

Investment Survey June 2009 – Mean Reversion, Volatility and Bonds

1. Returns

Index returns for the quarter and the year to 30 June 2009 were:

Asset Class	Quarter	Year
NZ Shares	8.1%	-11.1%
Australian shares in A\$	11.3%	-20.1%
Global Shares:		
• local currency	16.7%	-25.8%
• unhedged	6.6%	-16.6%
• hedged	16.9%	-27.0%
Property		
• NZ Property	0.8%	-18.6%
• Global Property	24.5%	-41.5%
NZ Bonds		
• Govt Bonds	-0.5%	9.8%
• Corporate A	2.5%	11.0%
• All Swaps	0.8%	14.7%
Global Bonds		
• World Govt Bonds	0.1%	12.4%
• Global Aggregate	2.1%	11.1%
Cash	0.8%	6.1%
NZ\$ against US\$	13.5%	-14.9%
NZ\$ against AUS\$	-2.5%	1.0%

2. Balanced Fund manager results

The top manager for the quarter was Mercer, returning 9.7%, assisted by a high allocation to their Alternative Fund and its good performance. The bottom performing balanced fund over the quarter was AMPCI with 4.7%.

Over 12 months TAM was top with -5.5%, buoyed by their strong NZ property results and avoidance of any global property exposure. Over the 10 year period AXAGI achieved a credible 6.5% pa followed closely by TAM (6.2% pa).

3. Introduction

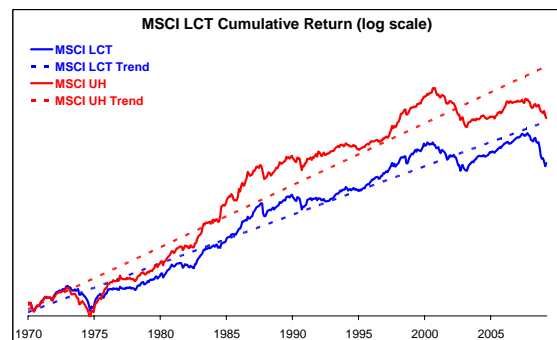
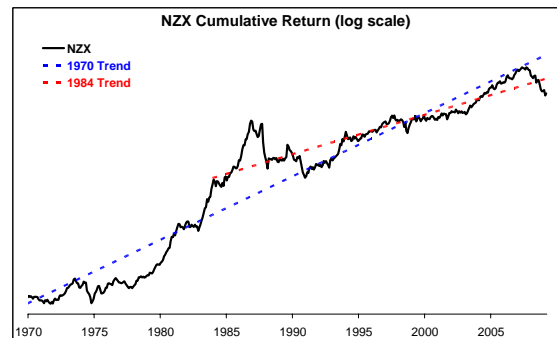
For this survey commentary we continue to explore a number of topical issues. Events in the last year have caused us to question and review a number of beliefs previously held. We look at what to make of mean reversion, the current level of volatility and where bond yields are heading.

4. Mean reversion

Over the last 5 years we have seen extreme variations in share markets. Looking at the Dow Jones on 30 June 2005 it was 10,274, rose to 13,930 at the end of October 2007, then fell to 6,547 on 9th March 2009 and is now at 8,848.

The question is: what does an investor do when faced with such variations? Do they attempt to time the market and make active changes to their asset allocation positions or do they rely on defined asset allocation ranges to manage this variation. Should we look at the current level of markets compared to the apparent long term position when making

decisions? The two graphs below look at the period since 1970.



The MSCI LCT is the index expressed in local currency terms. The table below summarises the extent to which the returns are below the long term average.

