



TALKING INVESTMENTS

INVESTMENT NEWS AND INFORMATION FROM UDC FINANCE

CELEBRATING DIVERSITY



Warrick Gibbs - Head of Investments, UDC Finance.

“Don't put all your eggs in one basket.” It sounds almost too simple, but as far as I'm concerned it's still one of the best overall investment strategies.”

Once again, lending diversity is a key strategy for UDC, helping us maintain our 70-plus year track-record of steady performance.

Diversification of lending – spreading risk by lending to a wide range of industries – is the cornerstone of UDC's corporate risk management strategy. This enables us to support a wide range of New Zealand businesses.

In addition, UDC applies sound credit risk management policies, which has meant no exposure to the speculative property development market; a huge relief to UDC's investors.

You can find out more about UDC's lending policies and risk management at www.udcinvestment.co.nz.

AA CREDIT RATING EXPLAINED

The coveted AA grade credit rating from Standard & Poor's is often quoted as a reason people choose to invest in UDC Finance. But what does it actually mean?

According to Standard & Poor's, AA is an “investment grade” credit rating and signifies “Very strong capacity to meet financial commitments.” Furthermore, they go on to point out that this “Differs from the highest-rated organisations only to a small degree.”

The credit rating is a good indicator of our creditworthiness and financial stability and represents a very positive signal to investors and borrowers alike.

You can find a full copy of our Standard & Poor's report, along with more information about credit ratings at www.udcinvestment.co.nz/investment-standards or by calling 0800 652 832.



A BREAK WITH TRADITION

We may not lend for speculative property development, but this year we did have to think about property, with the lease on our Graham Street offices due to expire.

And think we did, investing time to find an office that would meet the needs of our staff, but also of our customers and investors.

From 27 October 2009 we'll be at 107 Carlton Gore Road, just a few minutes walk from the shops and cafés on Newmarket's Broadway. With excellent public transport and lots of parking nearby, if you visit us you'll find it easier than ever.

However, even though the offices are new, there are some things that won't change. You'll still be able to reach us on the same phone numbers and the whole team will be as keen as ever to talk.

A VINTAGE YEAR FOR BUSINESS

From planting 10 acres of vines in 1987, the year of the stock market crash, Jill and Dayne Sherwood – and their wines – have come a long way. UDC has been with them all along.

Today they have over 180 acres of vines in Waipara and Marlborough, equipment for cultivating, crushing and processing, and their own bottling line – and a label being enjoyed by wine lovers around the world.

The regional separation gives their wines a unique blend, lets them produce more varieties, and diversifies their weather risk.

They produce their wine at their Waipara winery, and bottle it on their own bottling line. Over 95% of their production is then exported to the UK, Europe, the USA and Canada.



Dayne and Jill Sherwood – Sherwood Estate Wines.

“We wanted to control our production from the vineyard to the bottle, but it's a capital-intensive business. We didn't have big investors backing us, so we needed a reliable finance partner. Cheers UDC.”

INVESTING FOR REGULAR INCOME

Maintaining your income from investments can be a challenge when faced with falling interest rates. But UDC's Capital Drawdown option allows you to fix a regular income payment from your investment.

The way Capital Drawdown works is straightforward. The return from your UDC Secured Term Investment is paid in the normal way, but to help meet your monthly or quarterly commitments you can choose to withdraw part of your

capital with the return, making up the total income you need each month or quarter.

Investment terms are available from 1 to 5 years and you can choose to receive your income monthly or quarterly. There is no minimum or maximum amount for your regular monthly income payment, but the initial capital must be sufficient to cover all payments for the full term of your investment and remain above the \$5,000 minimum investment amount.

This flexibility makes Capital Drawdown ideal for investors who need to meet regular monthly or quarterly commitments; school fees or rest home costs for example. It's also a useful option for anyone who relies on the return from investments for their income.

For more information about Capital Drawdown options, visit www.udcinvestment.co.nz or call the investor services team on **0800 652 832**.

ECONOMIC UPDATE



The economy looks to be emerging from recession. Business and consumer confidence have lifted, the housing market is perking up, and the outlook for New Zealand's major trading partners has improved markedly.

Global equity markets have moved to price in a strong global recovery story, which if correct, will certainly help underpin New Zealand's prospects.

While recent developments mark a welcome change from the despair we were facing earlier this year, there is still a lot of uncertainty. In short, while the worst appears to be over, we are not quite out of the woods just yet. Policymakers both here and overseas continue to be cautious about the outlook, something we should heed carefully.

This caution is vindicated when you look at the broader picture. Though the housing market continues to recover, we struggle

to see much of a recovery in other areas yet. Manufacturers are still doing it tough, consumer spending remains subdued, no doubt as a consequence of rising unemployment, and it will be some time before businesses start to invest again.

Given the external imbalance in the New Zealand economy - reflected in a large current account deficit, low household savings and high consumer debt - an export led recovery would be preferred. Unfortunately, the high New Zealand dollar is delaying or even risking this.

The Reserve Bank of New Zealand sees enough uncertainty out there that they will probably keep interest rates low for some time. While helpful, low interest rates are a double edged sword. They provide much needed cashflow relief to households and businesses, and make it easier to de-leverage. Conversely, low interest rates will also encourage some to take on more debt.

Khoon Goh
ANZ and UDC Senior Economist.



NEW WEBSITE FOR INVESTORS

Finding up to date information on investments is easier than ever thanks to UDC's new investor website.

www.udcinvestment.co.nz is the new place to find answers about investing with UDC Finance. Our AA Standard & Poor's credit rating is explained, along with our Basel II accredited risk management policies.

There are free downloads and information to help you choose the right investment and income options. You can also apply for a UDC investment on the site using our new Quickstart application process.

Online newsletter

The new site also includes an option to subscribe to this investor newsletter online, helping to reduce environmental impact and costs. Visit the new site at www.udcinvestment.co.nz and don't forget to let us know what you think about it.

WE'RE READY TO HELP

If you'd like to talk about investing with UDC or request a copy of our investment statements we'd love to hear from you.

CALL 0800 652 832

WWW.UDC.CO.NZ



UDC Secured Investments are secured by First Ranking Security Stock (subject to prior permitted charges, if any). A \$5,000 minimum investment and 12 month minimum term apply. Rates of return are subject to change. A copy of the UDC Secured Investments prospectus and investment statement, together with a copy of UDC's disclosure statement prepared under the Securities Markets Act 1988, are available free of charge on our website www.udc.co.nz. UDC Finance Limited has a guarantee under the New Zealand Retail Deposit Guarantee Scheme. Crown Guarantee investor eligibility criteria, a maximum \$1,000,000 (1 million) guarantee limit per investor, and a 12 October 2010 expiry date apply. The Crown Guarantee applies to UDC Secured Investment products only. Full details of the scheme, the conditions and a copy of the deed of guarantee are available free of charge from www.treasury.govt.nz. A copy of UDC's disclosure statement is available on request free of charge from our website www.udc.co.nz.