

Investment Survey December 2009 – Emerging Markets

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Section 1 – Investment Returns

Index returns for the quarter and the year to 31 December 2009 were:

Asset Class	Quarter	Year
NZ Shares	2.4%	20.5%
Australian shares in A\$	3.4%	37.0%
Global Shares:		
• local currency	4.6%	26.5%
• unhedged	3.6%	5.0%
• hedged	5.0%	26.1%
Property		
• NZ Property	1.4%	11.8%
• Global Property	4.0%	27.9%
NZ Bonds		
• Govt Bonds	0.6%	1.7%
• Corporate A	1.5%	5.7%
• All Swaps	1.0%	2.2%
Global Bonds		
• World Govt Bonds	0.5%	3.5%
• Global Aggregate	1.0%	7.8%
Cash	0.7%	3.4%
NZ\$ against US\$	0.6%	24.5%
NZ\$ against AUS\$	1.3%	-3.5%

Section 2 – Changes in the NZ Marketplace

The New Zealand wholesale investment market has seen some substantial changes in recent weeks. AllianceBernstein has announced their intention to service the New Zealand market from Australia. This will see them marketing their global funds here and they intend to offer New Zealand and Australian share and bond funds managed out of Australia.

The changes at AB have seen AXAGI replace AB as the manager for a number of AXAGI unit trusts.

At the same time we have speculation on whether AMP will be the subject of a separate bid, possibly coming from an Australian bank.

Elsewhere the sale of ING NZ to ANZ has been completed and all eyes will be on ANZ to see what their next move will be.

All this change to the funds management industry will require responses from Trustees and others as to who will be managing their funds in the future.

Section 3 – Emerging Markets

3.1 Introduction

This quarter we examine emerging markets. This has been an area of interest in the investment community for some time now and due to China's continued strong growth (even in the face of the global financial crisis) it continues to gain followers.

3.2 Definition and size

Definitions Traditionally “*emerging markets*” were centred around the BRIC countries; Brazil, Russia, India and China. These days China and other Asian markets dominate the headlines. China is such a powerhouse that the Australian Reserve Bank Governor, Glenn Stevens, credits it as being a significant factor in Australia's ability to avoid a technical recession due to the massive demand for hard commodities coming out of the Asian giant.

However, emerging markets is still a broad term, encompassing 22 countries according to MSCI, 23 according to the FTSE group (to become 24 in September 2010), or 25 according to The Economist. MSCI in fact has 3 classifications for markets; developed, emerging and frontier as shown in the table at the bottom of page 2.

The grouping is fairly stable, with fewer than 10 movements between them in the last 13 years. Since 1997 there have been 3 markets promoted from emerging to developed (Portugal in 1997, Greece in 2001 and Israel to be added later this year).

Size The table below shows the market capitalisation (in billions of US\$) of the largest 20 share markets as at January 2010. We highlight emerging markets.

Exchange	HQ Country	Capital'n (US\$b)	% of total
NYSE Euronext (US)	USA	9,363	30
Tokyo SE	Japan	2,923	9
NASDAQ OMX	USA	2,101	7
NYSE Euronext (Europe)	France	1,863	6
London SE	UK	1,758	6
Shanghai SE	China	1,557	5
Hong Kong Exchanges	Hong Kong	1,238	4
TSX Group	Canada	998	3
Deutsche Börse	Germany	937	3
BME Spanish Exchanges	Spain	871	3
SIX Swiss Exchange	Switzerland	762	2
Bombay SE	India	613	2
BM&FBOVESPA	Brazil	612	2
Australian SE	Australia	588	2
National SE India	India	573	2
NASDAQ OMX Nordic Exchange	Sweden	504	2
Korea Exchange	Sth Korea	470	1
Borsa Italiana	Italy	456	1
Johannesburg SE	Sth Africa	432	1
Shenzhen SE	China	389	1

The final column refers to all markets tracked by the World Federation of Exchanges. The 20 exchanges shown above account for 92% of markets tracked.

The dominance of the developed markets is apparent and illustrates the difficulties of investing into "small" markets.

3.3 Global outlook

The expectation is not only that emerging markets will continue to out-pace developed markets in terms of growth, but that developed markets will stage a sluggish recovery following the global financial crisis. It is likely that the chief engine for global growth will be the BRIC countries.

In October 2009, the International Monetary Fund released its World Economic Outlook which predicted global growth in 2009 of -1.1% overall, and -3.4% for advanced economies. However, the prediction for emerging economies was +1.7%, with China expected to grow 8.5% and India 5.4%. The outlook for 2010 was for global growth of 3.1%, with advanced economies rebounding to +1.3%. However, emerging economies are predicted to steam ahead with 5.1% growth in 2010. China was predicted to grow at 9.0% and India at 6.4%.

In fact, official figures released this month from China put its growth at 8.7% for 2009, ahead of the IMF's October forecasts.

3.4 Risks

Investing in emerging markets is more risky than developed markets. Emerging markets have lower standards of regulation, issues around corruption, lack of transparency and general weak governance compared to developed markets. These add to the difficulties in valuing their securities.

Additionally foreign investors also face political risk. This could see large companies nationalised at the expense of foreign investors or just local investors being in a preferred position.

Tied to this is currency risk. Should a developing country find itself, through mismanagement of the public accounts, unable to repay its debt the government may devalue the currency, which would be detrimental to any investments held by foreigners.

