as not having to go to a nine-to-five job every day, taking several holidays a year and being free to determine your own schedule? Is it possible that you have defined wealth as an absolute sum – say, two million dollars in your bank account?

Everyone defines wealth in a different way. For some people, simply not having to worry about money means being wealthy. Your definition of wealth can also change over the course of your life. A 52-year old's definition of wealth is probably quite different from a 22-year old's.

We think a good foundation for being wealthy is freedom, i.e. freedom from the enslavement of debt. When you owe no money to anyone, this can be a form of wealth. As the Book of Proverbs says, "Borrow money and you are the lender's slave". The opposite of slavery is freedom.

For many people, being wealthy is a pure fantasy. But it shouldn't be so. Everyone can have some form of wealth. First, you must define it for yourself. Make it something you want enough to strive for. Write it down on a piece of paper and visualise yourself achieving it. Most importantly, ensure the future of your dreams by taking some action right now!

to identify Australian investment products that may shortly be available for New Zealand investors.

As these products are identified and researched, we will assess them to see if any are appropriate for your portfolios. We will contact you as and when suitable quality products are deemed appropriate for you.

life's tip #2

"A banker is a fellow who lends you his umbrella when the sun is shining, but wants it back the minute it begins to rain."
– Mark Twain

Here's an inspiring story that might give you a new definition of 'wealth':

One day a father from a rich family took his son on a trip to the country with the specific purpose of showing him how poor some people can be. They spent a day and a night on the farm of a very poor family. When they got back from their trip, the father asked his son, "How was the trip?"

"Very good, Dad!"

"Did you see how poor people can be?" the father asked. "And what did you learn?"

"Sure!" the son answered, "I saw that we have a dog at home and they have four. We have a pool that reaches the middle of the garden, they have a creek that has no end. We have imported lamps in the garden, they have the stars. Our patio reaches the front yard, they have a whole horizon."

When the boy finished, his father was speechless. His son added, "Thanks Dad, for showing me how poor we are!"

Isn't it true that it all depends on the way you look at things? If you have love, friends, family, health, good humour and a positive attitude towards life – you've got everything! You may have all the material possessions you can imagine, provisions for the future, etc. but if you are poor of spirit, you have nothing!

Source: Doris S Dobkins, money saving expert, author and speaker

Fuel saving tips

Do you cringe every time you fill up the car and wish the world would return to the good old days when petrol and diesel cost less than a dollar per litre? The bad news is we are unlikely to see those days again. The good news is you can do something about reducing your household fuel consumption. Consider the following:

- When eventually replacing your car, buy a smaller more fuel-efficient one. Check out car fuel efficiency at www.fuelsaver.govt.nz and www.rightcar.govt.nz.
- Plan your journey to do multiple tasks in one trip, avoiding roadworks and getting lost.
- Regularly rotate tyres and check tyre pressures. Under-inflated tyres wear out quickly and can increase fuel consumption by up to 3%.
- Changing gears at lower engine speeds helps to improve fuel consumption by as much as 15%.
- Stick to the speed limit, especially on the open road. Travelling at 110km/h uses 20% more fuel than at 100km/h.
- Have your car tuned regularly as the improvement in efficiency can be as high as 30%.
- Turn off the engine any time you are idling for extended periods.
- Turn off the air-conditioning to save 5-15% on your fuel bill, especially if driving around town. However, at speeds over 80km/hr, tests show that using the air-conditioning is more fuel efficient than opening a window.
- Try to walk, cycle or take a bus instead of driving short distances. Cold engines use almost twice as much fuel.
- Take any junk out of the boot (golf clubs) as it adds weight and increases fuel consumption.
- Remove roof racks and roof containers when not required as this will help reduce aerodynamic drag.
- Become more social and carpool if convenient.
- Accelerate and brake smoothly and attempt to maintain a constant speed.

Source: Automobile Association



summing
up

- New laws will open up the Australian market to Kiwi investors
- Fuel saving is easy and will increase your disposable income

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What are the three words that profile the affluent?

Frugal. Frugal. Frugal

Webster's Dictionary defines 'frugal' as "behaviour characterised by or reflecting economy in the use of resources".

Being frugal is the cornerstone of wealth-building. Often, self-made people become millionaires simply by budgeting and controlling expenses and they maintain their affluent status the same way. They are disciplined, they plan, they budget and this translates into wealth. Living frugally is not to be confused with living with poverty consciousness. Frugality is about sensibility, it is about value for money, it is about appropriate exchange. Frugality is about expansion and integration, whereas poverty consciousness is about contraction and fear. However, as much or as little as we have, we do have a choice in every decision we make.

We can choose to be frugal, knowing that in doing so we can still get a whole lot out of life, while also contributing in return. Or we can choose to feel sorry for ourselves, operate from poverty consciousness, slam on the brakes, stop giving, and back ourselves into a dark and lonely corner.

How do you plan to budget and control your spending in the future so that it translates into wealth?

Contact us – we can help.

The media shapes our impressions

When asked about the country's economy, schools, healthcare or community spirit, people tell pollsters the situation is dreadful. But when asked about their own jobs, schools, doctors and communities, people tell pollsters the situation is good. Our impressions of ourselves and our neighbours come from personal experience. Our impressions of the nation as a whole come from the media and from political blather, which both exaggerate the negative, and has never been thicker.

Source: Gregg Easterbrook "Life Is Good, So Why Do We Feel So Bad?"

Help with those tricky financial questions

Have you ever struggled to answer financial questions from friends or family along the lines of "Should I have a student loan and how quickly should I pay it off?" or "Why should I save for something when I can buy it today on hire purchase?"

