

Investment Survey June 2010 – Understanding Indexes

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Section 1 – Investment returns

Index returns for the quarter and the year to 30 June 2010 were:

Asset Class	Quarter	Year
NZ Shares	-8.9%	7.5%
Australian shares in A\$	-11.1%	13.1%
Global Shares:		
• local currency	-11.0%	12.1%
• unhedged	-9.9%	3.8%
• hedged	-10.8%	13.5%
Property		
• NZ Property	-4.4%	10.6%
• Global Property	-4.8%	38.7%
NZ Bonds		
• Govt Bonds	3.4%	8.2%
• Corporate A	2.8%	10.3%
• All Swaps	3.1%	7.8%
Global Bonds		
• World Govt Bonds	3.1%	8.1%
• Global Aggregate	2.9%	10.4%
Cash	0.7%	2.8%
NZ\$ against US\$	-3.1%	6.2%
NZ\$ against A\$	5.3%	1.6%

Section 2 – Comment on results

2.1 Overall results

The quarter saw share markets slide as concerns regarding developed markets increased. Data releases for the USA on the whole disappointed over the quarter and it now seems probable the economy is headed for a “double-dip”. In Europe too there are concerns about growth, with the required austerity measures likely to negatively impact over the near-term.

Property markets did not fare as badly but were still down significantly. The one year return for global property however is still very good.

In a good month for fixed interest, sovereign bonds slightly outperformed credit. Cash continued its stable run – returns can be expected to pick up in this sector if the RBNZ continues on its rate increases.

The NZ dollar fell against the US dollar over the quarter on the back of the increased market volatility. This meant that unhedged investors performed slightly better. Over the year, the kiwi is still up significantly though, meaning hedging was advantageous.

2.2 Fund manager results

Over the quarter in the domestic share sector Devon topped the NZ only section while AllianceBernstein was top in the Australasian section. Both managers were top over the 12 month period too. In the global share section, BNP was top with Tyndall’s multi-manager fund second over the quarter.

In property, AMPCI topped the listed sector and TAM topped the direct sector over the quarter. AXAGI were top in the global sector over the quarter.

In NZ bonds the top manager was Tyndall for the quarter and AXAGI for the year. Global bonds was led by TAM (PIMCO), who were also top for the year.

Top in cash was the AMPCI enhanced yield fund which is more aggressive than the typical cash fund. Second (and top against “typical” cash funds) was Tyndall for the quarter.

In the Balanced Funds section, TAM was top over all periods except for 1 year where Mercer led the group.

2.3 KiwiSaver results

The top Aggressive fund over the quarter was AMP and the ING SIL was top over the year. In the Balanced fund section the pattern was the similar with Tower Balanced fund (offered through AMP) top for the quarter and ING Balanced (through AMP) top for the year.

AMP had the top moderate fund over the quarter and the SIL Balanced was top over the year.

The Conservative section was led by ING SIL in the quarter – the only fund not to have a negative return. Top for the year was Tower’s Conservative fund.

Section 3 – Understanding Indexes

3.1 Introduction

This quarter we thought it useful to give a brief overview of some of the more common indexes that New Zealand investors see. If manager performance is to be best understood, the investor needs to understand the benchmark against which performance is being judged.

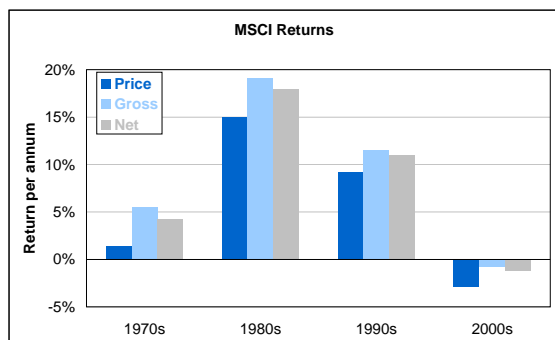
On a grammatical note, the plural of the word can be spelled either “indexes” or “indices”. The Wall Street Journal and Dow Jones use the term “indexes”, while MSCI and Standard and Poors use “indices”. Overall, the two terms are fairly evenly used, with “indices” returning slightly more results on Google.

3.2 Price vs Gross vs Net

Share market indexes will usually be marked “price”, “gross” or “net”. These terms refer to the treatment of dividends in the index.

An index quoted in price terms ignores dividends. That is, it is just the average level of share prices of its constituents. This is useful when the index is not being used as a proxy for performance or in markets where dividend payouts are low. “Gross” is short for “gross dividends reinvested”. Indexes calculated on these terms are sometimes called “total return indexes” internationally. “Net” indicates “net dividends reinvested” – that is, after the deduction of withholding tax on the dividends.

Thus, the relationship is usually that the gross index gives the highest return, the net index gives the intermediate return and the price index the lowest return. The chart below shows the performance of the MSCI in local currency terms under the three bases.



As expected the gross results provides the higher returns. The choice between a gross and net index for investment performance depends on how the investment manager is quoting performance. Ideally the index should have the same treatment as the manager.

We are currently working with managers to ensure a consistent basis in comparisons.

3.3 NZ Shares

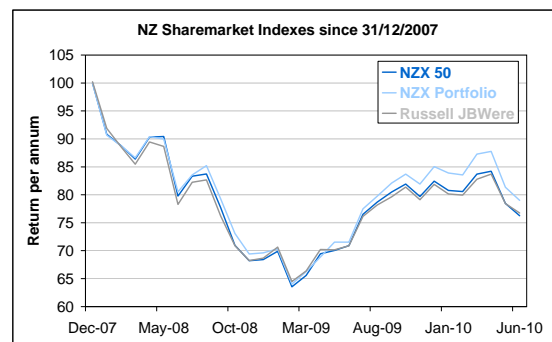
In New Zealand shares the headline index is the NZX 50. It is calculated with gross dividends reinvested and usually used grossed up for imputation credits. Imputation credits (or franking credits in Australia) are credits attached to dividends so that shareholders may offset their tax liability. Managers usually report gross performance including these credits and therefore are compared against an index on the same basis.