3.5 Exposure to emerging markets

As an investor what is the best means of getting exposure to the potential real growth expected in these markets and how much exposure should one have? Different fund managers offer emerging market funds to the investor. This survey includes funds managed by AMPCI and LMI. But other "traditional" funds will actively invest in emerging markets on an opportunistic basis.

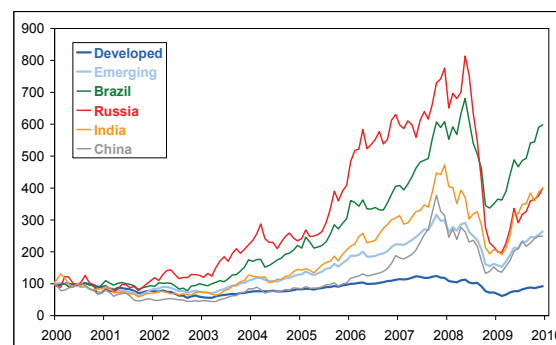
We expect that in time emerging markets will be treated as a separate asset class. This will see perhaps a 5-10% weighting for a balanced mandate.

3.6 Performance

The following chart shows the performance of the MSCI Developed Market, Emerging Market and BRIC country indices over the last 10 years (in local currency terms). The volatility of the markets is

prominent, as well as the outperformance of emerging markets relative to the developed world.

Brazil, in fact, is the top performer over this period.



3.7 Issues to consider when investing

Emerging markets will perform differently from developed markets. We expect to see higher returns but this will come at the cost of volatility.

Emerging markets will be particularly susceptible to an upward inflation shock. These economies are more heavily skewed towards commodity prices than developed countries.

Emerging markets showed much greater correlation to the US market during the crisis compared to before it. This meant less benefit of diversification to be gained by investors

3.8 Conclusions

According to Goldman Sachs, Brazil, Russia, India and China have accounted for 45% of global growth since 2007. As these markets continue to mature, one might expect these trends to continue. From our perspective in building portfolios for investors, our focus will be on achieving greater exposure to these markets.

3.9 MSCI Market Classifications

Developed (23)	Emerging (22)	Frontier (29)
Americas	Americas	Americas
Canada	Brazil	Argentina
USA	Chile	Jamaica
Europe	Colombia	Trinidad & Tobago
Austria	Mexico	Europe, CIS
Belgium	Peru	Bulgaria
Denmark	Europe, Mid-East	Croatia
Finland	Czech Rep	Estonia
Germany	Hungary	Kazakhstan
France	Israel	Lithuania
Greece	Poland	Africa
Ireland	Russia	Botswana
Italy	Turkey	Ghana
Netherlands	Africa	Kenya
Norway	Egypt	Mauritius
Portugal	Morocco	Nigeria
Spain	South Africa	Tunisia
Sweden	Asia	Middle East
Switzerland	China	Bahrain
UK	India	Jordan
Pacific	Indonesia	Kuwait
Australia	Malaysia	Lebanon
Hong Kong	Philippines	Oman
Japan	South Korea	Qatar
NZ	Taiwan	Saudi Arabia
Singapore	Thailand	UAE
		Asia
		Bangladesh
		Pakistan
		Vietnam

Section 4 – Wholesale Sector Fund

Table 4.1 – NZ and Australian Share Funds

Manager	3 Months		1 Year		3 Years		5 Years		10 Years		Excess Return % p.a.	3 Years Tracking Error % p.a.	Information Ratio Rank
	% Rank	% p.a.	% Rank	% p.a.	% Rank	% p.a.	% Rank	% p.a.	% Rank	% p.a.			
NZ													
GSJBW	NZ Shares	3.4 (3)	28.4 (2)	1.2 (2)	9.6 (1)	n.a	8.8	7.5	1.2 (2)				
MAM	NZ Shares	5.0 (1)	31.0 (1)	1.3 (1)	n.a	n.a	8.8	7.4	1.2 (1)				
TAM	NZ Shares	3.7 (2)	26.1 (3)	-4.0 (4)	4.7 (2)	9.1 (1)	3.5	5.3	0.7 (4)				
TYN	Core Share	2.2 (4)	26.0 (4)	-3.1 (3)	4.3 (3)	8.4 (2)	4.5	5.4	0.8 (3)				
Australasian													
AB	High Growth	4.1 (2)	28.5 (2)	-1.2 (3)	6.9 (2)	n.a	6.4	5.9	1.1 (3)				
AMPCI	Active	1.4 (8)	20.1 (8)	-3.2 (6)	5.2 (7)	8.7 (3)	4.4	5.2	0.8 (4)				
AMPCI	Strategic	2.3 (7)	20.6 (7)	-2.7 (5)	7.3 (1)	n.a	4.9	6.9	0.7 (5)				
AXAGI		4.5 (1)	27.0 (3)	-0.6 (2)	6.7 (3)	n.a	6.9	5.6	1.2 (2)				
BAM		3.0 (5)	25.3 (4)	0.0 (1)	6.7 (4)	11.3 (1)	7.6	5.3	1.4 (1)				
GSJBW	Core Equity	3.1 (4)	28.9 (1)	n.a	n.a	n.a	n.a	n.a	n.a				
ING	Aust Share	3.7 (3)	21.6 (6)	-3.9 (7)	5.4 (6)	10.8 (2)	3.6	5.3	0.7 (6)				
Mercer	Trans-Tasman	2.9 (6)	23.2 (5)	-2.0 (4)	5.9 (5)	n.a	2.4	5.1	0.5 (7)				
Average		3.1	24.4	-1.9	6.3	10.3	5.2	5.6	0.9				
Non core													
FIS	NZ Growth	7.5	32.5	-8.1	8.0	13.2	-0.6	11.4	0.0				
GSJBW	Trans-Tasman	4.6	31.8	1.5	10.3	n.a	9.0	8.9	1.0				
ING	ESF	6.6	25.1	-3.3	8.2	n.a	4.3	7.8	0.5				
MAM	Peak	5.8	38.5	n.a	n.a	n.a	n.a	n.a	n.a				
MNT		6.7	29.9	n.a	n.a	n.a	n.a	n.a	n.a				
PIE	Growth	5.8	104.9	n.a	n.a	n.a	n.a	n.a	n.a				
TYN	Aggressive	2.7	31.5	6.0	16.3	n.a	13.5	8.3	1.6				
Indexed													
SMS	NZ Top 10	-0.2	13.6	-8.1	-1.9	2.2	-0.6	8.7	-0.1				
SMS	NZ Top 50	2.6	22.5	-7.0	2.3	n.a	0.6	10.9	0.1				
SMS	NZ Mid Cap	8.0	12.0	-8.2	2.4	6.0	-0.6	13.1	0.0				
SMS	Aus Mid Cap	4.4	39.7	-3.9	6.6	n.a	3.7	17.1	0.2				
SMS	Aus Top 20	5.8	45.7	9.0	14.4	7.6	16.6	16.8	1.0				
Australian													
ING		1.8 (2)	53.1 (2)	n.a	n.a	n.a	n.a	n.a	n.a				
TAM		5.7 (1)	55.9 (1)	n.a	n.a	n.a	n.a	n.a	n.a				
Indexes													
NZSX50 (incl IC's)		2.4	20.5	-7.6	1.9	6.5							
ASX200		3.4	37.0	-2.8	7.8	8.8							
Cash + 5% pa		2.0	8.4	11.9	12.2	11.6							

