



SaturnPortfolio
NZ'S TRUSTED INVESTMENT ADVISORS

SATWIRE

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Saturn Portfolio provides a broad range of investment solutions to manage and grow our client's wealth. We build personal relationships with our clients so our services can be tailored to reflect their changing financial needs and objectives.

Services:

- Discretionary Wealth Management
- Investment advice and Investment planning
- Share broking of New Zealand and International shares
- Kiwi Saver, Retirement Planning and Savings
- Advice on Fixed Interest and Cash Management
- Investment Management Structures and Wholesale Funds
- Wills and Estate Planning
- Wealth Protection

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UK & New York Fund Manager Visits

I have recently returned to New Zealand after the annual visit to all of the overseas fund managers whose funds make up our Saturn Invest Managed Investments and Global Strategies Fund. Each year these visits are planned to coincide with the Global Asset Management (GAM) annual Global Investment Conference in London.

Normally, Craig Stobo, the Chairman of the Saturn Investment Committee would have also attended these meetings but was unable to do so on this occasion, due to unforeseen urgent commitments in New Zealand.

Meetings were arranged with potential new managers whose funds have passed our initial due diligence process and which are now being considered for inclusion in the Saturn offering. We will update you on any new fund inclusion in our 2nd quarterly newsletter. Fund manager visits are an important function of our ongoing due diligence process, which has been more intense over the past 12 months as a result of the fall out from the global credit crisis.

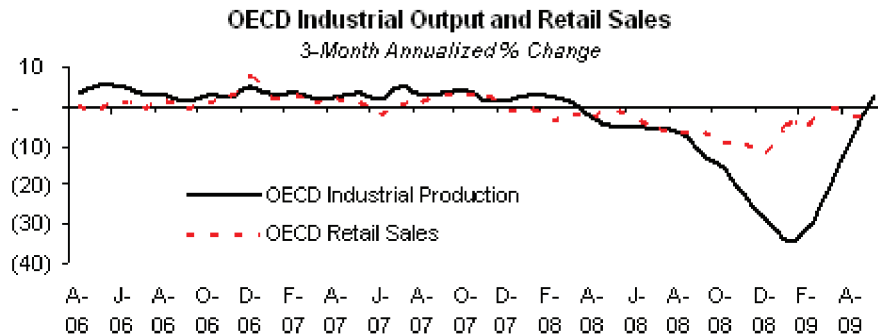
Consistent performance is of course a prime requirement for us but we are also concerned about such things as retention of key investment management talent and analysts, risk management, profitability and changes to investment styles as well as organisational changes.

Each manager is asked for their view on the outlook for the global economy and equity markets and where they see value being added to their respective funds.

This year's trip included 11 fund manager visits and the (GAM) Global Investment Conference. The overall consensus view on the global economy and equity markets from these managers and the conference was for more short-term volatility with a correction in the current bear market rally. They see no meaningful recovery until the banks start lending again and the consumer starts spending, particularly in the US. Banks and the consumers are currently repairing their stressed balance sheets. The recent rally was fuelled by an increase in production to build up inventories run down over the past 12 months

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UK & New York Fund Manager Visits (continued)



Source: OECD and Argonaut Capital

The above graph shows a substantial fall in global developed markets industrial production from September 2008 to January 2009. This was followed by a strong rally in industrial production to build up depleted inventories. Retail sales however have remained flat after falling into negative territory from June 2008 to January 2009. Industrial production is currently running ahead of retail sales, supporting the view that global economic growth could again stall.

Asian and Emerging Markets look more attractive but have rallied strongly and may give back some of these gains on a global correction. This view is reinforced by Saturn's strategy of retaining a defensive bias for now.

Realistically we are looking to early 2010 for global equity markets to normalise and start generating consistent positive returns for investors. There will be an added bonus if the NZ dollar falls back to fair value against the major trading currencies, particularly the US dollar.

Conclusion

I was impressed with the high conviction that our fund managers have demonstrated in managing clients assets during a very difficult time in global economic history. In all cases they have invested significant amounts of their personal wealth in their funds. We believe that these managers will continue to work hard to protect your capital (and theirs) while volatility persists, and to be able to take full advantage of any sustainable improvement in market conditions.

Please contact us if you require any further information on our funds or your portfolio.

Alistair Pirie

Investment Manager