Investors not subject to tax (eg charitable trusts) are unable to get the benefit of imputation credits and usually use the index excluding imputation credits.

The NZX 50 comprises the securities of the top 50 companies listed on the NZSX Market by free float market capitalisation. The free float methodology

only includes shares held by investors that are willing to trade. That is, it excludes shares that are not reasonably liquid. In the NZX 50's case, the free float is determined by excluding blocks of shares greater than 20% and blocks between 5% and 20%, which are considered strategic holdings.

Alternative indexes are the NZX Portfolio (which has the same constituents as the NZX 50, but with a cap of 5% per security) and the Russell JB Were Tradable Index. The chart below shows the cumulative performance of the 3 indexes since 31 December 2007



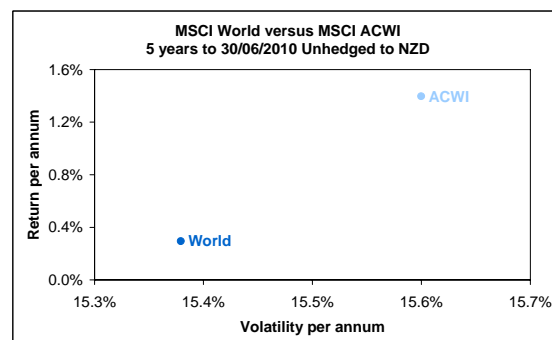
The NZX Portfolio index has outperformed over this period while the Russell JB Were Tradable has performed very similarly to the NZX 50.

3.4 Global Shares

The most commonly used index is the MSCI World Index. This consists of securities in the markets defined by the MSCI as developed. Currently 23 countries (including New Zealand) are included in this index. The index is also free float adjusted market capitalisation weighted.

Gaining popularity recently is the MSCI All Country World Index (ACWI). This includes emerging markets as well. Emerging markets historically have performed better than developed markets, but with higher volatility.

Below we show where the MSCI World and MSCI ACWI sit in the risk-return space.



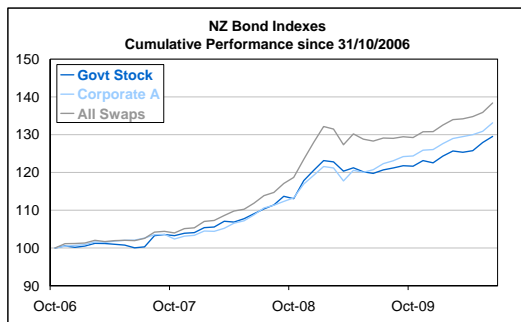
The ACWI index with its exposure to emerging markets has outperformed the World “developed” markets index by about 1% pa for the period shown.

3.5 NZ Bonds

The index used most commonly is the ANZ Government Stock Index. This tracks movement in the NZ Government bond market. Bonds are included in the index in proportion to their relative market capitalisation weights. The index calculation assumes the full amount of all coupon

payments are reinvested in the index. There are 5 government bonds used in the index with maturities ranging from November 2011 to May 2021.

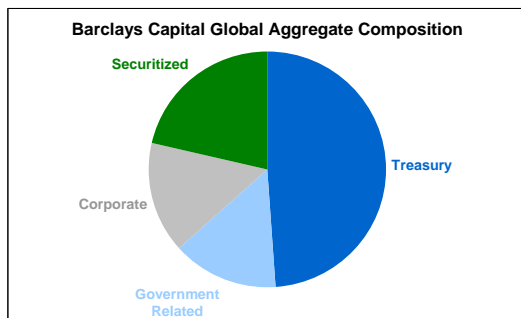
Alternative indexes in this space are the ANZ A Grade Corporate Bond Index (A- and above), ANZ Investment Grade Corporate Bond Index (BBB- and above), the ANZ All Swaps index (which covers returns from swaps of duration of 1 year to 10 years inclusive) and the recently launched ANZ Local Authority Bond Index. Below we show the cumulative performance of 3 indexes since October 2006.



3.6 Global Bonds

For a portfolio that includes corporate debt the most common index is the Barclays Capital Global Aggregate Bond Index. This index provides a broad-based measure of the global investment-grade fixed-rate debt markets. Securities included must be of investment grade (BBB- or above). The index comprises government securities, mortgage-backed securities, asset-backed securities and corporate securities to simulate the universe of bonds in the market. The index is roughly 50% government (sovereign) debt with a further 15% in government related securities. 55% of its holdings rated Aaa, and 30% Aa rated.

An alternative index is the Citigroup World Government Bond Index (WGBI) which only tracks sovereign debt. Below we show the approximate composition of the Barclays Global Aggregate Bond Index.



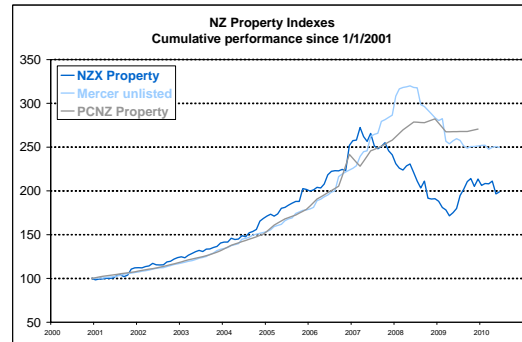
3.7 Property

The index used for New Zealand listed property is the NZX Property Index. This is effectively just a sub-index of the NZX 50 discussed above.

New Zealand direct property managers tend to either use the Mercer Unlisted Property Index or the

Property Council of New Zealand Total Return Index.

We show the cumulative performance of these indexes below.



It is interesting to note that while the listed index peaked in early 2007, the Mercer unlisted index only reached its maximum in May 2008 and the PCNZ index has yet to fall significantly. There is considerable variation in the current level of the 3 indexes posing the question of which one better reflects the current level of the NZ market.

Section 4 – MJW Investment Team

Below we give a brief overview of key staff in our investment consulting practice.