Table 4.2 – Property

Manager	3 Months		1 Year		3 Years		5 Years		10 Years		Excess Return % p.a.	3 Years Tracking Error % p.a.	Information Ratio Rank
	% Rank	% p.a.	% Rank	% p.a.	% Rank	% p.a.	% Rank	% p.a.	% Rank	% p.a.			
NZ Listed													
AB	NZ Listed	1.9 (2)	13.9 (4)	-4.7 (1)	6.1 (2)	n.a	4.1	4.2	1.0 (1)				
AXA	NZ Listed	1.8 (3)	14.5 (3)	n.a	n.a	n.a	n.a	n.a	n.a				
ING	Prop Securities	2.6 (1)	16.2 (1)	-5.1 (2)	7.2 (1)	11.3 (1)	3.7	4.7	0.8 (2)				
MNT	Australasian	1.6 (4)	14.5 (2)	n.a	n.a	n.a	n.a	n.a	n.a				
Average		2.0	14.8	-4.9	6.7	11.3	3.9	4.4	0.9				
NZ Direct													
AMPCI	AIF P	-2.4 (2)	-19.4 (2)	-1.1 (2)	7.2 (2)	8.6 (2)	-5.5	11.2	-0.5 (2)				
TAM		2.3 (1)	-8.4 (1)	2.6 (1)	10.8 (1)	11.9 (1)	-1.7	8.1	-0.2 (1)				
Average		-0.1	-13.9	0.7	9.0	10.2	-3.6	9.7	-0.3				
Global													
AMPCI	GPSF	5.5 (3)	36.5 (1)	-13.0 (1)	3.2 (1)	n.a	5.8	10.5	0.5 (1)				
AXAGI	Global Property	4.0 (5)	21.6 (6)	n.a	n.a	n.a	n.a	n.a	n.a				
ING	Ex Australia	7.0 (1)	24.5 (4)	-16.3 (4)	0.5 (2)	n.a	2.5	9.0	0.3 (3)				
INT	Int'l Prop	6.4 (2)	28.0 (3)	-14.2 (3)	n.a	n.a	4.6	n.a	n.a				
RUS	Global R.E.	5.5 (4)	29.3 (2)	-13.9 (2)	n.a	n.a	4.8	10.3	0.5 (2)				
TYN		3.8 (6)	23.9 (5)	-18.2 (5)	-2.2 (3)	n.a	-2.6	8.2	-0.3 (4)				
Average		5.4	27.3	-15.1	0.5	n.a	3.0	9.5	0.2				
Indexes													
NZSE Property		1.4	11.8	-8.8	3.8	9.6							
UBS Global Property		4.9	27.9	-18.7	-0.2	n.a							

Table 4.3 – Global Share Funds (unhedged)

