

New Zealand Retirement Trust

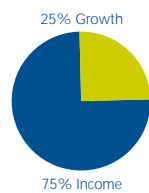
Investment Report

Multi-Sector Conservative Funds

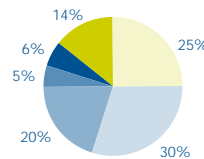
Fund Type	Inception Date	Unit Price \$	Fund Size \$m	Gross Returns* (%) 3 months	Net Returns** (%)					
					2007 to 30/09/07	2006	2005	2004	2003	2002
AMP Capital Assured	Oct 95	1.6473	114.6	1.2	2.8	3.6	3.3	2.5	3.4	4.2
AMP Capital Stable	Dec 95	1.5931	75.9	-0.1	3.6	5.9	5.9	5.0	5.9	-3.7

Benchmark asset allocations are set out below, or are substantially similar to those set out below.

AMP Capital Assured



AMP Capital Stable



Legend: Cash (yellow), NZ Fixed Interest (light blue), International Fixed Interest (medium blue), Property (dark blue), NZ Shares (dark blue), International Shares (yellow-green)

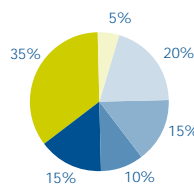
Note: As of 1 October the AMP Capital Assured Fund benchmark asset allocations changed to 25% Growth, 75% income.

Multi-Sector Balanced Funds

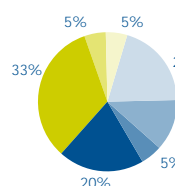
Fund Type	Inception Date	Unit Price \$	Fund Size \$m	Gross Returns* (%) 3 months	Net Returns** (%)					
					2007 to 30/09/07	2006	2005	2004	2003	2002
AMP Balanced	Oct 95	1.7356	338.2	-1.7	5.1	10.1	8.9	6.5	8.4	-12.6
BT Balanced	Oct 97	1.4456	94.6	-2.6	1.9	9.0	9.2	6.3	6.6	-7.9
ING Balanced	Apr 00	1.2671	142.3	-1.9	3.0	9.2	10.5	10.2	8.7	-7.2
ASB Balanced	Aug 00	1.1459	22.6	-0.6	3.5	9.3	8.8	6.7	8.4	-11.3
TOWER Balanced	Jan 04	1.3401	103.9	2.4	3.9	10.3	8.1	n/a	n/a	n/a

Benchmark asset allocations are set out below, or are substantially similar to those set out below.

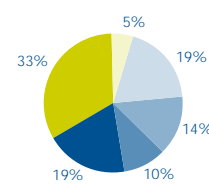
AMP Balanced



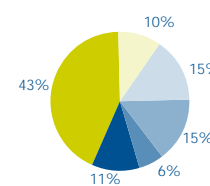
BT Balanced



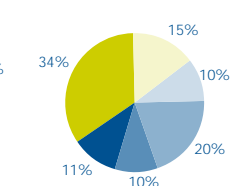
ING Balanced



ASB Balanced



TOWER Balanced



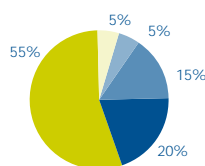
Legend: Cash (yellow), NZ Fixed Interest (light blue), International Fixed Interest (medium blue), Property (dark blue), NZ Shares (dark blue), International Shares (yellow-green), Other (light yellow)

Multi-Sector Aggressive Funds

Fund Type	Inception Date	Unit Price \$	Fund Size \$m	Gross Returns* (%) 3 months	Net Returns (%)**					
					2007 to 30/09/07	2006	2005	2004	2003	2002
AMP High Equity	Oct 95	1.9972	204.6	-2.6	6.1	14.5	12.8	10.2	13.9	-19.4

Benchmark asset allocations are set out below, or are substantially similar to those set out below.

AMP High Equity



Legend: Cash (yellow), NZ Fixed Interest (light blue), International Fixed Interest (medium blue), Property (dark blue), NZ Shares (dark blue), International Shares (yellow-green)

Past performance is not necessarily indicative of future performance. There are no guarantees that these returns will be achieved in the future. For more information regarding gross and net returns see 'Important Notes' section overleaf.

At a glance

Have you accessed your superannuation details online recently?

We update your details regularly so check out our site. Go to www.nzrt.co.nz.