Bernard Reid

Bernard joined MJW in 2007 and is Head of Investment Consulting. Prior to joining the firm, Bernard was at Watson Wyatt and then Mercer for 14 years, where he was the national practice leader of retirement consulting for the last 8 years. He was Head of Watson Wyatt's Asset Consulting practice for 5 years. He is a Fellow of the Institute of Actuaries, London.

Mark Weaver

Mark has been with MJW since 1992. He is Head of Manager Research and has 28 years experience in financial services in the NZ market. He is a Fellow of the Institute of Actuaries of Australia.

Ian Midgley

Ian joined MJW in 2007 and is based in our Wellington office. Prior to joining the firm, Ian was at Watson Wyatt then Mercer for 20 years. He is a Fellow of the Institute of Actuaries, London.

Ben Trollip

Ben joined MJW in 2004. He is responsible for quantitative analysis and economic research. He is an Associate of the Institute of Actuaries of Australia and has passed twelve actuarial exams.

Andrew Mirams

Andrew joined MJW in 2009. He is responsible for manager reporting and our investment surveys and assists Ben with quantitative analysis. He is a student member of the Institute of Actuaries, London and has passed two actuarial exams.

Section 5 – Wholesale Sector Funds

Table 5.1 – NZ and Australian Share Funds

Manager	Size (\$m)	3 Months		1 Year		3 Years		5 Years		10 Years		3 Years			
		%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank	Tracking Error % pa	Info Ratio	Rank	
NZ															
DEV	NZ Shares	n.a	-8.1	(1)	14.0	(1)	-3.1	(2)	6.8	(1)	n.a		5.8	1.1	(3)
MAM	NZ Shares	105.6	-9.1	(3)	11.5	(3)	-3.0	(1)	5.0	(2)	n.a		4.8	1.4	(1)
TAM	NZ Shares	181.1	-9.0	(2)	13.7	(2)	-7.2	(4)	2.1	(3)	8.4	(1)	2.5	1.0	(4)
TYN	Core Share	40.0	-9.2	(4)	9.5	(4)	-7.0	(3)	1.3	(4)	7.8	(2)	2.4	1.2	(2)
Median			-9.1		12.6		-5.0		3.6		8.1		3.7	1.2	
Australasian															
AB	High Growth	n.a	-8.1	(1)	14.4	(1)	-4.0	(1)	4.5	(2)	n.a		3.8	1.5	(3)
AMPCI	Active	338.5	-8.4	(3)	6.8	(9)	-7.2	(6)	2.9	(5)	8.5	(3)	2.5	1.0	(5)
AMPCI	Strategic	572.5	-9.4	(7)	8.7	(8)	-6.4	(5)	5.0	(1)	n.a		5.4	0.6	(7)
AXAGI		390.5	-10.9	(9)	9.4	(5)	-5.3	(3)	3.5	(4)	n.a		4.0	1.1	(4)
BAM		201.2	-9.5	(8)	9.2	(6)	-4.8	(2)	3.6	(3)	10.0	(1)	2.9	1.7	(1)
DEV	Core Equity	n.a	-8.9	(6)	11.8	(3)	n.a		n.a		n.a		n.a	n.a	
ING	Aust Share	472.6	-8.3	(2)	10.0	(4)	-7.2	(7)	1.9	(7)	9.9	(2)	3.0	0.8	(6)
MAM	Peak Fund	16.6	-8.9	(5)	13.9	(2)	n.a		n.a		n.a		n.a	n.a	
Mercer	Trans Tasman	n.a	-8.6	(4)	9.1	(7)	-6.1	(4)	2.6	(6)	n.a		2.4	1.5	(2)
Median			-8.9		9.4		-6.1		3.5		9.9		3.0	1.1	
Non core															
BAM	Alpha	99.2	-11.4		10.8		5.7		15.3		18.0		8.8	1.8	
BAM	Tasman W'sale	47.9	-11.9		10.8		1.3		9.0		13.1		6.9	1.6	
BAM	Mid Cap	30.1	-8.1		9.5		-3.1		n.a		n.a		9.1	0.7	
BTFM	Focus Share	32.1	-10.4		10.4		n.a		n.a		n.a		n.a	n.a	
BTFM	Dividend Share	27.6	-7.5		n.a		n.a		n.a		n.a		n.a	n.a	
DEV	Trans-Tasman	n.a	-12.9		13.9		-4.4		6.4		n.a		8.5	0.6	
FIS	NZ Growth	71.0	-6.9		12.9		-12.9		5.1		11.6		10.5	-0.3	
ING	ESF	117.4	-9.0		11.6		-5.7		3.9		n.a		6.9	0.6	
MNT	Trans-Tasman	2.8	-9.1		13.6		-2.3		n.a		n.a		7.1	1.0	
PIE	Growth	6.7	-6.0		39.5		n.a		n.a		n.a		n.a	n.a	
TYN	Aggressive	109.0	-8.4		16.3		2.6		14.4		n.a		7.2	1.7	
TYN	Small Company	23.9	-10.2		19.4		-2.8		7.5		n.a		13.4	0.5	
Indexed															
SMS	NZ Top 10	49.7	-6.9		8.5		-11.5		-3.2		2.1		6.9	-0.2	
SMS	NZ Top 50	68.7	-5.9		10.8		-8.8		1.4		n.a		10.3	0.1	
SMS	NZ Mid Cap	34.9	-7.7		-0.9		-14.2		-1.2		5.5		12.0	-0.4	
SMS	Aus Mid Cap	46.1	-18.1		4.4		-12.8		1.8		n.a		17.1	-0.2	
SMS	Aus Top 20	92.0	-15.9		12.3		0.5		9.9		5.7		17.2	0.6	
Australian															
AMPCI	Australian	33.3	-15.7	(2)	12.7	(2)	-2.1	(1)	8.9	(1)	7.5	(1)	14.3	0.4	(1)
ING	Australian	39.1	-12.5	(1)	12.7	(3)	n.a		n.a		n.a		n.a	n.a	
TAM	Australian	52.3	-16.0	(3)	16.0	(1)	n.a		n.a		n.a		n.a	n.a	
Indexes															
NZSX50 (incl IC's)			-8.9		7.5		-9.8		-0.2		6.0				
NZSX 50 Portfolio			-9.5		10.4		-9.0		1.5		7.3				
ASX200			-11.1		13.1		-7.9		4.5		7.0				
90 Day BB + 5% pa			1.9		8.0		11.4		12.1		11.8				