The answer to these questions and many more can be found on the Retirement Commission's general financial advice website www.sorted.org.nz. We encourage you to visit this site and become a 'fountain of knowledge'. Not only will you benefit yourself, but you can also amaze your family and friends with your financial wisdom.

The Government is concerned about the poor financial literacy of New Zealanders and has recently announced a national strategy to raise New Zealanders' understanding of finance.

Initiatives include the introduction of financial education into the school curriculum, removing financial jargon from investment documentation, encouraging financial education in the workplace, plus providing information and tools to help people make better informed decisions about their money.

We have a fantastic book called 'Financial Passages' that we can provide to you at no charge. This is an ideal gift for those inquisitive about how to better understand and manage their finances.



Contact us for your free copy.

KiwiSaver proving popular

The most recent FundSource quarterly funds under management analysis shows that fund manager, ING, is leading the pack with KiwiSaver enrolments. KiwiSaver 'Funds Under Management' (FUM) for the leading providers is shown alongside.

To date more than 750,000 KiwiSaver enrolments have been received by the IRD. This is well above Government expectations and shows that New Zealanders are recognising the tremendous benefits and incentives available via KiwiSaver.

If you haven't yet joined KiwiSaver or want to discuss your options, please give us a call now.

TOTAL INVESTED SO FAR

FUM by KiwiSaver provider to June 2008

Rank	Company	FUM (\$m)	
		Jun-08	Mar-08
1.	ING (incl. ANZ & NBNZ)	207.3	137.1
2.	ASB (incl. Jacques Martin)	184.1	115.4
3.	AMP	136.3	86.7
4.	BT (incl. Westpac)	91.2	61.8
5.	Tower Group	83.8	57.1
6.	AXA (incl. BNZ)	79.0	52.7
7.	Mercer	78.5	52.6
8.	Fisher Funds Management	30.6	22.0
9.	Fidelity Funds Management	14.4	8.9
10.	Asteron & GT	5.5	3.4
11.	Smartshares Limited	3.4	2.3
	Total	\$ 914.0	\$ 600.0

FundSource

- Get your free copy of *Financial Passages* so you can better understand finances
- Finding value and saving money is not the same as being miserly – it's simply good sense

Everything old is new again

The hobgoblins of 2008 are recession, oil and inflation, that is, until the recession is perceived not to have happened (with massive injections of monetary and fiscal stimulus having chased it from the door).

This being the case, I thought you might enjoy this Time magazine cover from October 1974, showing a harried President Gerald Ford and a list of his economic nightmares – you guessed it: recession, oil and inflation. In October 1974, the Dow Jones Index was around 700 – it's now around 11,400. That's an average 8.6% compound return per year and takes into account relatively flat growth through the 70s, and the 1987, 1993, 2000-2002, 2008 sharemarket corrections.

“That which has been is what will be” says the author of Ecclesiastes (1:9), “that which is done is what will be done, and there is nothing new under the sun”.

Why do we continually talk about the Dow Jones Index? Because the US sharemarket has in the past been the driver behind world markets. US shares make up around 55% of the world sharemarket value by market

capitalisation. As the economies of the third world countries strengthen, especially India and China, we will see the influence of the US market wane, but this is still a long way off.

Why did the oil price peak at around \$147 a barrel and then drop back?

At \$147 a barrel there was a lot of speculation it would go through \$200 a barrel. At the time of writing, it was \$118 a barrel. The price increase was speculation rather than a supply problem. Many related the increase in price to the increase in demand by China and India. In 2001, oil future markets were \$6 billion, in 2007 this had increased to \$240 billion. Without this speculation, the real price of oil would be around \$65 a barrel.

The positives from the increase in oil price has been increased interest in alternative sources of energy and oil. The oil shale fields in Montana have

a potential production greater than Saudi Arabia's, let alone the tar sands of Canada. Previously this oil was too expensive and technologically difficult to extract. As the Monty Python film, “The Meaning of Life” says ‘always look on the bright side of life’.

Why invest in shares?

In a properly diversified investment portfolio, investments are spread across the asset classes of cash, fixed interest, property, shares and futures. For a balanced investor the benchmark is 50:50 between income and growth assets.

Why invest in shares when this is generally

the area that is most volatile (up and down)? Well, inflation should be controlled by the Reserve Bank through a band of 1-3%. Currently inflation is probably nearer 4%. But, this is not the real inflation rate when you are retired. Retirees do not generally spend their money on big ticket items such as plasma TVs, cars, etc. Basic living costs have increased dramatically over the last 12 months, petrol by 30%, rates by 10%, food by 11%, so I reckon retirees actually experience an inflation rate closer to 11-12%. Therefore, if your money is earning 8.5% in the bank (6.8% net) and your actual inflation rate is closer to 11-12%, you will be going backwards. This is why your investments need exposure to growth funds.

Which asset class has outperformed?

We have been recommending clients have exposure to futures funds since 1994. We started recommending OM-IP funds to clients in 1996. The Man Investment funds, OM-IP series, have had phenomenal returns over the last 12 months. Sure, some of this was due to currency fluctuations but the returns have ranged from 28-45% – is this too good to be true? No, there has been some periods of negative returns, but this is the nature of investing.

There are several OM-IP investments maturing this year. Man Investments will be asking whether you want to roll over into a new investment with an increased maturity term and a higher locked-in capital guarantee. We continue to recommend OM-IP investments to our clients.

Please contact us to discuss your own situation. There are considerable tax benefits and new issues are released every two months, so please let us know if you would like an investment statement.



life's tip #3

“Freedom is not worth having if it does not include the freedom to make mistakes.”
– Mahatma Gandhi