		3 Months		1 Year		3 Years		5 Years		10 Years		Excess Return	3 Years Tracking Error	Information Ratio	
Manager		% Rank	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank	% p.a.	% p.a.	% p.a.	Rank	
Core															
AB	Style Blend	4.4	(9)	8.9	(9)	-11.6	(14)	0.3	(13)	n.a		-5.7	7.5	-0.8	(13)
AMPCI	FDF Core	4.4	(10)	9.2	(8)	-7.7	(11)	2.5	(9)	n.a		-1.8	7.2	-0.3	(10)
AXAGI	Global Eq	5.7	(2)	12.7	(2)	-4.4	(5)	4.4	(5)	n.a		1.5	8.1	0.2	(4)
BNP	Global Eq	5.5	(3)	7.4	(11)	-1.6	(2)	5.9	(1)	1.3	(1)	4.2	8.0	0.5	(1)
ING	Int'l Eq	5.2	(4)	11.2	(5)	-3.4	(3)	4.5	(4)	-4.2	(7)	2.4	7.1	0.3	(3)
INT	Int'l Shares	3.7	(13)	9.8	(7)	-7.3	(9)	1.6	(12)	-3.0	(5)	-1.4	6.7	-0.2	(8)
Jana	Core Global	3.7	(14)	5.5	(13)	-9.7	(13)	n.a		n.a		-3.9	7.8	-0.5	(12)
Mercer	Global Shares	1.6	(15)	4.0	(15)	-7.9	(12)	2.3	(10)	n.a		-2.5	7.0	-0.4	(11)
MLC	NCIT	4.8	(7)	12.8	(1)	-6.1	(8)	2.9	(8)	-2.3	(4)	-0.3	7.2	0.0	(7)
RUS	ISF	4.0	(12)	5.9	(12)	-7.4	(10)	1.8	(11)	n.a		-1.6	6.6	-0.2	(9)
RUS	GOF	5.2	(5)	12.6	(3)	-3.8	(4)	4.9	(3)	n.a		2.0	n.a	n.a	
TAM	International	4.5	(8)	10.5	(6)	-5.1	(7)	3.8	(6)	-0.1	(3)	0.8	10.5	0.1	(6)
TYN	Capital Int'l	4.0	(11)	4.7	(14)	-4.7	(6)	3.3	(7)	-3.1	(6)	1.1	6.5	0.2	(5)
TYN	Multi-manager	6.1	(1)	8.8	(10)	n.a		n.a		n.a		n.a	n.a	n.a	
WEL	Opportunities	4.9	(6)	11.8	(4)	-1.4	(1)	5.5	(2)	0.2	(2)	4.4	8.4	0.5	(2)
Average		4.5		9.1		-5.9		3.4		-1.6		-0.1	7.6	0.0	
Value															
AB	Value	3.3	(3)	9.8	(2)	-12.1	(5)	0.8	(4)	1.6	(3)	-6.3	7.9	-0.8	(5)
DFA	Value	0.5	(5)	9.4	(3)	-8.8	(4)	2.2	(2)	2.3	(2)	-3.0	10.0	-0.3	(4)
GMO	Equity Trust	3.3	(4)	0.6	(5)	-7.0	(3)	2.1	(3)	0.5	(4)	-1.2	6.4	-0.2	(3)
TAM	Marathon	4.2	(2)	16.7	(1)	-3.3	(2)	5.2	(1)	4.0	(1)	2.6	7.7	0.3	(2)
WEL	Value	5.0	(1)	6.5	(4)	-1.8	(1)	n.a		n.a		4.1	7.0	0.6	(1)
Average		3.3		8.6		-6.6		2.6		2.1		-0.8	7.8	-0.1	
Growth															
AB	Research	5.4	(2)	6.9	(3)	-11.2	(3)	-0.4	(2)	-2.2	(1)	-5.4	18.3	-0.3	(3)
BNP	Growth	6.6	(1)	14.3	(1)	-0.9	(1)	5.6	(1)	n.a		4.9	7.3	0.7	(1)
WEL	Growth	5.3	(3)	10.4	(2)	-7.1	(2)	-0.6	(3)	-3.0	(2)	-1.2	10.8	-0.1	(2)
Average		5.8		10.6		-6.4		1.5		-2.6		-0.6	12.2	0.1	
Indexed															
AMPCI	WinZ	4.1		3.5		-5.8		2.1		-4.3		0.0	6.1	0.0	
VAN		5.0		5.1		-6.1		2.3		-3.3		-0.3	6.7	0.0	
Other															
AMPCI	Extended	3.6		19.4		-3.4		6.4		n.a		-11.5	14.6	-0.8	
AMPCI	S Responsible	3.7		5.4		-4.4		3.7		n.a		1.4	6.7	0.2	
Jana	High Alpha	2.6		16.2		-7.1		n.a		n.a		-1.3	9.6	-0.1	
LMI	Emerging	10.3		53.1		4.1		15.8		8.5		-3.9	6.6	-0.6	
TYN	SRI	3.4		14.3		n.a		n.a		n.a		n.a	n.a	n.a	
Indexes															
MSCI 0% hedged		3.6		5.0		-5.8		2.8		-3.4					
MSCI 100% hedged		5.0		26.1		-7.3		3.2		1.1					
MSCI Emerging 0% hedged		9.7		45.2		8.0		17.8		6.6					

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 4.4 – Other Funds

Manager		3 Months		1 Year	3 Years	5 Years	3 Years
		Hedging %	%	% p.a.	% p.a.	% p.a.	Volatility
ELE	Multi-Strategy	n.a	1.5	10.5	n.a	n.a	n.a
ELE	Value	n.a	1.3	8.9	n.a	n.a	n.a
MAM	Aggressive	n.a	4.9	25.6	n.a	n.a	n.a
MGH		0.0	-0.1	-6.3	-0.9	4.9	n.a
Mercer		0.0	2.6	16.8	5.6	n.a	n.a
TCO	Commodity	70.0	13.5	27.6	-0.8	4.2	n.a
TYN	JPMAAM	100.0	3.8	13.7	4.9	8.4	n.a
TYN	Options	n.a	4.9	41.0	12.8	15.3	n.a
WEL	Commodity	0.0	10.8	7.6	n.a	n.a	n.a
Average			4.8	16.1	4.3	8.2	14.7
Index							
HFR FoF Hedged NZD			1.8	13.8	1.0	5.7	