Table 5.2 – Property

Manager	Size (\$m)	3 Months		1 Year		3 Years		5 Years		10 Years		3 Years			
		%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank	Tracking Error % pa	Info Ratio	Rank	
NZ Listed															
AB	NZ Listed	28.6	-4.3	(4)	12.5	(2)	-8.7	(1)	2.9	(3)	n.a		1.6	0.3	(2)
AMPCI	NZ Listed	4.1	-1.8	(1)	11.0	(5)	n.a		n.a		n.a		n.a	n.a	
AXAGI	NZ Listed	42.4	-4.1	(3)	12.0	(4)	n.a		n.a		n.a		n.a	n.a	
BTFM		93.1	-3.7	(2)	12.6	(1)	-9.8	(3)	3.1	(2)	9.5	(2)	2.7	1.3	(1)
ING	Prop Securities	171.6	-4.4	(5)	12.5	(3)	-8.9	(2)	3.4	(1)	10.3	(1)	2.6	0.1	(3)
MNT	Australasian	28.9	-5.6	(6)	9.9	(6)	n.a		n.a		n.a		n.a	n.a	
Median			-4.2		12.2		-8.9		3.1		9.9		2.6	0.3	
NZ Direct															
AMPCI	AIF P	349.7	0.6	(2)	-21.5	(2)	-9.7	(2)	2.8	(2)	7.1	(2)	12.5	-0.6	(2)
TAM		249.6	2.1	(1)	4.2	(1)	1.7	(1)	10.4	(1)	11.8	(1)	7.3	0.5	(1)
Median			1.4		-8.7		-4.0		6.6		9.4		9.9	-0.1	
Global															
AMPCI	GPSF	201.1	-6.8	(5)	42.5	(1)	-13.8	(2)	1.3	(1)	n.a		7.6	-0.1	(2)
AXAGI	Global Prop	85.3	-3.3	(1)	34.1	(5)	n.a		n.a		n.a		n.a	n.a	
IBB	Int'l Prop	115.4	-5.6	(4)	34.7	(4)	-12.9	(1)	n.a		n.a		3.4	0.1	(1)
ING	Ex Australia	147.6	-4.8	(3)	37.6	(2)	-14.2	(3)	-0.8	(2)	n.a		5.4	-0.1	(3)
RUS	Global RE	n.a	-7.0	(6)	24.5	(6)	-14.7	(4)	n.a		n.a		7.3	-0.2	(4)
TYN		7.1	-3.6	(2)	35.6	(3)	-16.9	(5)	-3.9	(3)	n.a		4.5	-0.9	(5)
Median			-5.2		35.1		-14.2		-0.8		n.a		5.4	-0.1	
Indexes															
NZSE Property			-4.4		10.6		-9.2		1.9		8.3				
UBS Global Property			-4.8		38.7		-13.4		-0.3		n.a				

Table 5.3 – Global Share Funds (unhedged)

Manager	3 Months		1 Year		3 Years		5 Years		10 Years		3 Years			
	%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank	Tracking Error % pa	Info Ratio Rank		
Core														
AB	Style Blend	-11.9	(15)	3.1	(14)	-13.9	(14)	-2.3	(13)	n.a		4.7	-1.3	(14)
AMPCI	FDF Core	-10.2	(12)	4.8	(11)	-9.6	(12)	0.2	(11)	n.a		3.7	-0.5	(11)
AXAGI	Global Eq	-10.0	(10)	4.9	(10)	-7.0	(7)	2.2	(6)	n.a		5.7	0.2	(8)
BNP	Global Eq	-7.1	(1)	10.5	(1)	-1.8	(1)	5.1	(1)	0.0	(1)	4.1	1.5	(1)
IBB	Int'l Shares	-8.6	(5)	8.8	(3)	-7.8	(9)	0.7	(9)	-4.0	(5)	2.9	0.1	(9)
ING	Int'l Eq	-8.2	(4)	9.3	(2)	-4.1	(3)	3.4	(3)	-4.8	(7)	2.8	1.4	(2)
Jana	Core Global	-10.2	(11)	3.2	(13)	-11.5	(13)	n.a		n.a		4.7	-0.8	(12)
MLC	NCIT	-8.2	(3)	7.6	(7)	-7.1	(8)	1.8	(7)	-3.3	(4)	4.1	0.2	(7)
Mercer	Global Shares	-10.9	(14)	2.8	(15)	-9.4	(11)	0.3	(10)	-5.6	(8)	7.3	-0.8	(13)
RUS	ISF	-10.7	(13)	5.3	(9)	-8.8	(10)	-0.1	(12)	n.a		2.0	-0.4	(10)
RUS	GOF	-8.8	(7)	8.1	(5)	-5.2	(4)	3.1	(4)	n.a		2.8	1.0	(4)
TAM	International	-8.8	(6)	8.1	(6)	-5.8	(5)	2.7	(5)	-1.0	(3)	8.7	0.2	(6)
TYN	Capital Int'l	-9.6	(8)	3.3	(12)	-6.6	(6)	1.8	(8)	-4.3	(6)	2.8	0.5	(5)
TYN	Multi-manager	-7.8	(2)	6.2	(8)	n.a		n.a		n.a		n.a	n.a	
WEL	Opportunities	-9.9	(9)	8.2	(4)	-2.4	(2)	3.9	(2)	-0.9	(2)	5.4	1.0	(3)
Median		-9.6		6.2		-7.1		1.8		-3.7		4.1	0.2	
Value														
AB	Value	-12.9	(6)	2.8	(6)	-15.0	(5)	-2.1	(5)	0.3	(3)	5.7	-1.2	(5)
DFA	Value	-10.4	(5)	7.4	(3)	-10.4	(4)	0.6	(3)	1.2	(2)	7.7	-0.3	(4)
ELE	Value	-2.1	(1)	8.2	(2)	n.a		n.a		n.a		n.a	n.a	
GMO	Equity Trust	-9.1	(4)	3.7	(5)	-8.3	(3)	0.2	(4)	-1.0	(4)	2.2	-0.2	(3)
TAM	Marathon	-6.1	(2)	19.2	(1)	-3.5	(2)	5.5	(1)	3.2	(1)	5.1	0.9	(2)
WEL	Value	-8.4	(3)	5.6	(4)	-2.6	(1)	4.1	(2)	n.a		3.2	1.7	(1)
Median		-8.8		6.5		-8.3		0.6		0.8		5.1	-0.2	
Growth														
AB	Research	-11.0	(4)	2.2	(4)	-12.9	(4)	-2.9	(4)	-4.8	(1)	6.2	-0.8	(4)
BNP	Growth	-7.2	(1)	10.1	(1)	-2.0	(1)	4.7	(1)	n.a		3.4	1.8	(2)
TAM	Marathon	-9.7	(2)	4.3	(2)	-7.5	(2)	0.8	(2)	n.a		0.1	5.2	(1)
WEL	Growth	-11.0	(3)	3.9	(3)	-9.3	(3)	-1.2	(3)	-4.9	(2)	8.5	-0.2	(3)
Median		-10.4		4.1		-8.4		-0.2		-4.9		4.8	0.8	
Indexed														
AMPCI	WiNZ	-9.2		4.7		-6.5		0.8		-5.2		1.9	0.8	
VAN		-9.5		3.7		-7.8		0.5		-4.5		0.5	0.4	
Other														
AMPCI	Extended	-7.4		9.3		-4.7		4.5		n.a		14.0	-0.4	
AMPCI	S Responsible	-7.7		5.4		-5.7		3.0		n.a		3.0	0.8	
GMO	Emerging	-7.4		15.7		-2.5		11.3		n.a		9.4	-0.4	
Jana	High Alpha	-8.8		8.9		-7.8		n.a		n.a		6.7	0.0	
LMI	Emerging	-6.3		14.9		-0.1		12.6		7.6		4.8	-0.2	
TYN	SRI	-7.5		4.8		n.a		n.a		n.a		n.a	n.a	
Indexes														
MSCI 0% hedged		-9.9		3.8		-8.0		0.3		-4.7				
MSCI 100% hedged		-10.8		13.5		-10.4		1.7		1.0				
MSCI Emerging 0% hedged		-5.3		15.7		1.0		13.4		6.1				