	Relative to Trend %
NZX	-10.5
MSCI LCT	-14.4
MSCI UH	-15.1

What do we do about this? Is it a good time to increase exposure to shares and perhaps make a special rebalancing decision and increase exposure to shares? While we believe markets are (at least) weak-form efficient (that is, share prices already contain all information on past price movement) it is still useful to consider where the share markets have got to. Issues to consider include:

- What are the re-balancing rules and how have they worked over the last 20 years in capturing value from buying low and selling high.
- There is a need to review market levels annually. Whether any one off decision is made to reduce or increase any asset allocation positions will come out of such a review. However any one off decision is not easy to make. When markets are at "extreme" positions there are usually strong arguments to explain the levels and argue against any changes
- Over the last 6 months there have been a number of papers which demonstrate how a fund changing its asset allocation according to defined rebalancing rules would have added value. But the rules will have been defined with

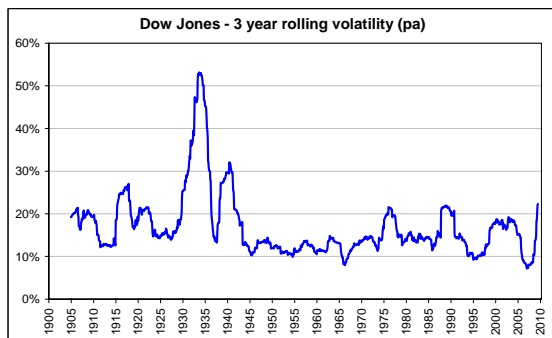
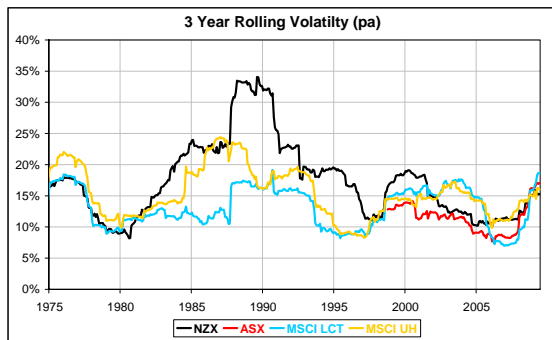
the benefit of hindsight and so the value of this going forward is limited. But also the studies show how over the immediate short term such changes will inevitably have led to some underperformance. Could the Trustees in practice have tolerated this at the time?

- One approach to dealing with these “extremes” is for a fund to have some exposure to absolute return NZ and global share funds. The level of such exposure would be a function of the extent to which the trustees could absorb any short term adverse performance. The fund manager would be expected to take a view on the level of markets and switch into and out of cash depending on how they view the current outlook.

The subject is by no means easy. Different periods will give different results. How does one reconcile this? It is analogous to markets/authorities being able to recognise investment bubbles in the future. History shows how difficult this is.

5. Volatility

There has been a lot of discussion about how volatile markets have been. Clearly late last year volatility levels rose substantially. But how do the current levels compare to recent history. The charts below illustrate this for share markets since 1975 and for the Dow Jones share index since 1900.



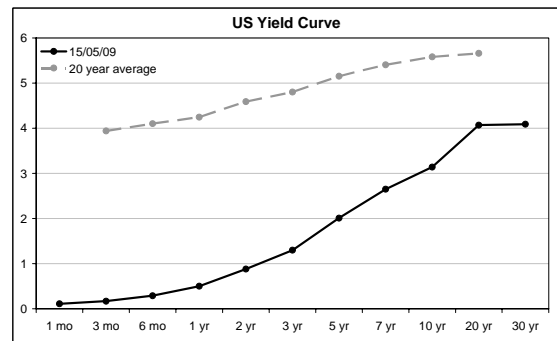
While the historical perspective suggests that the current level of volatility is not that high, this is based on us applying a 3 year rolling average period and we also see how it has risen very sharply to its current levels.

It is important to measure volatility correctly. Traditional practice is to use a normal or log-normal distribution. These have been shown to be flawed, especially in modelling extreme events. There is currently much research being done on how to best model returns across asset classes including the use of more complex statistical distributions. At MJW, we are currently reworking our asset

optimiser to produce results that are more consistent with history, leveraging off our large database of investment returns.