Table 4.5 – New Zealand Bonds

Manager		3 Months		1 Year		3 Years		5 Years		10 Years		Excess Return % p.a.	3 Years Tracking Error % p.a.	Information Ratio Rank	
		% Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank						
AB	Fixed Income	1.8 (3)	5.1 (1)	8.6 (2)	7.4 (2)	n.a						1.0	2.5	0.4 (2)	
AMPCI	AIF F	0.8 (7)	4.4 (2)	9.5 (1)	7.9 (1)	7.9 (1)						2.0	2.6	0.8 (1)	
AXAGI		3.4 (1)	3.7 (4)	7.2 (4)	6.8 (4)	n.a						-0.3	4.0	-0.1 (4)	
ING	NZ Fixed Plus	2.3 (2)	4.1 (3)	5.2 (6)	6.3 (6)	7.1 (4)						-2.2	3.7	-0.6 (6)	
ING	NZ Govt Bonds	0.8 (6)	2.3 (7)	n.a	n.a	n.a						n.a	n.a	n.a	
TAM		0.9 (5)	3.4 (5)	8.2 (3)	7.4 (3)	7.3 (3)						0.7	2.2	0.3 (3)	
TYN		1.1 (4)	2.4 (6)	6.5 (5)	6.6 (5)	7.4 (2)						-1.0	2.8	-0.4 (5)	
Average		1.6	3.6	7.5	7.1	7.4						0.0	3.0	0.1	
Indexes															
NZ Govt Stock		0.6	1.7	7.5	6.8	6.8									
NZ All Swaps		1.0	2.2	9.5	n.a	n.a									

Table 4.6 – Global Bonds (hedged)

Manager		3 Months		1 Year		3 Years		5 Years		10 Years		Excess Return % p.a.	3 Years Tracking Error % p.a.	Information Ratio Rank
		% Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank					
AB	Global+ (Simltd)	2.2 (4)	19.2 (2)	8.3 (3)	8.1 (3)	n.a						-1.2	5.5	-0.2 (3)
AMPCI	AIF Q	4.0 (1)	26.7 (1)	7.0 (8)	7.2 (6)	8.1 (5)						-2.5	6.4	-0.4 (4)
AMPCI	AIF HQ	1.0 (8)	4.6 (9)	n.a	n.a	n.a						n.a	n.a	n.a
AXAGI		1.4 (5)	11.6 (5)	8.1 (6)	n.a	n.a						-1.6	4.1	-0.4 (5)
BLK	Global Div	0.6 (10)	8.1 (7)	n.a	n.a	n.a						n.a	n.a	n.a
DFA		1.2 (6)	6.7 (8)	8.1 (5)	7.6 (5)	n.a						-1.6	3.1	-0.5 (8)
ING	Int'l Fixed Int.	0.7 (9)	3.5 (10)	9.6 (1)	9.1 (1)	8.9 (2)						0.1	2.6	0.1 (1)
RUS	Global Bond	2.3 (3)	17.1 (3)	9.1 (2)	8.6 (2)	9.2 (1)						-0.6	5.2	-0.1 (2)
TAM	PIMCO	2.4 (2)	16.1 (4)	7.1 (7)	7.1 (7)	8.5 (4)						-2.4	5.5	-0.4 (6)
TYN	FFTW	1.1 (7)	10.0 (6)	8.3 (4)	7.7 (4)	8.6 (3)						-1.2	2.6	-0.5 (7)
Average		1.7	12.4	8.2	7.9	8.7						-1.4	4.4	-0.3
A\$ Hedged														
INT		2.0	13.0	5.2	n.a	n.a						n.a	n.a	n.a
Mercer		0.8	7.7	7.3	6.9	7.8						-5.7	6.7	-0.8
WEL		1.0	11.0	8.5	7.1	n.a						-1.7	19.0	-0.1
Index														
Barclays Global Agg.		1.0	7.8	9.5	8.5	9.0								
Citigroup WGBI		0.5	3.5	9.7	8.6	8.9								

Table 4.7 – Cash

Manager		3 Months		1 Year		3 Years		5 Years		10 Years		Excess Return % p.a.	3 Years Tracking Error % p.a.	Information Ratio Rank
		% Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank					
AB	NZ Cash	1.0 (5)	4.2 (6)	7.0 (7)	7.2 (7)	n.a						0.1	0.3	0.3 (7)
AMPCI	AIF Cash	1.0 (4)	4.4 (4)	7.4 (4)	7.4 (4)	6.7 (3)						0.5	0.3	1.9 (1)
AMPCI	Enhanced Yield	2.6 (1)	6.3 (1)	7.9 (1)	8.1 (1)	n.a						1.0	1.6	0.6 (6)
AXAGI		1.1 (2)	4.7 (3)	6.9 (8)	n.a	n.a						0.0	0.6	0.0 (8)
ING	Cash Plus	1.0 (3)	4.1 (7)	7.4 (3)	7.9 (2)	7.2 (1)						0.5	0.3	1.8 (3)
Mercer	NZ Money Mkt	0.9 (7)	4.3 (5)	7.2 (5)	7.3 (5)	n.a						0.3	0.2	1.6 (5)
TAM		0.9 (8)	4.0 (8)	7.1 (6)	7.3 (6)	6.6 (4)						0.2	0.1	1.6 (4)
TYN		1.0 (6)	4.7 (2)	7.6 (2)	7.7 (3)	7.1 (2)						0.7	0.4	1.8 (2)
Average		1.2	4.6	7.3	7.5	6.9						0.4	0.5	1.2
Index														
90 Day Bank Bill		0.7	3.4	6.9	7.2	6.6								