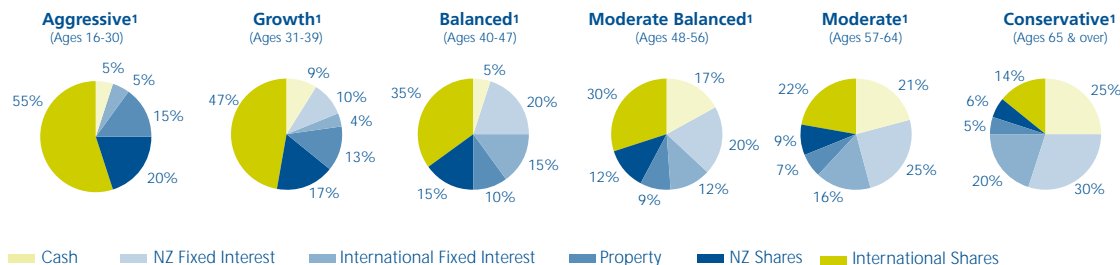
Contact Us

You can contact us by:
calling on Freephone **0800 808 267**
visiting our website at www.amp.co.nz

Lifesteps Investment Programme

Fund Type	Inception Date	Unit Price \$	Fund Size \$m	Gross Returns* (%) 3 months	Net Returns (%)**					
					2007 to 30/09/07	2006	2005	2004	2003	2002
Aggressive ¹	May 04	1.4261	7.9	-2.5	6.1	15.0	12.7	9.4	13.6	-19.3
Growth ¹	Apr 04	1.3648	23.3	-1.9	5.6	13.1	11.4	8.7	12.0	-16.4
Balanced ¹	May 04	1.3338	38.3	-1.4	5.1	11.3	9.9	7.2	10.4	-13.5
Moderate Balanced ¹	May 04	1.2863	44.8	-0.9	4.6	9.5	8.7	7.2	8.9	-10.4
Moderate ¹	May 04	1.2506	31.2	-0.4	4.0	7.8	7.3	5.3	7.3	-7.3
Conservative ¹	Jul 04	1.1928	3.3	0.0	3.4	6.1	5.9	4.6	5.7	-4.2

Benchmark asset allocations are set out below, or are substantially similar to those set out below.



Past performance is not necessarily indicative of future performance. There are no guarantees that these returns will be achieved in the future. For more information regarding gross and net returns see 'Important Notes' section below.

¹ On 1 October 2007 some of the names of the underlying funds in the Lifesteps Investment Programme changed. The new names are as follows: Lifesteps Aggressive (formerly Lifesteps Establishment), Lifesteps Growth (unchanged), Lifesteps Balanced (formerly Lifesteps Progression), Lifesteps Moderate Balanced (formerly Lifesteps Consolidation), Lifesteps Moderate (formerly Lifesteps Stability) and Lifesteps Conservative (formerly Lifesteps Maturity).



Important Notes

Returns and Unit Prices

The investment fund returns and unit prices published in this report are as at 31 December 2007. It is important to note that these past returns are not necessarily indicative of future performance. There are no guarantees that these returns will be achieved in the future.

The returns quoted are based on both actual and hypothetical performance. Hypothetical performance is used for periods prior to inception date and is based on the actual performance of comparable funds, adjusted for the NZRT fee structure. Investment managers may have similar funds available that perform differently due to cashflow, investment timing and fee issues. Individual members of NZRT will receive different returns from those indicated due to individual fee structures, prescribed investor rate and timing of investment activity.

The returns are based on the percentage change in the unit price of the NZRT funds for the period specified. No allowance has been made for Contribution or Monthly Member fees.

* All **gross returns** are based on PIE tax rules and are after Investment Management fees but before Trustee and Administration fees and taxes. The returns are based on gross unit prices applicable to the portfolio investment entity (PIE) tax regime.

** All **net returns** are based on pre-PIE tax ruling and are after Investment Management and Trustee & Administration fees and taxes

(assumed 33%). Trustee & Administration fee rebates may apply and are not included in the returns quoted.

Every effort has been made to ensure the accuracy of this information, however none of AMP Services (NZ) Limited, AMP Superannuation (NZ) Limited, and related companies accept any liability for, or consequence of, any error or omission.

Benchmark Asset Allocations

Benchmark asset allocations published in this report are as at 31 December 2007 and show the benchmark proportion a fund has invested in each asset sector. Asset sectors are the range of investment options that make up the financial markets (e.g. Cash, Fixed Interest and Shares).

To see how the market is affecting your fund you can match the benchmark asset allocations to the commentaries for those sectors. The larger the benchmark asset allocation to a sector, the more that sector will have impacted on the performance of your fund.

Past Investment Reports

The NZRT Investment Report is produced quarterly. As a Member of NZRT you are sent annually, along with your Member Statement, the latest report available at the time of your Plan's annual review date.