6. Bonds

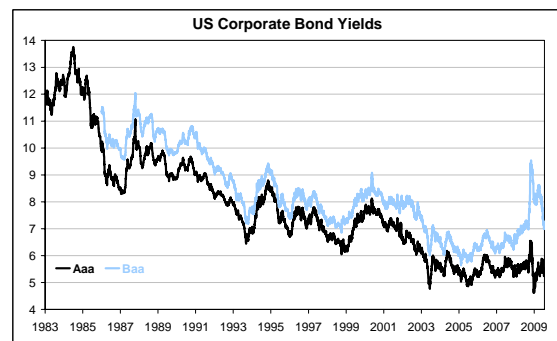
There is a lot of discussion around bonds. A particular question is where are yields going over the next 2/3 years? The graph below show the current US yield curve.



The graph shows:

- Current bond yield levels are low compared to the 20 year average.
- The current curve is much steeper at the long end. We are only 1.5% below long term norms: at the short end we are 4% below.

The graph below illustrates corporate bond rates.



The graph shows:

- Over the 20 year period yields have fallen substantially from around 12% for Aaa rated bonds to around 5.5%.
- The significant spike in the spread between Aaa bonds and Baa bonds since late 2008.

Allowing for history the current level of yields leaves little doubt that rates will increase. However with deflation still a concern the increase may be some time away. The spike in the rates for Baa also suggests that credit is good value.

7. Last year was an extreme event

While careful reviews of previous practice are important we also need to remain conscious that events over the last year were exceptional. As we move further away from the events of the last quarter of 2008 we are hopefully getting a better perspective on those events. We continue to review and re-examine our basic investment beliefs to ensure that we take account of these events.

Table 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					
NZ														
GSJBW	NZ Shares	10.5	(3)	4.2	(1)	-0.8	(1)	8.7	(1)	n.a	5.6	6.5	0.9	(1)
MAM	NZ Shares	9.9	(4)	1.8	(2)	-1.5	(2)	n.a	n.a	n.a	4.9	n.a	n.a	n.a
TAM	NZ Shares	10.6	(1)	-9.1	(4)	-5.4	(4)	3.6	(3)	8.2	0.9	2.5	0.4	(3)
TYN	Core Share	10.6	(2)	-6.9	(3)	-4.7	(3)	4.6	(2)	8.4	1.7	2.6	0.6	(2)
Australasian														
AB	High Growth	9.1	(4)	-4.5	(3)	-3.8	(5)	6.0	(4)	n.a	2.5	4.0	0.6	(5)
AMPCI	Active	8.4	(5)	-6.6	(6)	-2.6	(2)	5.2	(6)	8.4	3.7	2.4	1.6	(1)
AMPCI	Strategic	7.7	(7)	-6.3	(5)	-3.2	(3)	7.3	(1)	n.a	3.1	5.4	0.6	(6)
AXAGI		10.1	(2)	-8.6	(8)	-3.2	(4)	n.a	n.a	n.a	3.1	3.5	0.9	(4)
BAM		10.0	(3)	-3.3	(2)	-2.1	(1)	6.4	(2)	10.9	4.2	3.0	1.4	(2)
GSJBW	Core Equity	11.9	(1)	-2.9	(1)	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
ING	Aust Share	6.1	(8)	-8.3	(7)	-5.5	(7)	5.8	(5)	10.7	0.9	3.2	0.3	(7)
Mercer	Trans-Tasman	7.7	(6)	-5.9	(4)	-3.9	(6)	6.1	(3)	n.a	2.4	2.5	1.0	(3)
Average		8.9		-5.8		-3.5		6.1		10.0	2.9	3.4	0.9	
Non core														
FIS	NZ Growth	12.4		-14.3		-9.1		7.7		12.8	-2.8	11.5	-0.2	
GSJBW	Trans-Tasman	8.4		-12.9		-3.1		10.0		n.a	3.3	8.3	0.4	
ING	ESF	5.9		-7.0		-6.6		8.2		n.a	-0.2	7.3	0.0	
MAM	Peak	13.6		7.1		n.a		n.a		n.a	n.a	n.a	n.a	
MNT		8.6		-7.6		n.a		n.a		n.a	n.a	n.a	n.a	
TYN	Aggressive	9.3		1.9		5.3		19.1		n.a	11.6	7.6	1.5	
Indexed														
AMPCI	NZ Eq Passive	8.0		-10.7		-6.2		1.9		5.1	0.1	0.3	0.5	
SMS	NZ Top 10	3.7		-10.0		-8.6		-2.1		1.4	-2.3	6.9	-0.3	
SMS	NZ Top 50	3.3		-13.0		-10.3		n.a		n.a	-3.9	8.9	-0.4	
SMS	NZ Mid Cap	7.1		-19.5		-8.3		2.3		4.8	-1.9	11.2	-0.2	
SMS	Aus Mid Cap	14.7		-30.3		-8.6		n.a		n.a	-2.2	16.3	-0.1	
SMS	Aus Top 20	9.8		-15.0		-1.2		9.5		4.9	5.1	16.4	0.3	
Australian														
ING		16.0	(2)	-13.3	(1)	n.a		n.a		n.a	n.a	n.a	n.a	
TAM		17.0	(1)	n.a		n.a		n.a		n.a	n.a	n.a	n.a	
Indexes														
NZSX50 (incl IC's)		8.1		-11.1		-6.3		2.1		5.5				
ASX200		11.3		-20.1		-3.8		6.9		7.4				
Cash + 5% pa		2.0		11.2		12.7		12.5		11.7				

