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Welcome to MSF's member information newsletter**Property Market - Gardner Valuations**

Gardner Valuations, has been valuing properties in the Auckland commercial and industrial property markets since 1970 .

In 2009 there was a significant reduction in sales activity in both the commercial and industrial property sectors. As well as a decline in the volume of sales, yields for both commercial and industrial property eased with the difference between the yields widening between what is considered to be quality, well leased investment property and lesser quality investment property in weaker locations. This trend has continued into the early months of 2010.

The quality of the tenant and the length of the lease term remain paramount and quality industrial properties continue to attract keen purchasers at premium prices. Retention of tenants remains critical in the softer market conditions and tenant retention is more important than rental growth in this phase of the market.

An increasing amount of vacant industrial property in the Onehunga area has been purchased by owner-occupiers or investors and this has started to reduce the amount of vacant space from the levels seen in 2009. While the existing level of vacancy remains in the industrial sector, there is little chance of rental growth throughout the remainder of 2010.

Growth in rental values and market values will follow economic growth. Once growth in the economy becomes more positive there will be a consequent reduction in vacancy rates and an increase in rentals although there is likely to be a lag period between the start of the economic growth and the take up of vacant industrial space.

With reference to land values, the downward pressure on industrial land values continues while there remains a shortage of companies prepared to commit to new design/build developments or investment in new buildings. When discussing the prospects for the balance of 2010 words that come to mind are subdued, patchy and inconsistent.

I see the scenario as very similar to 2009 with perhaps a slight improvement in the latter part of the year as some of the vacant space becomes absorbed and perhaps looking forward to some improvement in 2011.

However, on a brighter note, well located, well leased industrial properties are still in demand and continue to provide a good return throughout this challenging period.

Tony Gardner, Managing Director

MSF buildings are 100% tenanted as at May 2010. However we do have several leases due for renewal in the second half of 2010. One tenant is vacating – the others we will be working closely with to ensure tenant retention. These are the issues that the Fund faces in the normal course of business.

Fixed interest investing

This class of asset investing covers the full range from the most conservative eg government stock, bank deposits through to the most risky "nominally secured loans" such as finance company deposits and unsecured loans .

The recent debacle of badly run finance companies with poorly structured and inadequately secured loans, resulting in massive investor losses, is well known to us all.

So, why fixed interest and what place does it have in a balanced portfolio?

The golden rule is return of capital not return on capital.

The most conservative investments are usually also those with the lowest yield (interest rate).

There are several higher yield investments at present subject to the government guarantee, which is a good way to achieve higher yields with the guarantee ensuring the return of capital.

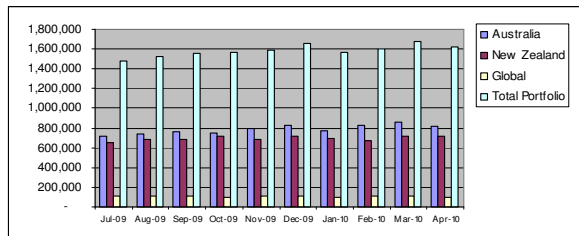
Points to consider:

- Is my investment secured?
- What is the actual security?
- Is it subject to the remaining (and terminating) government guarantee?
- Is the investment maturity date before the guarantee expires?
- Is the company well run?
- What is the company equity ratio? ie how much capital do the shareholders have in the company that is available to cover losses before the investors suffer any loss.
- What is the interest rate - if it is well "ahead" of comparable investments -does this indicate that the offer is "too good to be true"

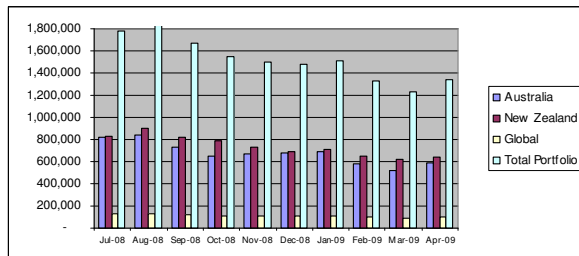
Share Portfolio Update

Security Mutual Fund (SMF) our equity fund has performed well since 30 June 2009 - the strongest growth being in our Australian equities.