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 5 – Wholesale Diversified Funds**Table 5.1 – Balanced Funds**

Manager	Gross Returns										Asset Allocation		Currency Exposure %
	3 Months		1 Year		3 Years		5 Years		10 Years		Growth %	Income %	
	%	Rank	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank			
AMPCI	2.8	(5)	10.6	(7)	1.9	(2)	7.0	(3)	5.2	(4)	67.1	32.9	20.0
ASB	2.5	(6)	13.1	(6)	0.0	(6)	n.a		n.a		59.3	40.7	n.a
AXAGI	3.6	(2)	18.6	(2)	0.9	(4)	7.1	(2)	6.7	(2)	70.4	29.6	27.8
ING	4.1	(1)	16.1	(3)	0.9	(5)	6.2	(5)	5.0	(5)	69.0	31.0	21.4
Mercer	2.4	(7)	19.2	(1)	-0.2	(7)	5.7	(6)	n.a		65.9	34.1	16.4
TAM	3.2	(3)	13.3	(5)	2.2	(1)	7.2	(1)	6.7	(1)	48.5	44.1	n.a
TYN	2.9	(4)	15.5	(4)	1.6	(3)	6.5	(4)	5.3	(3)	57.3	42.7	20.7
Average	3.1		15.2		1.0		6.6		5.8		62.5	36.4	21.3

Table 5.2 – Conservative Funds

Manager	Gross Returns										Asset Allocation	
	3 Months		1 Year		3 Years		5 Years		10 Years		Growth %	Income %
	%	Rank	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank		
AMPCI	1.7	(4)	5.8	(4)	6.4	(1)	7.9	(1)	6.6	(1)	31.0	69.0
ASB	2.0	(3)	10.2	(3)	2.6	(3)	n.a		n.a		39.4	60.6
AXAGI	2.8	(1)	14.7	(1)	2.3	(4)	6.6	(2)	5.5	(2)	50.5	49.5
TAM	2.3	(2)	11.2	(2)	4.6	(2)	n.a		n.a		28.7	71.3
Average	2.2		10.5		4.0		7.3		6.1		37.4	62.6

Table 5.2 – Growth Funds

Manager	Gross Returns										Asset Allocation	
	3 Months		1 Year		3 Years		5 Years		10 Years		Growth %	Income %
	%	Rank	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank		
AMPCI	3.8	(3)	14.5	(4)	-2.6	(4)	5.8	(2)	2.9	(2)	95.1	4.9
ASB	3.1	(4)	15.9	(3)	-2.6	(3)	n.a		n.a		78.9	21.1
AXAGI	4.0	(2)	23.0	(1)	-0.5	(1)	6.9	(1)	4.4	(1)	84.8	15.2
TAM	4.1	(1)	18.5	(2)	-1.1	(2)	n.a		n.a		74.0	26.0
Average	3.8		18.0		-1.7		6.3		3.6		83.2	16.8

Section 6 – Additional information

(Funds under management relate to the total organisation)

	Acronym	FUM \$m		Acronym	FUM \$m
AllianceBernstein	AB	n.a	Legg Mason, Inc.	LMI	n.a
AXA Global Investors	AXAGI	3,866.0	Milford Asset Management	MAM	400.0
ASB Group Investments	ASB	n.a	MLC	MLC	n.a
AMP Capital Investors	AMPCI	11,540.0	MGH Asset Management Ltd	MGH	n.a
Brook Asset Management	BAM	1,036.5	Mercer	Mercer	1,941.8
BlackRock Investment Management	BLK	n.a	Mint Asset Management	MNT	n.a
BNP Paribas Inv Management	BNP	n.a	Russell Investment Group	RUS	n.a
Dimensional Fund Advisors	DFA	n.a	Pie Funds	PIE	6.5
Elevation Capital	ELE	n.a	SmartShares	SMS	321.1
Fisher Funds Management	FIS	773.2	Tower Asset Management	TAM	3,786.6
GMO	GMO	n.a	Tower Commodities	TCO	n.a
ING	ING	6,962.4	Templeton	TEM	n.a
Intech	INT	n.a	Tyndall Investment Management	TYN	3,564.1
Jana	Jana	n.a	Vanguard Investments Australia	VAN	n.a
Goldman Sachs JBWere	GSJBW	n.a	Wellington Management Company	WEL	n.a

ABOUT MELVILLE JESSUP WEAVER

Melville Jessup Weaver is a New Zealand firm of consulting actuaries. The areas in which we provide advice include superannuation, employee benefits, life insurance, general insurance, health insurance, asset consulting, accident insurance and information technology. The firm, established in 1992, has offices in Auckland and Wellington.

Melville Jessup Weaver is affiliated to Towers Perrin, a global professional services organisation that helps clients around the world optimise performance through effective people, risk and financial management. Towers Perrin merged with Watson Wyatt on 1 January 2010 to form Towers Watson.

Asset consulting services:

- Establish investment objectives.
- Determine long-term investment strategies.
- Determine the optimum investment manager configuration.
- Provide quantitative and qualitative analysis of investment performance.
- Asset/Liability modelling.
- Performance monitoring against investment objectives and competitors.
- Manager selection exercises utilising Towers Perrin's expertise.

Section 7 – KiwiSaver Diversified Funds

7.1 – 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 over 2 years performance at this moment and we will continue to show the results for the Wholesale funds in Section 5 for the immediate future.

