

## Dear Investor,

There's something reassuring about coming back from holiday and finding that practically nothing has changed. The world looks much the same as it did in December, and key market gauges have held around similar levels.

## "Better than term deposit"

Kiwis have a love affair with yield. A common argument for putting money into any investment is: "well it pays more than putting in a term deposit". It's worth noting that with equity markets having been so weak, and cuts to the official cash rates on both sides of the Tasman, equities are again offering cash and gross yields much better than you can get at the bank.

Comparing the dividend (or alternatively, earnings) yield from stocks with what's offered by bonds is one way to measure the relative attractiveness of the two asset classes. A long time ago stocks used to consistently pay more than bonds, because people wanted extra yield to compensate for the perceived risk of owning equities. However in the last few decades, this has reversed.

Relative to bond yields, earnings and dividend yields are currently at the high end of their historical ranges, which means equities are "cheap" compared to bonds. This should gradually attract investors to switch out of bonds, term deposits and mattresses in favour of stocks.

## Year review and look ahead

The year ended with NZ stocks outperforming Australia and global indexes. The rush of optimism at the start of the year gave way to rising risk aversion, mainly driven by solvency fears among European sovereigns and gloom in the US. Defensive sectors such as telecom and utilities outperformed cyclical sectors especially retail, energy and resources. For the year, the NZ market was down -1.0%, outperforming Australia (-11.0%) and global stocks (MSCI World -5.0%) (all local currency).

December was a continuation of recent themes. World equity markets came under pressure on the ongoing European sovereign debt crisis, offset by improving data from the US. Locally, the month brought profit warnings from retailers, notably JB Hi-Fi and Billabong (-27% and -52% returns in December respectively).

Going into 2012, investors are very cautious and equities are somewhat oversold which points to opportunity, but risks of bad outcomes lead by Europe, the US or China are material. We will continue our "bookend" approach to portfolio construction, favouring higher quality defensive growth companies with sustainable yields, but taking advantage of stock specific opportunities where macro economic concerns are overly discounted.

## In our portfolio

Our portfolio returned -1.6% this month; the NZ index (+0.1%), Australia (-1.4%) and MSCI World (-0.2%) (all local currency). Our top positive contributor, **Freightways** (+10%), is benefiting from the trend towards online shopping. **Auckland Airport** rose 8% as investors continued to increase their exposure to defensive growth companies such as AIA. **Transpacific Industries** (+9%) continues to gain investor support after its successful recapitalisation in November.

Our biggest detractor this month was **Kathmandu** (-30%), which warned that pre-Christmas sales were weaker than expected reflecting unfavourable weather and consumer conservatism. **CSG** fell 41% after a takeover offer for the company failed to emerge and concerns grew that Australian technology spending levels were weakening.

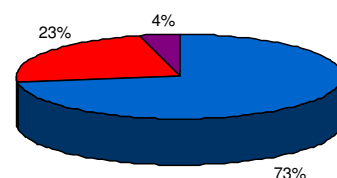
This month we added to our positions in **Chorus**, **Metlifecare** and **Freightways**, and exited **Newcrest Mining**, **Air New Zealand** and **Contact Energy**.

## Your Mint investment team

## Our biggest positions

Company	Holding
Telecom NZ	8%
Chorus	7%
Ryman Healthcare	6%
Sky Network TV	6%
Mainfreight	6%

Total top 10	52%
Number of stocks	35



■ NZ companies ■ Australian companies ■ Cash

## Investment team

Shane Solly, Carlie Eve, Amelia Wong, Rebecca Thomas

## Investment objective

The fund invests in New Zealand and Australian listed stocks and has a target return of 5% above the NZX 90 Day Bank Bills Index

## Minimum investment

NZ\$5,000 initial investment, \$2,000 for additional purchases

## Fees

1.25% annual fee plus a Performance Fee of 10% of returns above the fund's objective

## Mint Australia New Zealand Active Equity Trust

31 December 2011

Unit price

\$1.0170

Fund performance	1 month	3 months	1 year	3 years	Since inception
Mint Aust NZ Active Equities	-1.63%	2.77%	-1.85%	28.20%	1.70%
NZSE 50 Gross	0.14%	-2.05%	-1.04%	20.58%	-21.89%
ASX 300 (in NZD)	-1.69%	5.61%	-10.88%	36.54%	-2.77%