However, if you want to read the report every quarter you can find it in the 'Reports' section of the NZRT website – www.nzrt.co.nz.

For more information

For more information on NZRT you can refer to the NZRT Investment Statement, which is available by contacting your Plan Adviser, on our website (www.nzrt.co.nz), or by calling our Customer Contact Centre on 0800 808 267.

Investing in managed funds just got less taxing!

1 October 2007 was an important date if you're a managed fund investor. At AMP we're pulling out all stops to help our investors make the most of the new Portfolio Investment Entity (PIE) tax rules that came into effect on this date. These are the most significant tax changes to managed funds in New Zealand for many years and throughout the industry, teams of tax specialists and IT developers are working with fund managers to bring systems, processes, products and people up to speed with the new opportunities and requirements.

Pay tax at your marginal rate (or less!)

The PIE tax rules allow an eligible fund to pay tax based on the Prescribed Investor Rate ("PIR") of each individual investor. Many investors will find that their PIR will be less than their marginal tax rate – the income thresholds differ and PIRs are based on income in either of the two previous tax years and are capped at 33% (this cap will be reduced to 30% from 1 April 2008).

No tax on capital gains

PIE funds also have the advantage of not paying tax on capital gains on New Zealand and most listed Australian shares. The rules broadly align the treatment of investment income earned through PIE funds with that of income earned through direct investments, with the added advantage of a tax rate cap of 33% (30% from 1 April 2008).

AMP funds becoming PIEs

The following AMP investment funds elected into the PIE tax rules on 1 October 2007:

- AMP KiwiSaver Scheme
- New Zealand Retirement Trust (NZRT)
- AIS Personal Unit Trust – Premium and Classic
- AIS Personal Superannuation Scheme – Premium and Classic

We are also looking at making SIP Personal Retirement Plans (excluding the PRP Limited Access Balanced Fund, and Insurance Bonds) and SIP Unit Trusts PIE compliant.

Investment funds with no current plan to adopt PIE rules

- The AMP Investment Linked (IL) funds and SIP Insurance Bond (IB) funds are linked to life insurance policies. The Government continues to consider measures needed to allow PIE tax rates to be applied to income earned by these funds.
- The Personal Superannuation Fund (PSF) will not elect into the PIE tax rules in the short-term because our initial analysis shows that the cost of implementation will outweigh the benefits for investors.

- We will continue to monitor these funds, and our other investment products, as the new PIE tax rules come into effect. Non-PIE funds will continue to be taxed under existing tax law. In the meantime, we will try to ensure that our non-PIE funds obtain some benefits of the new rules by structuring their underlying investments as efficiently as possible.

The good news for investors in both the IL, IB and PSF funds is that these funds will pay tax on their income at a reduced rate of 30% from 1 January 2008, leaving more after-tax growth for investors.

Reminder to send back PIR election forms

If you are invested in an AMP investment fund that elected into the PIE regime from 1 October 2007, you should have received a PIE tax rate election form (also known as Prescribed Investor Rate or PIR election form). If you haven't already done so, please complete this form and send it back to us as soon as possible. If we have not received a completed PIR election form by the time your tax liability is required to be paid to the IRD, the default (highest) PIR rate will be used. Correctly completing and returning this form will ensure you do not pay more tax than required.

Your PIE tax liability will be calculated daily and tax will be collected at the end of each financial year (31 March) and if you make a withdrawal from an investment fund portfolio.

If you invest in an investment fund that will be electing into the PIE rules in 2008, you will receive a PIR election form together with more information about the PIE tax rules in due course. If you're invested in a fund that is currently not planning to adopt the PIE tax rules, you can talk to your Adviser about your options, and whether your current investment is still right for you.

It's not often that tax and good news can be mentioned in the same breath, but we believe this is one of those times.

Lessons for investors from the credit blow-up*

The last few months have seen big swings in markets on the back of the turmoil in international credit markets. The blow-up in credit markets provides a number of lessons for investors.

Lesson #1: Beware of financial engineering

Financial engineering is at the centre of the storm engulfing credit markets. In the United States, mortgages to very low quality borrowers (sub-prime mortgage borrowers) were packaged up into securities (collateralised debt obligations, or CDOs), which were sold off in various parcels, some of which came with high risk, like equity, but some of which came with AAA credit ratings (the highest possible credit rating). So, due to the magic of modern finance, a portion of something that was regarded as high risk was able to be marketed as low risk.