Table 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					
NZ Listed														
AB	NZ Listed	2.8	(3)	-18.7	(2)	-5.8	(1)	4.9	(2)	n.a	0.5	1.6	0.3	(1)
ING	Prop Securities	3.2	(2)	-19.4	(3)	-6.2	(2)	6.4	(1)	9.3	0.0	2.9	0.0	(2)
MNT	Australasian	4.5	(1)	-18.1	(1)	n.a		n.a		n.a	n.a	n.a	n.a	
Average		3.5		-18.7		-6.0		5.6		9.3	0.2	2.3	0.1	
NZ Direct														
AMPCI	AIF P	-9.9	(2)	-21.2	(2)	7.0	(2)	11.1	(2)	9.7	-2.9	10.8	-0.3	(2)
TAM		2.2	(1)	-7.5	(1)	9.5	(1)	11.8	(1)	12.6	-0.5	9.4	0.0	(1)
Average		-3.9		-14.3		8.2		11.4		11.1	-1.7	10.1	-0.2	
Global														
AMPCI	GPSF	31.6	(1)	-43.0	(4)	-16.6	(2)	0.8	(1)	n.a	0.6	7.0	0.1	(1)
AXAGI	Global Property	20.8	(6)	-37.1	(1)	n.a		n.a		n.a	n.a	n.a	n.a	
ING	Ex Australia	26.8	(3)	-43.6	(5)	-18.5	(3)	n.a		n.a	-1.3	5.0	-0.3	(2)
INT	Int'l Prop	22.6	(4)	-41.0	(3)	-15.8	(1)	n.a		n.a	1.4	n.a	n.a	
RUS	Global R.E.	28.9	(2)	-37.7	(2)	n.a		n.a		n.a	n.a	n.a	n.a	
TYN		21.5	(5)	-45.1	(6)	-19.6	(4)	-3.9	(2)	n.a	-3.6	4.4	-0.8	(3)
Average		25.4		-41.2		-17.6		-1.5		n.a	-0.7	5.5	-0.3	
Indexes														
NZSE Property		0.8		-18.6		-6.3		3.8		6.6				
UBS Global Property		24.5		-41.5		-17.2		-0.5		n.a				