Note:

The results above are on an unhedged basis. In some instances hedging the currency is integral to the management of the fund and the client will not experience the results shown above.

Table 5.4 – Other Funds

Manager	Size (\$m)	Hedging %	3 Months %	1 Year % pa	3 Years % pa	5 Years % pa	3 Years Volatility
CIP	Equity	31.8	n.a	-7.5	n.a	n.a	n.a
ELE	Multi-Strategy	12.6	n.a	-2.6	10.4	-5.1	12.7
MAM	Aggressive	93.3	n.a	-3.5	14.1	n.a	n.a
MGH		20.1	0.0	-0.2	2.6	0.5	14.9
TCO	Commodity	n.a	70.0	-7.4	2.5	-4.8	24.1
TYN	JPMAAM	14.0	100.0	0.5	15.2	3.4	6.8
TYN	Options	112.8	n.a	-3.9	20.9	13.2	15.0
WEL	Commodity	n.a	n.a	-2.2	6.1	n.a	n.a
Index							
HFR FoF Hedged NZD			-2.2	7.1	-0.5	5.6	

Table 5.5 – New Zealand Bonds

Manager	Size (\$m)	3 Months			1 Year		3 Years		5 Years		10 Years		3 Years		
		%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank	Tracking Error % pa	Info Ratio Rank		
AB	Fixed Income	372.7	3.4	(2)	11.7	(2)	10.6	(2)	7.9	(2)	n.a		1.6	1.0	(2)
AMPCI	AIF F	864.5	3.3	(4)	9.4	(5)	11.5	(1)	8.4	(1)	7.9	(1)	1.9	1.3	(1)
AXAGI		196.8	3.3	(5)	12.4	(1)	8.9	(5)	7.3	(4)	n.a		3.6	0.0	(5)
BTFM	Bond Fund	12.7	2.8	(7)	8.6	(7)	9.1	(4)	7.2	(5)	7.1	(5)	1.4	0.1	(4)
ING	NZ Fixed Plus	576.0	3.4	(3)	11.0	(3)	7.2	(7)	6.6	(7)	7.3	(4)	3.2	-0.6	(7)
TAM		428.4	3.2	(6)	9.3	(6)	9.9	(3)	7.8	(3)	7.4	(3)	1.1	0.8	(3)
TYN		346.0	3.7	(1)	10.7	(4)	8.4	(6)	7.0	(6)	7.5	(2)	2.0	-0.3	(6)
Median			3.3		10.7		9.1		7.3		7.4		1.9	0.1	
Other															
BTFM	Corp Bond Fund	92.9	2.5		9.3		n.a		n.a		n.a		n.a	n.a	
ING	Sovereign	245.4	3.1		8.2		9.6		8.0		n.a		0.7	0.9	
ING	High Grade	277.8	3.7		12.8		4.8		5.0		n.a		6.2	-0.7	
ING	High Yield	53.2	3.3		13.5		9.7		8.4		n.a		3.6	0.2	
TYN	Corporate	25.0	3.2		n.a		n.a		n.a		n.a		n.a	n.a	
Indexes															
	NZ Govt Stock		3.4		8.2		9.0		6.8		6.9				
	NZ All Swaps		3.1		7.8		10.7		n.a		n.a				

Table 5.6 – Global Bonds (hedged)