More fundamentally, because of a limited track record, risk was dramatically underestimated both in terms of the performance of the underlying sub-prime mortgages and how the securities themselves would behave in times of market stress and poor liquidity (like the situation we have seen over the last few months).

Once the underlying investments (the mortgages to borrowers with poor credit histories) started to turn sour, the credit ratings proved unreliable. The securities proved impossible to sell because they were so complex and it was difficult for the market to determine their true worth.

The key lesson for investors from all this is to be skeptical of investments that rely heavily on financial engineering to meet their objectives, particularly if they haven't been tested in both good and bad times. Such constructs often have a poor alignment of interests, the true risks may be poorly understood or hidden and, because so many parties are involved, the underlying fees may be excessive.

Lesson #2: Gearing is great – 'till it isn't

We all know the benefits of gearing. Investing \$1 of borrowed capital for every \$1 of your own capital can turn a 10% gross return into a 20% gross return. But of course when returns are negative it can go badly wrong. In fact very high gearing, (for example five to ten times) was at the centre of most of the big fund losses announced recently. For example, if debt is running at five times capital then just a 5% drop in the value of the underlying investments will lead to a 30% drop in the value of the fund for investors.

Excessive gearing on top of the losses in the underlying securities explains why some funds with direct exposure to sub-prime debt have seen all or most of their value wiped out. It also explains the severity of the decline in value for some funds, which were not directly invested in sub-prime related investments, but may have had an exposure to high yield corporate debt, where the decline in value has been modest.

It should also be noted that not only were the funds investing in sub-prime related securities geared, but there was additional gearing in the securities themselves. In this context it only takes a small increase in mortgage defaults to start causing big losses. As a result, there was effectively gearing on top of gearing. So be wary of investments that rely on excessive gearing, both at the fund level and in the underlying investments.

Sector commentaries



The fourth quarter of 2007 was characterised by a continuation of many of the dominant themes that were prevalent during the previous quarter. Global equity markets fell sharply, reflecting the change in investor sentiment brought about by worries surrounding the sub-prime mortgage crisis in the US. In a clear 'flight to quality', investors exited the share markets, opting instead for the relatively safe haven of cash and bonds. Investor concerns surrounding share markets were later heightened following a substantial write-down of assets within the banking sector, further compounded by the release of weaker than expected global economic data and oil prices rising close to the heady levels of US\$100 per barrel.

Meanwhile, New Zealand property generally took its lead from the global property markets, showing some signs of weakness following its strong run during the early part of the year.

To bolster liquidity within financial markets, the world's central banks moved to ease monetary conditions. The US Federal Reserve led the way, cutting the Fed

Fund's rate first by an unprecedented 50 basis points (signifying the real crisis brought about by the sub-prime mortgage issues), and then a further 25 basis points to 4.25% as the resulting credit crunch took hold. Their lead was followed by central banks in the UK and Canada.

Meanwhile, the Reserve Bank of New Zealand left the Official Cash Rate (OCR) on hold at 8.25% throughout the quarter. While retaining a balanced view on the economic outlook, the Reserve Bank indicated that inflationary pressures had increased, suggesting that interest rates were likely to remain around current levels for longer than previously expected. Meanwhile, domestic economic data was mixed. On the one hand, data showed considerable pressure on the housing market, but on the other, strong business and consumer confidence pointed to an underlying robustness within the economy. The New Zealand dollar remained volatile, trading between the 74 and 78 cent level against the US dollar for the majority of the quarter.

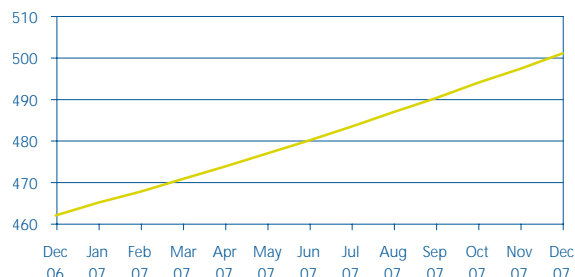
Much of the inflationary pressures within both the domestic and international economies can be attributed to the surging price of commodities, in particular oil and dairy prices. Oil prices reached new record highs of close to a US\$100 a barrel, dairy prices also continue to reach new heights. According to the ANZ Commodity Price Index, dairy prices rose by close to 100% during the year.