July 09 – April 2010



July 08 – April 2009



Portfolio holdings

Australian equities:

AGL, Amcor, APA, AXA, BHP, Brambles, CSL, Goodman Fielder, Orica, QBE Insurance, Westpac Trust, Woolworths

New Zealand Equities

Auckland Airport, Contact Energy, F & P Health, Fletcher Building, Freightways, NZ Oil & Gas, Port of Tauranga, Ryman Health Care, Sky City Ent, Sky Network TV, Vector

Global:

EAFE Index Fund

MSF KiwiSaver Scheme

Why join our KiwiSaver Scheme?

When you join the MSF KiwiSaver scheme you're investing alongside the people who actually manage your money. We inform you where your KiwiSaver savings are invested - we make KiwiSaver easy.

Important Notice – Maximise your member tax credits

The end of the KiwiSaver year is fast approaching. If you need to top up your account or put in an annual contribution don't forget to do it before 30 June 2010. Remember the Government matches your contributions if you are aged 18 or over up to \$1,042.86 per year

We don't want you to miss out on getting the full benefit of the Member Tax Credit from the Government and we are sure you don't want to either!

MSF Website www.msf.co.nz

We are currently in the process of updating our website. Completion is expected to be by the end of June 2010.

We would appreciate any feedback that you have once this is up and running.

Parents, grandparents, godparents

Are you looking for ways to support young children in years to come - MSF provides a proven, reliable and sustainable investment with a very good track record.

A gift to a grandchild could be as little as \$10.00 per week or a lump sum of \$1,000 – invest in their future.

Please feel free to drop into our office at 198 Federal Street to discuss your options and meet our people.

MSF Contributor Survey

A recent survey of 100 of our contributors revealed very positive comments. Some have been in the fund since inception others have joined more recently.

They were pleased with the great track record that MSF has had over a very long period of time. These comments will be posted on our new revamped website.

Change of Address Notice

Please contact our office if you change your address. We continually have communications being returned with 'Gone no Address'.

Prescribed Income Rate (PIR)

If you haven't already done so, please send back the PIR forms that we sent out to you earlier in the year. We will need to know your PIR rate by 1 July 2010.

The Budget

- GST will increase from 12.5% to 15% on 1 October 2010
- All personal income tax brackets fall, with the top rate levied on income over \$70,000 pa dropping from 38% to 33% from 1 October 2010

Income tax rates

Income	Current rates	New rates
\$0 - \$14,000	12.5%	10.5%
\$14,001 - \$48,000	21.0%	17.5%
\$48,001 - \$70,000	33.0%	30.0%
Over \$70,000	38.0%	33.0%

- Resident withholding tax rates applying to interest earning through a bank account will be reduced so they align with the new personal tax rates from 1 October 2010.
- The company tax rate will fall from 30% - 28% from the 2011/12 tax income year. There will be a 2 year transitional period for imputing dividends at the existing 30% rate.
- The top tax rate for most portfolio entities (PIES) – including KiwiSaver accounts – will be reduced from 30% - 28.0% from 1 October 2010. Other PIE rates will also be reduced to align with the new personal income tax rates.
- Loss attributing qualifying companies and qualifying companies will become flow-through entities for tax purposes for income years starting on or after 1 April 2011.

Property Investment

- Landlords and businesses are no longer able to claim depreciation on buildings that are expected to increase in value.
- Rules around loss attributing qualifying companies - are being tightened.
- Depreciation deductions will be removed for buildings that have an estimated life of 50 years or more from the 2011/12 year.
- The current 20% depreciation loading on new plant and equipment will be removed from assets purchased after 20 May 2010.