Table 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	6.2	(10)	-28.7	(14)	-15.0	(14)	-2.1	(11)	n.a		-5.7	4.6	-1.2	(13)
AMPCI	FDF Int'l Share	8.2	(5)	-19.7	(9)	-10.3	(9)	0.5	(6)	n.a		-1.0	3.2	-0.3	(8)
AXAGI	Global Eq	9.8	(1)	-17.7	(7)	-8.3	(6)	n.a		n.a		1.0	5.5	0.2	(5)
BNP	Global Eq	5.0	(12)	-9.3	(1)	-5.7	(1)	3.2	(1)	2.0	(1)	3.6	4.2	0.9	(1)
ING	Int'l Eq	7.4	(6)	-12.6	(2)	-7.1	(3)	1.8	(3)	-2.6	(6)	2.2	2.5	0.9	(2)
INT	Int'l Shares	8.5	(3)	-18.7	(8)	-11.1	(11)	-1.0	(10)	-2.7	(7)	-1.8	2.8	-0.6	(10)
Jana	Core Global	4.7	(14)	-26.6	(13)	-13.0	(13)	n.a		n.a		-3.6	4.6	-0.8	(11)
Mercer	Global Shares	6.3	(8)	-20.4	(11)	-10.6	(10)	0.4	(8)	n.a		-1.2	2.7	-0.5	(9)
MLC	NCIT	8.4	(4)	-20.4	(12)	-9.8	(8)	0.4	(7)	-1.4	(4)	-0.5	4.0	-0.1	(7)
RUS	ISF	4.8	(13)	-20.0	(10)	-11.4	(12)	-0.9	(9)	n.a		-2.1	1.8	-1.1	(12)
RUS	GOF	7.3	(7)	-15.2	(5)	-8.2	(5)	n.a		n.a		1.1	n.a	n.a	
TAM	International	8.5	(2)	-14.5	(4)	-8.0	(4)	1.3	(4)	-0.3	(3)	1.3	8.7	0.2	(6)
TYN	Capital Int'l	3.2	(15)	-16.9	(6)	-8.6	(7)	0.8	(5)	-2.4	(5)	0.7	2.8	0.3	(4)
TYN	Multi-manager	5.2	(11)	n.a		n.a		n.a		n.a		n.a	n.a	n.a	
WEL	Opportunities	6.2	(9)	-14.4	(3)	-5.9	(2)	2.6	(2)	1.1	(2)	3.4	5.5	0.6	(3)
Average		6.6		-18.2		-9.5		0.6		-0.9		-0.2	4.1	-0.1	
Value															
AB	Value	9.0	(3)	-27.7	(6)	-15.0	(6)	-1.2	(5)	0.1	(3)	-5.6	5.7	-1.0	(6)
DFA	Value	14.7	(1)	-19.3	(5)	-12.1	(5)	0.3	(3)	n.a		-2.8	7.3	-0.4	(4)
GMO	Equity Trust	4.3	(6)	-16.9	(4)	-10.1	(4)	0.2	(4)	0.5	(2)	-0.8	1.9	-0.4	(5)
TAM	Marathon	12.5	(2)	-13.0	(1)	-7.2	(2)	2.5	(1)	3.9	(1)	2.1	4.8	0.4	(2)
TEM		7.7	(4)	-13.5	(2)	-8.6	(3)	1.3	(2)	n.a		0.8	5.8	0.1	(3)
WEL	Value	6.6	(5)	-14.0	(3)	-5.2	(1)	n.a		n.a		4.1	3.1	1.3	(1)
Average		9.1		-17.4		-9.7		0.6		1.5		-0.4	4.8	0.0	
Growth															
AB	Research	3.2	(2)	-29.6	(3)	-15.0	(3)	-3.0	(2)	-0.7	(1)	-5.7	17.8	-0.3	(3)
BNP	Growth	6.4	(1)	-11.6	(1)	-5.5	(1)	2.8	(1)	n.a		3.8	3.2	1.2	(1)
WEL	Growth	2.5	(3)	-28.2	(2)	-12.0	(2)	-3.5	(3)	-1.0	(2)	-2.7	8.6	-0.3	(2)
Average		4.0		-23.2		-10.9		-1.2		-0.8		-1.6	9.9	0.2	
Indexed															
AMPCI	WinZ	5.4		-15.0		-9.0		-0.3		-3.4		0.3	1.7	0.2	
VAN		6.3		-16.6		-9.7		-0.2		-2.6		-0.4	0.5	-0.8	
Other															
AMPCI	Extended	11.3		-15.3		-6.8		4.6		n.a		-8.2	13.7	-0.6	
AMPCI	S Responsible	12.3		-20.7		-9.6		0.4		n.a		-0.3	8.1	0.0	
Jana	High Alpha	11.0		-20.7		-11.1		n.a		n.a		-1.8	6.8	-0.3	
LMI	Emerging	21.3		-19.5		1.3		13.2		n.a		-0.1	4.7	0.0	
NZAM	Multi-Manager	5.8		8.5		0.4		7.8		9.8		9.7	11.9	0.8	
TYN	SRI	8.3		n.a		n.a		n.a		n.a		n.a	n.a	n.a	
Indexes															
MSCI 0% hedged		6.6		-16.6		-9.3		0.2		-2.4					
MSCI 100% hedged		16.9		-28.2		-7.3		2.1		1.0					
MSCI Emerging 0% hedged		14.7		-15.3		1.4		14.0		n.a					

