

Investment Survey March 2009 – Issues Arising Out of a Tough Year

1. Returns

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

Asset Class	Quarter	Year
NZ Shares	-4.1%	-24.1%
Australian shares in A\$	-2.0%	-29.5%
Global Shares:		
• local currency	-9.9%	-37.0%
• unhedged	-9.7%	-20.4%
• hedged	-10.8%	-38.5%
Property		
• NZ Property	-6.6%	-20.3%
• Global Property	-25.0%	-56.8%
NZ Bonds		
• Govt Bonds	-0.2%	12.4%
• Corporate A	-1.3%	11.9%
• All Swaps	-0.5%	17.3%
Global Bonds		
• World Govt Bonds	0.3%	11.3%
• Global Aggregate	0.7%	8.6%
Cash	1.1%	7.7%
NZ\$ against US\$	-2.3%	-27.4%
NZ\$ against AUS\$	-2.0%	-5.1%

2. Balanced Fund manager results

The top manager for the quarter was Tyndall, returning -2.7%. Their options fund returned 13.4% for the quarter and this aided their balanced fund.

The worst performing balanced funds over the quarter were Mercer and ING with -4.5% each.

Over 12 months AMPCI were top, buoyed by their strong NZ bond result and their high weighting to this sector. We now include 10 year results and top over this period are AXAGI (5.9% pa) followed closely by TAM (5.7% pa).

3. Issues to consider

A review of the investment performance statistics for the last year reveals just how tough the market has been for investors. The key issues we have identified and chosen to comment on are:

- Are the financial models broken.
- Should the current investment strategy be changed.
- When should a poorly performing manager be terminated.
- Why some charitable trusts are still able to make donations.
- When should a portfolio be de-risked.

3.1 Are the financial models used to derive the “optimum” portfolios broken?

Current approach To date, as asset consultants we have built portfolios for clients based around assessing the medium to long term returns for each asset class, the variability of the returns and the correlations between the asset classes. This has allowed us to derive expected risk and return outcomes for different portfolios and assess the extent to which the portfolio is best placed to meet a client’s agreed investment objectives.

The investment outcomes over the last 12 months are a long way down the range of expected outcomes from the models. To illustrate, the chance of a -40% fall in the MSCI is less than 1% under the MJW optimiser, so what does this mean for the models?

Changes to allow for current market levels

Given the change in the current level of assets compared to where they were, why do we not change our assumptions and re-optimize? Should we not take a short term view on the returns and adjust them back to normal in 2-3 years time when markets have recovered? If we did this and adjusted the client’s portfolio on the basis of the results would we then get better outcomes for our clients? Surely we expect markets to revert back to the long term trend and large falls will be followed by a rising market even if we are not sure when the rise will occur.

Response The answer is maybe these changes would give better outcomes from the model. However when setting up the portfolio initially and establishing the strategic asset allocation and ranges, the purpose was to establish a framework within which to manage all investment outcomes in the future. Of course we had no expectation that we would experience the current situation, but does this mean we have to change the approach? Most critically the ranges were established to re-balance the impact of large variances in the outcomes for any one asset class. A positive outcome of this strategy is that we would buy assets when they were historically cheap and sell them when they were historically expensive.

One of the critical underlying assumptions of working to a defined management framework is that markets will do what markets do over any short period of time where the ability for investors to time their buy and sell decisions is limited. We therefore look to set up an approach which we can apply on an “almost automatic” basis, which would add some value over time and would avoid making one-off tactical decisions which may or may not be right.

Where do managers add value? While some managers will claim the ability to consistently get their decisions right, (and based on recent market movements there will be a number who for whatever reason have done well) the evidence for this is limited. More importantly, the long term returns from the investments will continue to be based more on the agreed strategic asset allocation and less on the actual manager's decision-making ability. It can be accepted that managers add value within asset sectors (where they do have important skill sets), but their ability to add value through tactical asset allocation is not proven.

Answer So we do not think the financial models are broken. But we certainly need to review our assumptions, particularly in regard to the variability of returns, as well as think in terms of building alternative scenarios to assist us with our decisions.