Manager	Size (\$m)	3 Months			1 Year		3 Years		5 Years		10 Years		3 Years	
		%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank	Tracking Error % pa	Info Ratio Rank	
AB	Global+ (Sim)	3.3	(7)	18.1	(3)	10.0	(4)	8.4	(3)	n.a		5.3	-0.1	(4)
AMPCI	AIF Q	2.8	(10)	20.3	(2)	8.8	(7)	7.5	(8)	8.3	(5)	6.3	-0.3	(6)
AMPCI	AIF HQ	4.1	(2)	10.0	(8)	n.a		n.a		n.a		n.a	n.a	
AXAGI		3.5	(4)	13.9	(5)	10.0	(3)	8.1	(4)	n.a		3.7	-0.1	(3)
BLK	Global Div	3.1	(8)	11.0	(7)	n.a		n.a		n.a		n.a	n.a	
DFA	Div Fixed (5yr)	2.9	(9)	9.6	(9)	8.5	(8)	7.5	(7)	n.a		2.0	-1.0	(8)
ING	Int'l Fixed Int.	3.4	(6)	8.8	(10)	10.9	(2)	8.7	(2)	9.0	(3)	1.9	0.2	(1)
RUS	Global Bond	3.7	(3)	17.3	(4)	11.1	(1)	8.8	(1)	9.6	(1)	3.6	0.2	(2)
TAM	PIMCO	5.2	(1)	20.4	(1)	10.0	(5)	7.8	(6)	9.2	(2)	5.3	-0.1	(5)
TYN	FFTW	3.5	(5)	12.6	(6)	9.9	(6)	8.0	(5)	8.9	(4)	2.2	-0.3	(7)
Median		3.4		13.2		10.0		8.0		9.0		3.6	-0.1	
A\$ Hedged														
IBB		4.2		18.8		8.4		n.a		n.a		n.a	n.a	
WEL		4.4		12.7		10.6		7.4		n.a		n.a	n.a	
Index														
	Barclays Global Agg.	2.9		10.4		10.4		8.2		9.1			10.4	
	Citigroup WGBI	3.1		8.1		10.3		8.1		8.9			8.1	

Table 5.7 – Cash

Manager	Size (\$m)	3 Months			1 Year		3 Years		5 Years		10 Years		3 Years		
		%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank	Tracking Error % pa	Info Ratio Rank		
AB	NZ Cash	325.6	0.8	(6)	3.9	(6)	6.3	(6)	6.8	(7)	n.a		0.3	1.0	(6)
AMPCI	AIF Cash	1,159.8	1.0	(3)	4.0	(5)	6.6	(3)	7.1	(4)	6.6	(3)	0.2	3.6	(1)
AMPCI	E. Yield	37.2	1.7	(1)	9.4	(1)	7.7	(1)	8.1	(1)	n.a		1.7	1.0	(5)
AXAGI		304.3	0.9	(4)	4.4	(3)	6.2	(7)	6.8	(6)	n.a		0.6	0.3	(7)
BTFM		138.0	0.9	(5)	6.4	(2)	5.6	(8)	6.5	(8)	6.4	(5)	2.0	-0.2	(8)
ING	Cash Plus	1,183.6	0.8	(8)	3.9	(7)	6.6	(4)	7.4	(2)	7.0	(1)	0.3	2.4	(4)
TAM		954.0	0.8	(7)	3.4	(8)	6.4	(5)	6.9	(5)	6.5	(4)	0.1	3.5	(2)
TYN		134.5	1.2	(2)	4.2	(4)	7.0	(2)	7.4	(3)	7.0	(2)	0.4	2.6	(3)
Median			0.9		4.1		6.5		7.0		6.6		0.4	1.7	
Index															
	90 Day Bank Bill		0.7		2.8		6.0		6.7		6.4				

Notes:

1. Excess return is defined as gross return less benchmark return, i.e. value added.
2. Tracking error is the standard deviation of value added. The index applied may not in all cases be the benchmark adopted by the manager for the fund.
3. Information Ratio is value added divided by tracking error, i.e. risk adjusted performance.
4. The numbers shown are in some cases gross equivalents of the net returns achieved by the manager. Accordingly, for a gross investor the returns realised may be different from those shown above.
5. Relative out performance may be due to the nature of the fund rather than to superior performance.
6. The index share funds are benchmarked against the standard share index and not against their own index.
7. AB simulated returns were constructed by combining the actual returns with a simulated monthly hedge rate based on the index.

Section 6 – Wholesale Diversified Funds

Table 6.1 – Diversified Funds

Manager	3 Months		1 Year		Gross Returns				10 Years		Asset Allocation		Currency
	%	Rank	% pa	Rank	3 Years		5 Years		% pa	Rank	Growth %	Income %	Exposure %
Balanced Funds													
AMPCI	-4.0	(3)	7.2	(7)	-0.5	(4)	5.4	(4)	4.6	(5)	60.7	39.3	20.0
ASB	-4.7	(6)	10.7	(5)	-1.8	(7)	n.a		n.a		59.3	40.7	n.a
AXAGI	-5.8	(7)	10.2	(6)	-1.7	(6)	5.5	(3)	6.0	(2)	69.1	30.9	27.7
ING	-4.1	(4)	13.5	(2)	-0.2	(3)	4.9	(5)	4.8	(4)	66.9	33.1	16.2
Mercer	-4.2	(5)	13.7	(1)	-1.2	(5)	4.4	(6)	n.a		67.9	32.1	15.3
TAM	-2.9	(1)	11.7	(4)	1.4	(1)	6.5	(1)	6.5	(1)	53.2	46.8	21.0
TYN	-3.5	(2)	12.4	(3)	0.6	(2)	5.6	(2)	5.0	(3)	54.3	45.7	18.9
Median	-4.1		11.7		-0.5		5.4		5.0		60.7	39.3	19.4
SRI Funds													
AMPCI	-3.7		n.a		n.a		n.a		n.a		60.4	39.6	20.0
TYN	-3.7		8.5		n.a		n.a		n.a		n.a	n.a	n.a
Median	-3.7		8.5		n.a		n.a		n.a		n.a	n.a	n.a
Conservative Funds													
AMPCI	-0.2	(2)	7.1	(4)	5.8	(1)	7.3	(1)	6.4	(1)	25.5	74.5	
ASB	-2.2	(3)	10.1	(3)	1.7	(3)	n.a		n.a		39.5	60.5	
AXAGI	-3.3	(4)	10.2	(2)	0.7	(4)	5.6	(2)	5.1	(2)	47.8	52.2	
TAM	0.1	(1)	11.9	(1)	4.7	(2)	n.a		n.a		23.8	76.2	
Median	-1.2		10.1		3.2		6.5		5.7		32.5	67.5	
Growth Funds													
AMPCI	-7.5	(4)	7.1	(5)	-6.3	(5)	3.4	(3)	1.9	(3)	89.3	10.7	
ASB	-7.3	(3)	10.7	(3)	-5.2	(4)	n.a		n.a		78.8	21.2	
AXAGI	-7.6	(5)	10.4	(4)	-4.0	(3)	4.8	(1)	3.6	(2)	84.1	15.9	
Mercer	-5.6	(2)	12.7	(2)	-3.3	(2)	3.6	(2)	4.0	(1)	78.7	21.3	
TAM	-5.6	(1)	14.0	(1)	-2.8	(1)	n.a		n.a		71.4	28.6	
Median	-7.3		10.7		-4.0		3.6		3.6		78.8	21.2	