Table 4 – Other Funds

Manager		3 Months		1 Year		3 Years		5 Years		3 Years Volatility	
		FX %	%	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
ING	Topaz	100.0	7.5	-1.6		6.1		7.8			6.3
ING	Topaz +	100.0	14.1	-10.0		4.2		7.8			12.8
ING	Onyx	100.0	5.3	-1.0		6.0		7.1			4.8
MAM	Aggressive	n.a	7.1	11.8		n.a		n.a			n.a
MGH		0.0	0.8	2.7		-2.6		4.8			15.0
Mercer		0.0	9.6	-6.6		3.7		n.a			13.6
NZAM/MAM	Balanced	n.a	4.2	9.5		n.a		n.a			n.a
TAM	Commodity	100.0	14.0	-46.1		-4.5		3.6			23.8
TYN	JPMAAM	100.0	3.3	-12.2		3.8		7.4			6.9
TYN	Options	n.a	7.4	0.3		10.9		14.0			13.3
WEL	Commodity	0.0	0.5	-23.3		n.a		n.a			n.a
Average			6.7	-7.0		3.4		7.5			12.1
Index											
HFR FoF Hedged NZD			5.5	-11.8		2.6		6.4			

Table 5 – Bond and Cash Funds**5.1 New Zealand Bonds**

		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. Rank	% p.a. Rank	% p.a. Rank	% p.a.	% p.a.	% p.a.	Rank	Rank
AB	Fixed Income	0.6	(4)	11.9	(2)	7.4	(3)	7.2	(3)	n.a	0.6	1.5	0.4	(3)
AMPCI	AIF F	1.0	(3)	15.8	(1)	9.0	(1)	8.1	(1)	7.6	2.1	1.9	1.1	(1)
AXAGI		1.3	(2)	7.9	(5)	6.0	(5)	n.a		n.a	-0.8	3.4	-0.3	(4)
ING	NZ Fixed Plus	1.5	(1)	3.1	(7)	4.8	(6)	6.3	(5)	6.8	-2.0	3.1	-0.6	(6)
ING	NZ Govt Bonds	-0.5	(7)	10.5	(4)	n.a		n.a		n.a	n.a	n.a	n.a	
TAM		0.3	(5)	11.7	(3)	7.9	(2)	7.5	(2)	7.1	1.0	1.1	1.0	(2)
TYN		-0.3	(6)	7.8	(6)	6.1	(4)	6.7	(4)	7.1	-0.8	1.9	-0.4	(5)
Average		0.6		9.8		6.9		7.2		7.1	0.0	2.1	0.2	
Indexes														
NZ Govt Stock		-0.5		9.8		6.8		6.7		6.6				
NZ All Swaps		0.8		14.7		n.a		n.a		n.a				