3.2 Should the current investment strategy be changed

For many of the reasons stated above, now is not the right time to change an agreed strategy, provided the basis for the strategy has not changed.

For example, with a defined contribution superannuation fund if the time horizon is the same and the objectives are unchanged, then the investment strategy should not change. This may not be the case for a defined benefit scheme if the objective of the sponsor has changed and the sponsor has decided to be more risk averse. The risk is crystallising losses which won't be recovered when markets return to normality.

3.3 When should a poor performing manager be terminated

In all asset sectors other than New Zealand share and cash sectors, the managers' have on average underperformed the market result for the last 12 months. For some managers the outcomes have been particularly poor. So should these managers be terminated? Perhaps, but a decision on hiring and firing managers should not be based solely on recent performance results. The factors we look at are (taken from an MJW drafted SIPO)

- *failure of the fund manager to meet the return expectations,*
- *changes in personnel, firm structure, or investment philosophy, style or approach, which the Trustee believes may adversely affect the potential return and/or risk level of the portfolio, and*
- *failure to adhere to the stated investment policies and procedures.*

In some instances the factors are clear-cut. But changes in investment style, approach and philosophy will take place over time and will be more difficult to assess.

An old rule of thumb used to be 3 quarters of under performance and you were fired. This would have seen most global bond managers terminated over the last 18 months. A major difficulty in the NZ market is that there are now only 7 NZ share managers and 6 NZ bond managers.

However our view is firming that changes need to be made in some instances.

3.4 Why some charitable trusts are still able to make donations

An outcome of the tough investment market is that some community trusts have chosen to seriously reduce the level of their donations.

Some charitable trusts have set themselves up to distribute all the income they receive, while looking to maintain the real value of their capital over time. Those trusts have generally made distributions of around 5% of their value as at April 2008 and tend to have investment strategies with greater exposure to NZ assets. However all trusts will have similar negative returns for the 2008/09 year.

Which is the right approach? Is the community trust approach too short term focussed? Possibly, but it is not an easy issue to make decisions on. Maintaining the capital is a prime consideration.

3.5 When should a portfolio be de-risked

When a portfolio has fallen by a sizeable amount or has reached a minimum level set by the Trustees' policy, there is a natural view that action is required to prevent any further falls by de-risking the portfolio. While this is more than understandable, it also seems like selling out at the bottom and crystallising the losses accumulated to date. The opposite phenomenon occurs when a fund or trust builds up positive surplus and thinks about talking on more risk just because it has the surplus.

Both strategies would seem to ignore the expectation that the value of the investments will revert back to a long term trend line over time. While a trustee will need to follow a de-risking process if it is agreed policy, it may be that the policy should be reviewed. So often policy setting is divorced from real experience - what seemed reasonable at the time of drafting is no longer reasonable when reality is faced.

3.7 Scenario building

With so much current uncertainty, it may be useful to build 3 or 4 scenarios, including one where market return to normality in a short period of time. The aim of the exercise should be to assess how a fund might perform in each of the scenarios, and to use the results to consider whether any changes could be made to the investment strategy.