Cash

In the current volatile and risk-averse environment, cash continued to provide investors with attractive returns. Inflation remains close to the upper end of the Reserve Bank's inflation target, and they appear not to be prepared to cut rates given that the economic impetus in 2008 is likely to come from higher dairy prices and fiscal stimulus (increased spending and the possibility of personal tax cuts in an election year). Meanwhile, New Zealand continues to offer exceedingly high cash rates relative to elsewhere in the world (we have the highest interest rates within the OECD) and this continues to attract a steady flow of cash into the country. In December's monetary policy statement, the Reserve Bank held rates at 8.25% for the third consecutive time, ensuring that the attractive returns from this asset class should continue over at least the short term.

The NZX NZ 90 Day Bank Bill return for the year to 31 December 2007 was 8.4% (before fees and tax). This was above the expected long-term return for this sector.

NZX NZ 90 Day Bank Bill Index

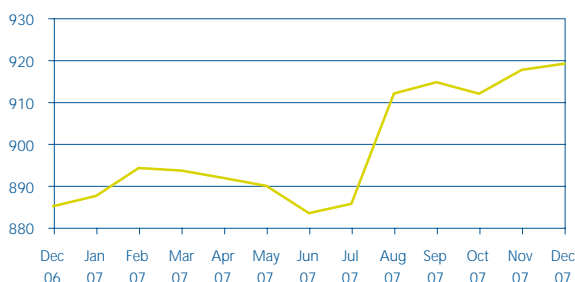


New Zealand Fixed Interest

During the fourth quarter, New Zealand government bonds were able to deliver positive returns. A 'flight to quality' out of higher-risk assets such as shares, helped support the market's rally. That said, New Zealand government bonds were unable to keep pace with the returns of their global government bond counterparts. While international bonds were further buoyed by an easing in global monetary conditions, the returns on New Zealand bonds were constrained by ongoing domestic inflationary concerns. Hopes of interest rate cuts by the Reserve Bank remain a distant prospect. While New Zealand government bonds posted positive returns, New Zealand corporate bonds struggled to make progress as the global credit crunch took a firm hold on our domestic market.

The performance of the NZX Government Stock Index for the year to 31 December 2007 was 3.8% (before fees and tax). This was below the expected long-term return for this sector.

NZX Government Stock Index

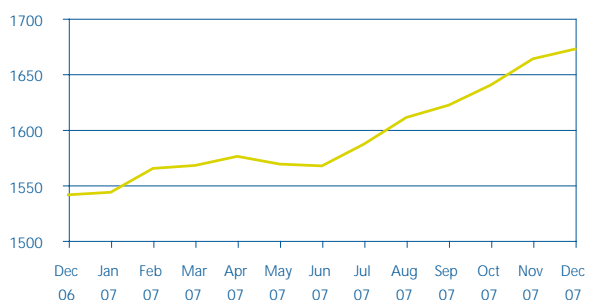


International Fixed Interest

Global government bonds found good support during the quarter as investors became more 'risk averse' during a period of extreme volatility in share markets, and as global credit and liquidity concerns came to the fore. The yield on the US government 10-year benchmark bond fell, as the prospects for US growth deteriorated and as investors sought safety in government securities. Global bonds were also helped by an easing in global monetary conditions, as central banks in the US, UK and Canada acted quickly to cut interest rates in their domestic markets, and as other global monetary authorities helped inject additional liquidity into financial markets. Meanwhile global corporate bond assets faced an exceptionally tough environment, resulting in their sharp underperformance compared to government bonds. Credit spreads (a measure of how well the asset class performs relative to government bonds) widened sharply as the credit crunch brought harsh market conditions and resulted in a number of new issues being pulled as investor demand waned.

The performance of the Lehman Brothers Global Aggregate Index (in NZ dollars) for the year to 31 December 2007 was 8.5% (before fees and tax). This was above the expected long-term return for this sector.

Lehman Brothers Global Aggregate Index (in NZ dollars)

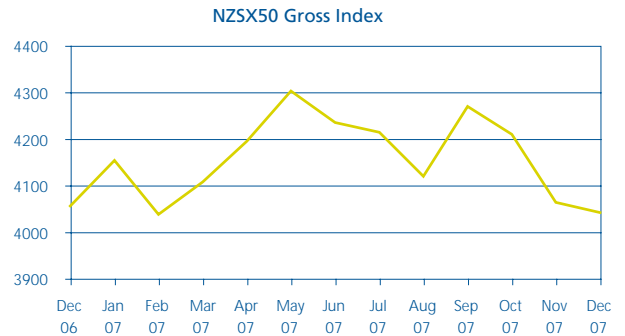


New Zealand Shares

The New Zealand market was not immune to the sharp corrections seen elsewhere in the world's markets and domestic stocks fell in line with other global share markets as market volatility also rose sharply. The performance of New Zealand equities was also hampered by early strength in the New Zealand dollar and as the sluggish economic outlook posed a difficult environment for earnings in New Zealand. Overall, the corporate reporting season ended with a further net downgrading of earnings, with many companies painting a fairly muted picture for earnings growth in 2008 given their expectations of challenging trading conditions ahead.