Section 7 – Additional information

(Funds under management relate to the total organisation)

Manager	Acronym	FUM \$m	Manager	Acronym	FUM \$m
Alliance Bernstein	AB	n.a	Jana	Jana	n.a
AMP Capital Investors	AMPCI	n.a	Legg Mason Inc	LMI	n.a
ASB Group Investments	ASB	n.a	Milford Asset Management	MAM	n.a
AXA Global Investors	AXAGI	n.a	MGH Asset Management Ltd	MGH	n.a
Brook Asset Management	BAM	915.8	MLC	MLC	n.a
BlackRock Investment Management	BLK	n.a	Mint Asset Management	MNT	n.a
BNP Paribas Investment Management	BNP	n.a	Mercer	Mercer	n.a
BT Funds Management	BTFM	n.a	Pie Funds	PIE	n.a
Craigs	CIP	n.a	Russell Investment Group	RUS	n.a
Devon Funds Management Ltd	DEV	n.a	SmartShares	SMS	291.4
Dimensional Fund Advisors	DFA	n.a	Tower Asset Management	TAM	n.a
Elevation Capital	ELE	n.a	Tower Commodities	TCO	n.a
Fished Funds Management	FIS	746.7	Tyndall Investment Management	TYN	3,519.6
GMO	GMO	n.a	Vanguard Investments Australia	VAN	n.a
Ibbotson Associates	IBB	n.a	Wellington Management Company	WEL	n.a
ING	ING	7,010.9			

ABOUT MELVILLE JESSUP WEAVER

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Asset consulting services:

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- Determine long-term investment strategies.
- Determine the optimum investment manager configuration.
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- Performance monitoring against investment objectives and competitors.
- Manager selection exercises utilising Towers Watson's expertise.

Section 8 – KiwiSaver Diversified Funds

Introduction

Since its launch in July 2007, KiwiSaver schemes have grown such that they now hold assets of over \$4 billion. Looking to the future the performance achieved by these KiwiSaver funds will be the benchmark against which other funds performance is judged. Accordingly we now include the results for a selection of the main KiwiSaver providers. There is just less than 3 years performance at this moment and we will continue to show the results for the Wholesale funds in Section 6 for the immediate future. Returns shown are gross of tax, net of fees.

Table 8.1 – KiwiSaver Diversified Funds Investment Results

Provider	Fund	Size (\$m)	Growth Assets BM %	Return							
				3 months		1 Year		2 Years		Inception	
				%	Rank	% pa	Rank	% pa	Rank	% pa	Rank
Aggressive Funds											
AMP	Aggressive	65.7	90.0	-5.9	(3)	7.8	(6)	-7.7	(7)	-8.6	(7)
AMP	Growth	71.9	77.0	-4.7	(1)	7.6	(7)	-5.5	(6)	-6.5	(4)
ASB	Growth	102.9	80.0	-7.3	(6)	10.4	(4)	-3.0	(5)	-6.6	(5)
AXA	Growth	37.6	85.0	-8.1	(7)	11.0	(3)	-2.6	(4)	-7.1	(6)
SIL	Growth	62.7	80.0	-6.1	(5)	12.7	(1)	-0.6	(2)	-5.4	(3)
Tower	Growth	26.5	77.5	-5.5	(2)	12.6	(2)	-1.7	(3)	-5.2	(2)
Westpac	Growth	72.3	77.5	-6.1	(4)	7.8	(5)	-0.2	(1)	-4.5	(1)
Median			80.0	-6.1		10.4		-2.6		-6.5	
Balanced Funds											
AMP	Balanced	79.8	60.0	-3.1	(6)	7.3	(9)	-1.0	(10)	-2.4	(6)
AMP	ING Balanced	17.7	62.0	-3.0	(4)	13.1	(1)	0.6	(6)	-1.0	(3)
AMP	Mod Balanced	75.3	51.0	-2.4	(3)	7.1	(10)	-0.2	(9)	-1.1	(4)
AMP	Tower Balanced	4.5	55.0	-1.7	(1)	13.0	(2)	1.6	(1)	0.2	(1)
AMP	Tyndall Bal	3.6	55.0	-2.3	(2)	12.1	(3)	0.1	(7)	-2.5	(7)
ASB	Balanced	106.3	60.0	-4.7	(8)	10.4	(7)	0.0	(8)	-3.1	(10)
AXA	Balanced	49.6	60.0	-5.0	(10)	11.3	(5)	1.2	(4)	-2.8	(9)
SIL	Bal Growth	84.7	65.0	-4.7	(7)	11.7	(4)	1.0	(5)	-2.8	(8)
Tower	Balanced	86.5	55.0	-3.1	(5)	10.6	(6)	1.3	(3)	0.2	(2)
Westpac	Balanced	112.1	63.0	-4.8	(9)	7.6	(8)	1.4	(2)	-2.3	(5)
Median			60.0	-3.1		11.3		1.0		-2.3	
Moderate Funds											
AMP	AMP Moderate	51.7	38.0	-1.2	(1)	7.0	(4)	2.1	(4)	1.2	(2)
ASB	Moderate	129.4	40.0	-2.2	(3)	9.7	(3)	2.9	(2)	0.6	(3)
SIL	Balanced	89.0	50.0	-3.1	(4)	10.7	(1)	2.6	(3)	-0.2	(4)
SIL	Cons Bal	35.4	35.0	-1.5	(2)	9.7	(2)	4.0	(1)	2.0	(1)
Median			39.0	-1.9		9.7		2.8		0.9	
Conservative Funds											
AMP	AMP Cons	19.7	25.0	-0.1	(4)	6.9	(7)	5.5	(1)	4.5	(2)
AMP	AMP Default	277.2	20.0	-0.5	(6)	5.0	(9)	3.0	(9)	3.1	(7)
ASB	Conservative	600.8	20.0	-0.4	(5)	6.9	(6)	5.0	(5)	3.9	(5)
AXA	Conservative	6.2	25.0	-0.8	(8)	9.9	(2)	5.5	(2)	4.8	(1)
AXA	Income Plus	324.7	20.0	-0.5	(7)	9.0	(3)	5.1	(4)	3.1	(8)
SIL	Conservative	106.9	20.0	0.0	(1)	8.3	(4)	5.3	(3)	4.4	(3)
Tower	Conservative	12.1	30.0	-0.1	(2)	11.0	(1)	4.3	(6)	3.3	(6)
Tower	Default	276.2	20.0	-0.1	(3)	6.8	(8)	4.0	(7)	4.0	(4)
Westpac	Conservative	254.4	25.0	-0.9	(9)	7.2	(5)	3.9	(8)	2.1	(9)
Median			20.0	-0.4		7.2		5.0		3.9	