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	-4.5	(3)	-12.0	(2)	-2.6	(1)	7.9	(1)	6.2	(3)	7.0	6.7	1.0	(1)
MAM	NZ Shares	-0.1	(1)	-10.5	(1)	-4.6	(2)	n.a		n.a		5.0	n.a	n.a	
TAM	NZ Shares	-5.8	(4)	-24.0	(4)	-9.1	(4)	2.4	(3)	7.1	(2)	0.5	2.4	0.2	(3)
TYN	Core Share	-2.9	(2)	-21.0	(3)	-8.5	(3)	3.4	(2)	7.4	(1)	1.1	2.5	0.4	(2)
Australasian															
AB	High Growth	-3.4	(3)	-19.5	(5)	-6.4	(3)	4.6	(4)	n.a		3.2	4.1	0.8	(5)
AMPCI	Active	-3.0	(1)	-18.5	(2)	-5.4	(1)	4.3	(5)	8.0	(3)	4.2	2.2	1.9	(1)
AXAGI		-4.2	(6)	-19.4	(4)	-6.6	(4)	n.a		n.a		3.0	3.5	0.9	(4)
BAM		-4.2	(7)	-17.9	(1)	-6.2	(2)	5.2	(3)	9.6	(2)	3.4	3.0	1.2	(2)
GSJBW	Core Equity	-4.1	(5)	n.a		n.a		n.a		n.a		n.a	n.a	n.a	
ING	Aust Share	-3.3	(2)	-19.7	(6)	-7.5	(6)	5.4	(2)	10.1	(1)	2.1	3.2	0.6	(6)
Mercer	Trans-Tasman	-3.6	(4)	-18.6	(3)	-6.9	(5)	5.4	(1)	n.a		2.8	2.5	1.1	(3)
Average		-3.7		-18.9		-6.5		5.0		9.2		3.1	3.1	1.1	
Non core															
AMPCI	Strategic	-3.6		-16.9		-3.6		6.9		n.a		6.1	5.7	1.1	
FIS	NZ Growth	-5.1		-26.7		-8.2		7.2		11.1		1.5	12.5	0.1	
GSJBW	Trans-Tasman	-2.4		-19.5		-3.6		9.4		8.7		6.1	8.8	0.7	
ING	ESF	-2.6		-16.2		-7.1		n.a		n.a		2.5	7.8	0.3	
MAM	Peak	-0.3		-5.2		n.a		n.a		n.a		n.a	n.a	n.a	
MNT		-3.2		-14.0		n.a		n.a		n.a		n.a	n.a	n.a	
TYN	Aggressive	1.2		-8.6		8.9		19.5		n.a		18.5	9.8	1.9	
Indexed															
AMPCI	NZ Eq Passive	-4.0		-23.5		-9.5		1.1		4.5		0.1	0.3	0.5	
SMS	NZ Top 10	-3.6		-23.2		-12.4		-2.8		1.1		-2.7	7.1	-0.4	
SMS	NZ Top 50	-4.9		-20.9		-10.4		n.a		n.a		-0.8	9.2	-0.1	
SMS	NZ Mid Cap	-9.5		-25.7		-7.7		2.2		4.2		2.0	11.0	0.2	
SMS	Aus Mid Cap	-4.4		-35.6		-12.4		n.a		n.a		-2.8	15.8	-0.2	
SMS	Aus Top 20	-1.5		-16.5		-2.9		7.4		5.1		6.8	16.3	0.4	
Indexes															
NZSX50 (incl IC's)		-4.1		-24.1		-9.6		1.3		4.8					
ASX200		-2.0		-29.5		-7.2		5.5		6.5					
Cash + 5% pa		2.4		12.7		13.1		12.6		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	-8.0	(3)	-21.7	(1)	-4.4	(1)	4.6	(2)	n.a		0.0	1.6	0.0	(1)