7.2 – KiwiSaver Diversified Funds Investment Results

7.2.1 – Aggressive Funds

Provider	Fund Name	Growth Assets %	Gross Returns							
			3 Months			1 Year		2 Years		Inception
			% p.a.	Rank	%	Rank	% p.a.	Rank	% p.a.	Rank
AMP KiwiSaver	AMP Aggressive Fund	90.0	5.0	(1)	16.1	(4)	-8.1	(7)	-8.5	(7)
AMP KiwiSaver	AMP Growth Fund	77.0	4.4	(4)	13.9	(6)	-5.8	(5)	-6.4	(5)
ASB KiwiSaver	Growth Fund	80.0	3.0	(7)	15.7	(5)	-5.4	(3)	-6.6	(6)
AXA KiwiSaver	Growth Fund	85.0	4.4	(3)	23.7	(1)	-5.4	(4)	-6.3	(4)
SIL KiwiSaver	Growth Fund	80.0	4.4	(2)	19.3	(2)	-2.8	(1)	-4.0	(2)
Tower KiwiPlan	Growth Fund	77.5	3.8	(5)	17.3	(3)	-6.0	(6)	-5.8	(3)
Westpac KiwiSaver	Growth Fund	77.5	3.3	(6)	12.9	(7)	-2.9	(2)	-3.9	(1)
Average		81.0	4.0		17.0		-5.2		-5.9	

7.2.2 – Balanced Funds

Provider	Fund Name	Growth Assets %	Gross Returns							
			3 Months			1 Year		2 Years		Inception
			% p.a.	Rank	%	Rank	% p.a.	Rank	% p.a.	Rank
AMP KiwiSaver	ING Balanced Fund	62.0	5.0	(1)	16.0	(3)	-0.9	(5)	-0.8	(3)
AMP KiwiSaver	AMP Balanced Fund	60.0	3.6	(3)	11.6	(8)	-1.2	(7)	-2.0	(7)
AMP KiwiSaver	Tower Balanced Fund	55.0	3.2	(6)	13.1	(5)	-0.1	(1)	-0.5	(2)
AMP KiwiSaver	Tyndall Balanced Fund	55.0	2.8	(9)	14.3	(4)	-2.7	(10)	-3.3	(10)
AMP KiwiSaver	AMP Mod Balanced	51.0	3.2	(5)	10.1	(10)	-0.2	(2)	-0.8	(4)
ASB KiwiSaver	Balanced Fund	60.0	2.5	(10)	12.9	(6)	-2.2	(9)	-3.2	(9)
AXA KiwiSaver	Balanced Fund	60.0	3.6	(4)	19.7	(1)	-1.6	(8)	-2.4	(8)
SIL KiwiSaver	Balanced Growth Fund	65.0	3.9	(2)	16.4	(2)	-0.5	(3)	-1.5	(5)
Tower KiwiPlan	Balanced Fund	55.0	3.0	(8)	12.1	(7)	-1.0	(6)	0.0	(1)
Westpac KiwiSaver	Balanced Fund	63.0	3.0	(7)	11.1	(9)	-0.8	(4)	-1.8	(6)
Average		58.6	3.4		13.7		-1.1		-1.6	

7.2.3 – Moderate Funds

Provider	Fund Name	Growth Assets %	Gross Returns							
			3 Months			1 Year		2 Years		Inception
			% p.a.	Rank	%	Rank	% p.a.	Rank	% p.a.	Rank
AMP KiwiSaver	AMP Moderate Fund	38.0	2.7	(2)	8.1	(4)	2.1	(2)	1.4	(2)
ASB KiwiSaver	Moderate Fund	40.0	1.9	(4)	9.8	(3)	1.2	(4)	0.4	(4)
SIL KiwiSaver	Balanced Fund	50.0	3.3	(1)	13.6	(1)	1.8	(3)	1.1	(3)
SIL KiwiSaver	Conservative Balanced	35.0	2.7	(3)	10.8	(2)	3.6	(1)	3.1	(1)
Average		40.8	2.6		10.6		2.2		1.5	

7.2.4 – Conservative Funds

Provider	Fund Name	Growth Assets %	Gross Returns							
			3 Months			1 Year		2 Years		Inception
			% p.a.	Rank	%	Rank	% p.a.	Rank	% p.a.	Rank
AMP KiwiSaver	AMP Conservative	25.0	2.2	(1)	6.2	(9)	5.7	(1)	4.9	(3)
AMP KiwiSaver	AMP Default Fund	20.0	1.9	(5)	6.8	(7)	3.9	(4)	3.6	(6)
ASB KiwiSaver	Conservative Fund	20.0	1.2	(9)	6.4	(8)	4.2	(3)	4.0	(5)
AXA KiwiSaver	Conservative Fund	25.0	2.1	(2)	11.7	(1)	n.a.		5.3	(2)
AXA KiwiSaver	Income Plus (Default)	20.0	1.8	(6)	10.8	(2)	3.6	(6)	3.1	(7)
SIL KiwiSaver	Conservative Fund	20.0	2.0	(3)	7.9	(4)	5.6	(2)	5.5	(1)
Tower KiwiPlan	Conservative Fund	30.0	2.0	(4)	10.5	(3)	2.4	(8)	2.8	(8)
Tower KiwiPlan	Default Fund	20.0	1.6	(8)	7.6	(5)	3.8	(5)	4.2	(4)
Westpac KiwiSaver	Conservative Fund	25.0	1.7	(7)	7.1	(6)	2.6	(7)	2.1	(9)
Average		22.8	1.8		8.3		4.0		3.9	