Companies that performed particularly well appeared to be those that were exposed to the higher oil prices, such as NZ Oil & Gas and NZ Refining. In contrast, weaker performers included the likes of Contact Energy and Fletcher Building, while Auckland International Airport (AIA) also fell following its announcement in December that it had ended discussions with the Canadian Pension Plan Investment Board regarding their purchase of a significant interest in AIA.

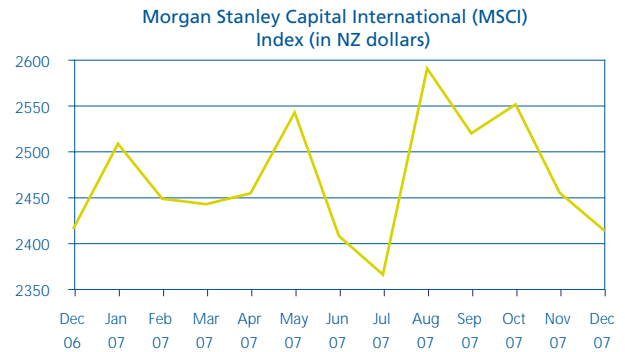
The performance of the NZX 50 Index for the year to 31 December 2007 was -0.3% (before fees and tax). This was below the expected long-term return for this sector.



International Shares

Following a reasonably strong October, on the back of particular strength within the wider Asian region, global share markets fell sharply over the remainder of the quarter. Their weakness was driven by concerns over a weak US housing market and worries about oil prices, as they pushed to reach new record highs of close to US\$100 per barrel. The turmoil in credit markets reached similar levels to those seen in August, forcing central banks to inject more cash into money markets. News of sub-prime mortgage related write-offs and losses in the US banking sector intensified concerns about the possibility of a US recession, and this maintained downward pressure on global share prices. All of the world's major share markets finished the period significantly lower, despite the moves by a number of the world's central banks to cut interest rates to try to help stimulate growth and renew investor confidence.

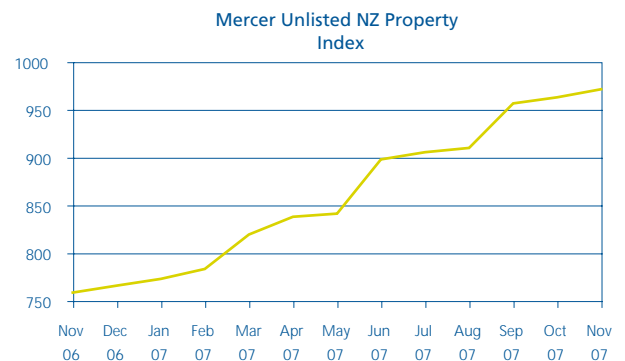
The performance of the MSCI Index for the year to 31 December 2007 was 7.0% (before fees and tax) in local currency terms. In NZD terms the return was -0.1%, illustrating the effect the appreciating NZD has on the returns of un-hedged offshore investments.



New Zealand Property

Despite some weakness in global property during the course of the year, low vacancy rates and ongoing investor demand have continued to underpin the New Zealand property sector. However, during recent months, we have seen evidence of growth beginning to slow as credit market volatility has led to a moderation in demand. Despite this, investment returns remain in positive territory. Within commercial property, recent revaluations suggest that there is scope for ongoing rental growth, while capitalisation rates should continue to remain firm across prime sectors. However, global share market volatility has had an impact on property securities in New Zealand, which were weaker towards the end of the quarter.

The performance of the Mercer Unlisted Property Index for the year to 30 November 2007 was 28.1% (before fees and tax). This was well above the expected long-term average for this sector.



Graph Source: BNP Paribas

How does this apply to my fund?

Benchmark asset allocations show the proportion a fund has invested in each asset sector. Asset sectors are the range of investment options that make up the financial markets (e.g. Cash, Fixed Interest and Shares). Depending on what is happening in the market, certain sectors can have strong performance while others are weak.

Note: Returns quoted in the 'Sector Commentaries' are before tax and fees. Your returns will vary as they are after tax and fees.

Multi-Sector Funds

These funds are made up of investments in a range of asset sectors. To see how the market is affecting your fund you can match the benchmark asset allocations to the commentaries for those sectors. The larger the benchmark asset allocation to a sector, the more that sector will have impacted on the performance of your fund.