ING	Prop Securities	-7.0	(1)	-23.0	(3)	-4.8	(2)	6.2	(1)	8.8	(1)	-0.4	2.8	-0.1	(2)
MNT	Australasian	-7.6	(2)	-22.3	(2)	n.a		n.a		n.a		n.a	n.a	n.a	
Average		-7.5		-22.3		-4.6		5.4		8.8		-0.2	2.2	-0.1	
NZ Direct															
AMPCI	AIF P	0.9	(1)	-12.0	(2)	12.8	(1)	14.2	(1)	10.7	(2)	2.0	9.1	0.2	(1)
TAM		-10.0	(2)	-8.2	(1)	9.3	(2)	13.3	(2)	12.6	(1)	-1.5	9.3	-0.2	(2)
Average		-4.6		-10.1		11.0		13.7		11.6		0.3	9.2	0.0	
Global															
AMPCI	GPSF	-28.2	(5)	-60.8	(5)	-24.0	(1)	-4.7	(1)	n.a		-0.9	6.6	-0.1	(1)
ING	Ex Australia	-27.1	(4)	-59.2	(3)	-25.0	(2)	n.a		n.a		-1.9	4.4	-0.4	(2)
INT	Int'l Prop	-22.7	(2)	-55.2	(2)	n.a		n.a		n.a		n.a	n.a	n.a	
RUS	Global R.E.	-21.6	(1)	-54.6	(1)	n.a		n.a		n.a		n.a	n.a	n.a	
TYN		-23.3	(3)	-59.4	(4)	-25.0	(3)	-8.0	(2)	n.a		-3.0	4.1	-0.7	(3)
Average		-24.6		-57.8		-24.7		-6.4		n.a		-1.9	5.0	-0.4	
Indexes															
NZSE Property		-6.6		-20.3		-4.4		4.1		6.3					
UBS Global Property		-25.0		-56.8		-23.2		-5.2		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	-8.3	(9)	-32.0	(13)	-17.0	(13)	-2.3	(10)	n.a		-5.7	4.6	-1.2	(12)
AMPCI	FDF Int'l Share	-7.5	(5)	-23.7	(10)	-12.9	(9)	-0.1	(6)	n.a		-1.7	3.1	-0.5	(8)
AXAGI	Global Eq	-8.6	(10)	-23.0	(7)	-11.5	(6)	n.a		n.a		-0.2	5.0	0.0	(5)
BNP	Global Eq	-9.0	(14)	-14.4	(1)	-6.5	(1)	3.7	(1)	2.2	(1)	4.7	4.1	1.2	(1)
ING	Int'l Eq	-7.7	(7)	-18.6	(3)	-9.3	(2)	1.7	(2)	-3.1	(6)	2.0	2.5	0.8	(2)
INT	Int'l Shares	-8.9	(13)	-23.6	(9)	-13.9	(11)	-1.7	(9)	-2.9	(5)	-2.6	2.6	-1.0	(11)
Jana	Core Global	-7.7	(8)	-26.5	(12)	-14.1	(12)	n.a		n.a		-2.9	4.7	-0.6	(9)
Mercer	Global Shares	-8.8	(12)	-23.8	(11)	-12.6	(8)	0.1	(5)	n.a		-1.3	2.8	-0.5	(7)
MLC	NCIT	-6.2	(2)	-23.5	(8)	-12.5	(7)	-0.4	(7)	-1.2	(3)	-1.2	4.1	-0.3	(6)
RUS	ISF	-8.8	(11)	-22.8	(6)	-13.0	(10)	-0.7	(8)	n.a		-1.7	1.7	-1.0	(10)
RUS	GOF	-6.4	(3)	-19.4	(4)	-10.4	(4)	n.a		n.a		0.9	n.a	n.a	