7.3 – KiwiSaver Diversified Funds Asset Allocation

7.3.1 – Aggressive Funds

Provider	Fund Name	NZ Shares	Global Shares	NZ Property	Global Property	Alt Assets	Growth Assets	NZ Bonds	Global Bonds	Cash	Income Assets
AMP KiwiSaver	AMP Aggressive	19.9	60.4	10.3	4.5		95.1	1.9		3.0	4.9
AMP KiwiSaver	AMP Growth Fund	17.1	52.2	12.9			82.3	7.2	3.4	7.1	17.7
ASB KiwiSaver	Growth Fund	24.6	44.3		9.9		78.9	6.0	11.5	3.7	21.1
AXA KiwiSaver	Growth Fund	23.7	56.3	2.0	5.7	2.6	90.2	1.5	5.8	2.4	9.8
SIL KiwiSaver	Growth Fund	26.2	45.3	6.9	6.1		84.5	6.0	8.3	1.1	15.5
Tower KiwiPlan	Growth Fund	17.6	52.1	4.3			74.0	5.6	9.0	11.4	25.9
Westpac KiwiSaver	Growth Fund	25.3	37.1	10.1		0.6	73.0	11.0	6.5	9.4	27.0
Average		22.1	49.7	7.3	3.1	0.4	82.6	5.6	6.4	5.5	17.4

7.3.2 – Balanced Funds

Provider	Fund Name	NZ Shares	Global Shares	NZ Property	Global Property	Alt Assets	Growth Assets	NZ Bonds	Global Bonds	Cash	Income Assets
AMP KiwiSaver	ING Balanced Fund	15.4	41.0	11.1			67.4	19.2	11.7	1.7	32.6
AMP KiwiSaver	AMP Balanced Fund	18.3	37.3	11.1		2.3	69.0	12.2	16.6	2.2	31.0
AMP KiwiSaver	Tower Balanced	13.7	31.9	10.4			56.0	9.5	19.9	14.6	44.0
AMP KiwiSaver	Tyndall Balanced	11.6	36.0	9.2			56.8	17.9	10.1	15.2	43.3
AMP KiwiSaver	AMP Mod. Balanced	19.7	29.6		9.9		59.3	15.9	18.2	6.6	40.7
ASB KiwiSaver	Balanced Fund	16.2	42.1	2.0	2.6	2.6	65.6	3.9	28.0	2.4	34.4
AXA KiwiSaver	Balanced Fund	21.1	37.4	5.7	5.0		69.3	11.1	16.2	3.4	30.7
SIL KiwiSaver	Balanced Growth	13.7	31.9	10.4			55.9	9.5	19.9	14.6	44.1
Westpac KiwiSaver	Balanced Fund	20.2	32.6	5.0		0.5	58.4	20.0	12.0	9.6	41.6
Average		16.7	35.5	7.2	2.0	0.6	62.0	13.3	17.0	7.8	38.0

7.3.3 – Moderate Funds

Provider	Fund Name	NZ Shares	Global Shares	NZ Property	Global Property	Alt Assets	Growth Assets	NZ Bonds	Global Bonds	Cash	Income Assets
AMP KiwiSaver	AMP Moderate Fund	8.9	27.8	7.3			44.0	23.3	13.5	19.2	56.0
ASB KiwiSaver	Moderate Fund	13.8	16.7		8.9		39.4	20.8	25.8	14.0	60.6
SIL KiwiSaver	Balanced Fund	16.1	29.4	4.6	4.1		54.1	14.1	24.3	7.5	45.9
SIL KiwiSaver	Cons Balanced	11.0	21.5	3.4	3.1		39.0	18.0	30.2	12.7	61.0
Average		12.4	23.9	3.8	4.0		44.1	19.1	23.4	13.4	55.9

7.3.4 – Conservative Funds

Provider	Fund Name	NZ Shares	Global Shares	NZ Property	Global Property	Alt Assets	Growth Assets	NZ Bonds	Global Bonds	Cash	Income Assets
AMP KiwiSaver	AMP Conservative	6.1	19.7	5.4			31.2	28.6	16.9	23.3	68.8
AMP KiwiSaver	AMP Default Fund	5.2	13.9	3.8			22.9	6.5	4.0	66.6	77.1
ASB KiwiSaver	Conservative Fund	8.8	10.8				19.6	24.7	28.5	27.1	80.4
AXA KiwiSaver	Conservative Fund	6.2	14.1		1.9		22.1	14.2	34.8	28.9	77.9
AXA KiwiSaver	Income Plus	6.1	18.2	1.0	2.1	2.1	29.5	16.9	35.2	18.4	70.5
SIL KiwiSaver	Conservative Fund	7.0	12.3	1.7	1.5		22.6	21.1	37.3	19.0	77.4
Tower KiwiPlan	Conservative Fund	5.7	17.8	5.2			28.7	15.0	27.2	29.1	71.3
Tower KiwiPlan	Default Fund	5.0	11.9	5.1			21.9	8.8	13.1	56.1	78.0
Westpac KiwiSaver	Conservative Fund	9.7	9.8	4.8		0.6	24.8	29.2	14.1	31.8	75.2
Average		6.7	14.3	3.0	0.6	0.3	24.8	18.3	23.5	33.4	75.2

For further information please contact:

Bernard Reid 09 300 7163 **Mark Weaver** 09 300 7156

bernard.reid@mjwactuary.co.nz

mark.weaver@mjwactuary.co.nz

Ian Midgley 04 499 0277

Ben Trollip 09 300 7154

ian.midgley@mjwactuary.co.nz

ben.trollip@mjwactuary.co.nz

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