Single-Sector Funds

For single-sector funds you will only need to read one sector commentary to get a good idea of what's happening to your fund.

Living life to the full and celebrating success

The inspiring winners of the AMP Scholarship Programme 2007

Since 1998, the AMP Scholarship Programme has awarded over 70 scholarships to ordinary New Zealanders who are achieving extraordinary things. In 2007 AMP doubled its commitment to the programme, increasing support to NZ\$1 million over the next five years.

As a company that helps customers plan for their future, to enable them to live life to the full, AMP sponsors ordinary New Zealanders, of all ages, professions and backgrounds, who have the ability, and the ambition to achieve their chosen goal, no matter what obstacles may lie in their path.

On the evening of Tuesday 28 August 2007, the winners of this year's AMP Scholarship Programme were announced at the Grand Hall in Parliament. Among the judges were the Managing Director of AMP Financial Services, Jack Regan, outgoing Managing Director Greg Camm and General Manager Public Affairs, Jane Anderson. There were also high profile businesswoman and AMP Director Rosanne Meo, ex-Wellington MP Fran Wilde and popular comedian and actor, Pio Terei.

Having received close to 800 applications for the 2007 AMP Scholarships, the audience saw for themselves the passion, determination and, in many cases, the obstacles that the winners had, or were still working to, overcome.

A total of 13 scholarships were awarded, totalling \$200,000, including two Premium scholarships. Among the winners were two musicians (a saxophonist and trumpet player), an opera singer, ballerina, freestyle skier, Maori textile weaver, basketball player and female motorcycle racer.

There was also a filmmaker, a civil engineer, chef/teacher, doctor and product designer, each focused on developing their skills and pursuing their dreams, in many cases, for the betterment of people and the environment.

One of the many inspiring scholarship stories is of 16-year-old ballerina, Alexandra Tylee. Based in Feilding, Palmerston North, Alexandra's dream is to become a full time soloist or principal ballerina. Having overcome blindness in one eye and with only 6/12 vision in the other eye, Alexandra has been accepted into the Palucca Dance School in Dresden, Germany, where she began studying in September.

It's AMP's belief that every Kiwi has the right to enjoy a life lived to the full, and the meaning of this will differ for each of us. AMP's 2007 AMP Scholarship

winners have inspired others by showing them what success means for them, and the commitment, passion and determination that will help them achieve their dreams.

AMP looks forward to hearing about the success of this year's winners, and to seeing another fantastic response to the Scholarship Programme in 2008. For more information about the Programme, visit www.amp.co.nz (applications open 1 April 2008).



In this photo: The Hon Dr Michael Cullen (Deputy Prime Minister), and Jack Regan (Managing Director AMP Financial Services NZ) and the AMP Scholarship Winners for 2007 at the winners' reception, Grand Hall, Parliament on 28 August 2007.

...continued from page 1

Lesson #3: Diversification is good

Many of the funds at the centre of the recent storm appear to have been poorly diversified (particularly those with an excessive exposure to sub-prime related debt) and this has only magnified their losses. More diversified, credit focused funds have held up much better. Similarly, the events of the past month or so have also highlighted the downside of concentrated exposure to hedge funds. Some hedge funds, particularly quantitative long/short equity funds, had a particularly rough month with losses of around 30% being reported at one point. However, well-constructed funds-of-hedge-funds have generally come through in far better shape. The point is that investors are always wise to make sure that funds they invest in are well diversified and not overly reliant on a particular type of investment, or investment strategy.

Lesson #4: There is no such thing as a free lunch

Investor interest in credit investments and, more recently, in highly complex yield based securities has its origin in the long-term decline in interest rates and bond yields on the back of the shift to low inflation over the last two decades. Somehow, getting a 6% return from government bonds in a world of 2.5% inflation doesn't sound quite as good as getting a 12% return from bonds in a world of 8.5% inflation.

Risk may remain dormant for many years leading investors to forget about it. The events of the past few months highlight that higher returns also come with higher risk. In other words, there is no such thing as a free lunch. The trick for investors is to make sure that they are aware of the extra risk they are taking on and to then make sure that it is managed appropriately in terms of diversification and gearing levels.

Lesson #5: Only invest in what you understand

A key lesson for investors from the events of the last few months is to only invest in what you understand. Modern credit instruments are incredibly complex and it would appear that many (including market participants) did not understand the nature of the investments being undertaken. Until recently most investors would not have known what a sub-prime mortgage was and most would have thought that a CDO was just another acronym for a senior company executive.