TAM	International	-7.6	(6)	-20.9	(5)	-10.6	(5)	0.5	(4)	-0.2	(2)	0.7	8.7	0.1	(4)
TYN	Capital Int'l	-7.1	(4)	-16.5	(2)	-10.0	(3)	0.9	(3)	-2.0	(4)	1.3	2.4	0.5	(3)
TYN	Multi-manager	-5.3		n.a		n.a		n.a		n.a		n.a	n.a	n.a	
WEL	Opportunities	n.a		n.a		n.a		n.a		n.a		n.a	n.a	n.a	
Average		-7.7		-22.2		-11.9		0.2		-1.2		-0.6	3.8	-0.2	
Value															
AB	Value	-10.4	(2)	-33.8	(5)	-17.2	(5)	-1.9	(5)	0.4	(3)	-5.9	5.4	-1.1	(5)
DFA	Value	-14.3	(5)	-30.8	(4)	-15.5	(4)	-1.2	(4)	n.a		-4.3	5.6	-0.8	(4)
GMO	Equity Trust	-10.9	(3)	-19.3	(1)	-11.6	(3)	0.5	(3)	0.8	(2)	-0.3	1.6	-0.2	(3)
TAM	Marathon	-9.6	(1)	-23.3	(3)	-10.9	(2)	1.1	(1)	3.8	(1)	0.3	3.9	0.1	(2)
TEM		-12.3	(4)	-21.2	(2)	-10.5	(1)	1.0	(2)	n.a		0.8	5.5	0.1	(1)
WEL	Value	n.a		n.a		n.a		n.a		n.a		n.a	n.a	n.a	
Average		-11.5		-25.7		-13.2		-0.1		1.7		-1.9	4.4	-0.4	
Growth															
AB	Research	-6.1	(3)	-30.1	(3)	-16.8	(3)	-2.6	(2)	-0.1	(1)	-5.5	17.1	-0.3	(3)
BNP	Growth	-5.0	(2)	-14.2	(2)	-8.1	(2)	2.6	(1)	n.a		3.2	3.4	1.0	(2)
GMO	Growth	-4.2	(1)	-11.8	(1)	-7.8	(1)	n.a		n.a		3.5	3.1	1.1	(1)
WEL	Growth	n.a		n.a		n.a		n.a		n.a		n.a	n.a	n.a	
Average		-5.1		-18.7		-10.9		0.0		-0.1		0.4	7.8	0.6	
Indexed															
AMPCI	WinZ	-9.0		-17.0		-10.7		-0.3		-3.4		0.6	1.5	0.4	
VAN		-10.0		-20.3		-11.5		-0.3		-2.7		-0.3	0.5	-0.6	
Other															
AMPCI	Extended	-3.2		-20.4		-11.0		3.4		n.a		-6.5	13.4	-0.5	
AMPCI	S Responsible	-8.9		-27.5		-13.1		-1.4		n.a		-1.8	7.5	-0.2	
Jana	High Alpha	-5.7		-26.3		-14.3		n.a		n.a		-3.0	6.2	-0.5	
LMI	Emerging	2.9		-31.4		-5.9		8.2		n.a		-1.5	4.2	-0.3	
NZAM	Multi-Manager	1.8		6.4		-1.0		7.3		9.7		10.3	9.5	1.1	
TYN	SRI	-2.1		n.a		n.a		n.a		n.a		n.a	n.a	n.a	
Indexes															
MSCI 0% hedged		-9.7		-20.4		-11.3		0.0		-2.5					
MSCI 100% hedged		-10.8		-38.5		-12.6		-0.5		0.0					
MSCI Emerging 0% hedged		5.6		-24.4		-4.5		10.1		n.a					