5.2 Global Bonds (hedged)

		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. Rank	% p.a. Rank	% p.a. Rank	% p.a.	% p.a.	% p.a.	Rank	Rank
AB	Global+ (Simltd)	8.5	(1)	3.3	(8)	6.8	(6)	7.5	(5)	n.a	-2.5	5.0	-0.5	(3)
AMPCI	AIF Q	7.1	(2)	5.2	(7)	5.0	(8)	6.0	(7)	6.8	-4.4	5.8	-0.8	(7)
AMPCI	AIF HQ	-0.6	(10)	n.a		n.a		n.a		n.a	n.a	n.a	n.a	
AXAGI		3.1	(6)	7.6	(5)	7.5	(5)	n.a		n.a	-2.3	3.5	-0.7	(6)
BLK	Global Div	2.2	(7)	10.5	(2)	n.a		n.a		n.a	n.a	n.a	n.a	
DFA		1.1	(8)	6.4	(6)	8.0	(3)	7.9	(4)	n.a	-1.8	3.0	-0.6	(4)
ING	Int'l Fixed Int.	-0.1	(9)	12.9	(1)	10.3	(1)	9.9	(1)	8.5	0.9	1.8	0.5	(1)
RUS	Global Bond	6.2	(4)	9.4	(3)	7.7	(4)	8.2	(2)	8.2	-2.2	4.6	-0.5	(2)
TAM	PIMCO	6.5	(3)	2.1	(9)	5.4	(7)	6.5	(6)	7.7	-4.0	4.9	-0.8	(8)
TYN	FFTW	4.5	(5)	8.0	(4)	8.0	(2)	8.1	(3)	8.0	-1.3	2.1	-0.6	(5)
Average		3.8		7.3		7.3		7.7		7.9	-2.2	3.8	-0.5	
A\$ Hedged														
INT		2.4		1.4		n.a		n.a		n.a	n.a	n.a	n.a	
Mercer		2.3		10.2		7.2		7.2		7.3	-2.7	7.5	-0.4	
WEL		3.4		11.2		8.1		7.2		n.a	2.5	17.3	0.1	
Index														
Barclays Global Agg.		2.1		11.2		9.4		8.7		8.5				
Citigroup WGBI		0.1		12.4		9.8		9.1		8.6				

5.3 Cash

		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. Rank	% p.a. Rank	% p.a. Rank	% p.a.	% p.a.	% p.a.	Rank	Rank
AB	NZ Cash	0.9	(6)	6.3	(5)	7.6	(6)	7.4	(7)	n.a	-0.1	0.3	-0.4	(7)
AMPCI	ASIT Cash	1.0	(4)	7.0	(2)	8.0	(3)	7.7	(4)	6.8	0.3	0.2	1.6	(3)
AMPCI	Enhanced Yield	1.3	(2)	5.1	(8)	7.5	(7)	7.7	(3)	n.a	-0.2	1.4	-0.1	(6)
AXAGI		1.3	(1)	6.3	(6)	7.4	(8)	n.a		n.a	-0.3	0.5	-0.7	(8)
ING	Cash Plus	0.8	(8)	6.2	(7)	8.1	(2)	8.4	(1)	7.2	0.4	0.2	1.7	(1)
Mercer	NZ Money Mkt	1.0	(5)	6.9	(3)	7.9	(4)	7.6	(6)	n.a	0.2	0.2	1.3	(5)
TAM		1.0	(3)	6.7	(4)	7.9	(5)	7.6	(5)	6.7	0.2	0.1	1.7	(2)
TYN		0.9	(7)	7.6	(1)	8.3	(1)	8.0	(2)	7.2	0.6	0.4	1.6	(4)
Average		1.0		6.5		7.8		7.8		7.0	0.2	0.4	0.8	
Index														
90 Day Bank Bill		0.8		6.2		7.7		7.5		6.7				

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 to 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.