Conclusion

The last few months have been tumultuous for investors, with big swings in markets. While most investors would have come through reasonably unscathed, some with a heavy exposure to the funds at the centre of the crisis would have been hard hit. The key lessons outlined above are an excellent guide to the selection of investments in any market climate.

**This is an abridged version of 'Lessons for investors from the credit blow-up' by Dr Shane Oliver, Head of Investment Strategy and Chief Economist, AMP Capital Investors.*

KiwiSaver – helping you save for a better future

KiwiSaver is a voluntary work-based savings initiative. It encourages saving through the workplace and is designed to make it easier for more New Zealanders to save for their retirement.

If you are an employee and you join KiwiSaver, each time you're paid you'll contribute 4% of your gross salary or wages (including bonuses, commission and overtime) to KiwiSaver. This will be deducted from your after-tax pay. Or if you wish, you can choose a higher rate of 8%.

Your money is invested in a KiwiSaver scheme. You can access your savings when you qualify for New Zealand Superannuation (currently 65), or after five years membership, whichever is later.

If you've been regularly contributing to KiwiSaver from your salary or wages for over 12 months, you can apply to Inland Revenue to take a break from saving (a 'contributions holiday'). A contributions holiday can be between three months and five years long. Conditions apply.

KiwiSaver benefits

The Government is offering a number of incentives to encourage people to join KiwiSaver. As a member of KiwiSaver, you'll be entitled to:

- A one-off kick-start of \$1,000
- An annual fee subsidy of \$40 to help cover the fees charged by your scheme provider
- An annual tax credit to your KiwiSaver account of up to \$20 per week (approximately \$1,040 per annum). Conditions apply.

Help with buying a home

After you've contributed to KiwiSaver for three years you may be able to withdraw your savings (excluding the \$1,000 kick-start and member tax credits) to put towards buying your home. If you qualify, you may also be entitled to a first home deposit subsidy of \$1,000 for each year of contributions (subject to a minimum of three years' contributions) up to a maximum of \$5,000 (conditions apply). For more information and eligibility criteria check out the Housing New Zealand website – www.hnzc.govt.nz.

Employer contributions

From April 2008 your employer has to contribute to KiwiSaver starting at a minimum of 1% of your gross salary or wages, and increasing by 1% each year until it reaches 4% in April 2011.

Your employer can choose to contribute more than this and doesn't have to wait until April 2008 to start. There is no tax on employer contributions to KiwiSaver up to a maximum of 4% of your gross salary or wages (if matched by a contribution from you).

Is KiwiSaver right for me?

If you currently have savings with us, you've already made a great step towards ensuring a secure financial future. With the introduction of KiwiSaver, you also have a number of options including:

- Continuing to save through your existing retirement savings scheme and not join KiwiSaver
- Contributing to both your existing scheme and KiwiSaver
- Stop contributing to your existing scheme and join KiwiSaver.

The right answer will depend on a number of factors including your personal circumstances, the type of retirement scheme you're currently in, and your financial goals. For example, if you'd like the flexibility to be able to access your retirement savings before you reach 65, KiwiSaver may not be the best option for you as there are limited grounds for withdrawal (with KiwiSaver your funds are locked-in until you reach the age of eligibility for New Zealand Superannuation, currently 65, or after five years membership, whichever is later). Or you may decide to continue with your current retirement savings scheme, but also divert part of your contributions to KiwiSaver. That way you'll be able to take advantage of some of the benefits KiwiSaver offers such as the \$1,000 kick-start, the yearly \$40 fee subsidy, and the annual tax credits of approximately \$1,040 per annum (conditions apply).

You have a number of choices, so it's important to seek advice from a financial adviser to help you decide what option is best for you.

For more information

There are a number of useful websites that have a wealth of information about KiwiSaver – check out www.kiwisaver.govt.nz, www.sorted.org.nz, or go to www.amp.co.nz.

For more detailed help and advice, you can also speak to your AMP Adviser or call our Customer Contact Centre on 0800 808 267. Information and an Investment Statement for the AMP KiwiSaver Scheme is available at www.amp.co.nz.

This article is a summary of KiwiSaver only and is believed to be accurate at the time of printing (January 2008). Please refer to www.kiwisaver.govt.nz for more information. AMP Services (NZ) Limited, The New Zealand Guardian Trust Company Limited and related companies do not accept liability for, or consequence of, any error or omission.



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- Maintaining accurate records of AMP's dealings with you;
- Monitoring the level of service being provided by AMP;
- Investigating complaints and resolving disputes between you and AMP; and
- Auditing, compliance and reporting purposes; and training and development.

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