Table 8.2 – KiwiSaver Diversified Funds Asset Allocation

Provider	Fund	NZ Shares	Global Shares	NZ Property	Global Property	Alternative Assets	Growth Assets	NZ Bonds	Global Bonds	Cash	Income Assets
Aggressive Funds											
AMP	Aggressive	19.1	56.4	13.9			89.3	2.6		8.1	10.7
AMP	Growth	16.4	48.2	12.1			76.6	8.1	3.6	11.8	23.4
ASB	Growth	24.1	44.5		9.8		78.4	6.1	12.1	3.4	21.6
AXA	Growth	24.0	55.2	1.5	5.6	2.6	88.9	2.5	2.6	6.0	11.1
SIL	Growth	26.2	46.0	6.1	5.8		84.1	6.3	9.2	0.4	15.9
Tower	Growth	17.0	50.5	3.8			71.4	5.3	9.8	13.6	28.6
Westpac	Growth	27.9	40.4	10.0		0.3	78.6	11.2	6.6	3.6	21.4
Average		22.1	48.7	6.8	3.0	0.4	81.0	6.0	6.3	6.7	19.0
Balanced Funds											
AMP	Balanced	14.4	36.1	10.3			60.7	20.6	13.3	5.4	39.3
AMP	ING Balanced	17.8	36.1	11.0		2.0	66.9	12.7	18.5	1.9	33.1
AMP	Mod Balanced	10.9	31.8	8.3			51.0	19.1	10.7	19.2	49.0
AMP	Tower Balanced	12.1	30.7	10.4			53.2	9.9	21.0	16.0	46.9
AMP	Tyndall Bal	8.6	35.5			20.1	64.2	17.4	18.4		35.8
ASB	Balanced	19.1	29.5		9.8		58.5	16.2	19.1	6.3	41.6
AXA	Balanced	16.4	40.6	1.5	2.5	2.6	63.5	5.1	25.3	6.0	36.5
SIL	Bal Growth	21.5	38.5	5.7	4.9		70.7	11.7	17.3	0.3	29.3
Tower	Balanced	12.1	30.7	10.4			53.2	9.9	21.0	16.0	46.8
Westpac	Balanced	24.1	37.0	5.0		0.3	66.4	20.4	12.2	1.0	33.6
Average		15.7	34.6	6.3	1.7	2.5	60.8	14.3	17.7	7.2	39.2
Moderate Funds											
AMP	AMP Moderate	8.2	23.7	6.4			38.3	24.6	14.3	22.9	61.7
ASB	Moderate	13.3	16.6		8.8		38.7	21.1	27.0	13.2	61.3
SIL	Balanced	17.0	32.2	4.3	4.2		57.8	15.4	26.5	0.3	42.2
SIL	Cons Bal	12.3	24.2	3.4	3.2		43.1	21.0	35.2	0.7	56.9
Average		12.7	24.2	3.5	4.0		44.5	20.5	25.7	9.3	55.5
Conservative Funds											
AMP	AMP Cons	5.5	15.5	4.5			25.5	30.1	17.8	26.6	74.5
AMP	AMP Default	4.9	12.3	3.5			20.6	7.0	4.5	67.8	79.4
ASB	Conservative	8.5	10.7				19.2	25.0	29.8	25.9	80.8
AXA	Conservative	6.3	16.7	0.5	2.0	2.1	27.6	18.2	32.3	22.0	72.4
AXA	Income Plus	5.9	13.6		2.0		21.5	15.2	30.3	33.0	78.5
SIL	Conservative	8.4	14.9	1.8	1.7		26.9	26.3	46.5	0.4	73.1
Tower	Conservative	4.2	15.5	4.1			23.8	16.0	27.1	33.0	76.2
Tower	Default	3.4	11.2	4.7			19.2	8.6	14.0	58.2	80.7
Westpac	Conservative	11.7	11.7	4.9		0.3	28.6	30.2	15.1	26.1	71.4
Average		6.5	13.6	2.7	0.6	0.3	23.7	19.6	24.2	32.6	76.3

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