Table 6 – Wholesale Balanced Funds**6.1 Returns**

Manager	3 Months		1 Year		3 Years		5 Years		10 Years	
	%	Rank	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank
AMPCI	4.7	(6)	-6.9	(2)	0.9	(2)	6.2	(1)	5.0	(3)
AXAGI	8.4	(2)	-8.5	(5)	-1.3	(4)	5.8	(3)	6.5	(1)
ING	6.4	(4)	-7.7	(3)	-1.8	(5)	5.1	(5)	4.8	(5)
Mercer	9.7	(1)	-10.5	(6)	-2.3	(6)	4.3	(6)	n.a	
TAM	7.4	(3)	-5.5	(1)	1.5	(1)	6.1	(2)	6.2	(2)
TYN	6.3	(5)	-8.0	(4)	-0.1	(3)	5.6	(4)	5.0	(4)
Average	7.1		-7.9		-0.5		5.5		5.5	

6.2 Asset Allocation

(Shaded figures indicate an increased asset allocation since the previous quarter)

Manager	NZ		Global		Property		Alt		Growth		Bonds		Cash	Income	Currency
	Shares	Assets	Shares	Assets	NZ	Global	Assets	Assets	NZ	Global	Assets	Alloc			
AMPCI	15.1	40.2	10.6	0.0	0.0	65.9	20.8	12.1	1.2	34.1	23.0				
AXAGI	17.9	39.3	1.8	3.9	2.6	65.5	4.0	19.2	11.3	34.5	17.6				
ING	19.2	32.2	9.3	2.4	2.5	65.5	12.2	20.5	1.8	34.5	18.9				
Mercer	12.1	33.6	3.6	6.3	10.1	65.8	5.8	24.1	4.3	34.3	16.8				
TAM	12.5	32.9	12.4	0.0	0.0	57.8	7.9	20.8	13.5	42.2	24.7				
TYN	19.9	30.3	0.0	4.1	5.3	59.6	21.0	17.0	2.4	40.5	15.1				
Average	16.1	34.7	6.3	2.8	3.4	63.3	12.0	18.9	5.8	36.7	19.3				

Table 7 – Additional information

(Funds under management relate to the total organisation)

	Acronym	Total FUM	Manager	Acronym	Total FUM
AllianceBernstein	AB	n.a	Milford Asset Management	MAM	275.0
AXA Global Investors	AXAGI	3,737.0	MLC	MLC	n.a
AMP Capital Investors	AMPCI	10,858.0	MGH Asset Management Ltd	MGH	n.a
Brook Asset Management	BAM	864.8	Mercer	Mercer	1,543.1
BlackRock Investment Management	BLK	n.a	Mint Asset Management	MNT	60.0
BNP Paribas Investment Management	BNP	n.a	New Zealand Assets Management	NZAM	614.0
Dimensional Fund Advisors	DFA	n.a	Russell Investment Group	RUS	n.a
Fisher Funds Management	FIS	612.7	SmartShares	SMS	265.7
GMO	GMO	n.a	Tower Asset Management	TAM	3,541.9
ING	ING	6,973.8	Templeton	TEM	n.a
Intech	INT	n.a	Tyndall Investment Management	TYN	3,425.8
Jana	Jana	n.a	Vanguard Investments Australia	VAN	n.a
Goldman Sachs JBWere	GSJBW	n.a	Wellington Management Company	WEL	n.a
Legg Mason, Inc.	LMI	n.a			

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