Table 4 – Other Funds

Manager		FX %	3 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	3 Years Volatility
ING	Topaz	100.0	3.6	-4.9	3.7	6.5	6.0
ING	Topaz +	100.0	6.0	-16.7	-0.6	5.2	12.0
ING	Onyx	100.0	3.2	-3.0	4.8	6.1	4.5
MAM	Aggressive	n.a	2.3	8.6	n.a	n.a	n.a
MGH		0.0	-5.4	3.8	-3.4	5.7	14.9
Mercer		0.0	3.2	-3.5	2.1	n.a	13.1
TAM	Commodity	100.0	-1.2	-44.1	-7.5	-0.3	23.5
TYN	JPMAAM	100.0	-0.5	-14.4	2.9	6.8	7.0
TYN	Options	n.a	13.4	1.8	10.0	13.2	12.8
WEL	Commodity	0.0	n.a	n.a	n.a	n.a	n.a
Average			2.7	-8.0	1.5	6.2	11.7
Index							
HFR FoF Hedged NZD			1.2	-13.4	0.7	5.2	

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

		3 Months		1 Year		3 Years		5 Years		10 Years		Excess Return % p.a.	3 Years Tracking Error % p.a.	Information Ratio Rank	
Manager		% 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	-0.8	(4)	14.6	(2)	7.4	(3)	7.0	(3)	n.a		0.1	1.4	0.1	(3)
AMPCI	AIF F	0.0	(2)	17.8	(1)	8.9	(1)	7.7	(1)	7.4	(1)	1.6	1.8	0.9	(1)
AXAGI		-3.6	(7)	9.5	(6)	6.0	(5)	n.a		n.a		-1.3	3.2	-0.4	(5)
ING	NZ Fixed Plus	-1.7	(6)	4.1	(7)	4.8	(6)	6.0	(5)	6.5	(4)	-2.5	3.0	-0.8	(6)
ING	NZ Govt Bonds	0.6	(1)	13.8	(4)	n.a		n.a		n.a		n.a	n.a	n.a	
TAM		-0.4	(3)	14.5	(3)	8.1	(2)	7.4	(2)	6.9	(3)	0.8	1.1	0.8	(2)
TYN		-1.5	(5)	11.0	(5)	6.5	(4)	6.6	(4)	7.0	(2)	-0.7	1.9	-0.4	(4)
Average		-1.0		12.2		7.0		6.9		7.0		-0.3	2.1	0.0	
Indexes															
NZ Govt Stock		-0.2		12.4		7.3		6.7		6.5					
NZ All Swaps		-0.5		17.3		n.a		n.a		n.a					

5.2 Global Bonds (hedged)

		3 Months		1 Year		3 Years		5 Years		10 Years		Excess Return % p.a.	3 Years Tracking Error % p.a.	Information Ratio Rank	
Manager		% 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)	-0.2	(7)	-4.3	(8)	4.2	(7)	5.7	(6)	n.a		-4.6	4.2	-1.1	(2)
AMPCI	Global Fixed	5.2	(1)	-3.2	(7)	2.6	(9)	4.4	(8)	6.0	(5)	-6.2	5.4	-1.1	(3)
AXAGI		1.7	(2)	3.8	(3)	6.8	(3)	n.a		n.a		n.a	n.a	n.a	
BLK	Global Euro	0.9	(5)	1.8	(6)	5.4	(6)	6.5	(5)	n.a		-3.4	2.5	-1.3	(6)
DFA		1.1	(4)	7.6	(2)	8.2	(2)	7.4	(2)	n.a		n.a	n.a	n.a	
ING	Int'l Fixed Int.	0.2	(6)	12.4	(1)	10.6	(1)	9.7	(1)	8.4	(1)	1.8	1.5	1.2	(1)
RUS	Global Bond	1.4	(3)	3.2	(5)	5.7	(5)	7.0	(4)	7.4	(2)	n.a	n.a	n.a	
TAM	PIMCO	-0.8	(9)	-4.8	(9)	3.4	(8)	5.1	(7)	6.8	(4)	-5.4	4.5	-1.2	(5)
TYN	FFTW	-0.5	(8)	3.3	(4)	6.6	(4)	7.2	(3)	7.4	(3)	-2.3	1.9	-1.2	(4)
Average		1.0		2.2		5.9		6.6		7.2		-3.4	3.4	-0.8	
A\$ Hedged															
INT		1.4		-2.2		n.a		n.a		n.a		n.a	n.a	n.a	
Mercer		0.4		6.6		6.4		6.5		6.9		n.a	n.a	n.a	
Index															
Barclays Global Agg.		0.7		8.6		8.8		8.1		8.2					
Citigroup WGBI		0.3		11.3		10.0		9.0		8.5					

5.3 Cash

		3 Months		1 Year		3 Years		5 Years		10 Years		Excess Return % p.a.	3 Years Tracking Error % p.a.	Information Ratio Rank	
Manager		% 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	1.1	(5)	7.8	(5)	7.9	(6)	7.5	(7)	n.a		-0.2	0.2	-0.7	(7)
AMPCI	ASIT Cash	1.3	(2)	8.4	(2)	8.4	(3)	7.8	(4)	6.8	(3)	0.3	0.2	1.4	(3)
AMPCI	Enhanced Yield	-0.3	(8)	7.0	(8)	7.8	(7)	7.9	(3)	n.a		-0.3	1.0	-0.3	(6)
AXAGI		1.0	(7)	7.5	(7)	7.7	(8)	n.a		n.a		-0.3	0.3	-0.9	(8)
ING	Cash Plus	1.0	(6)	7.8	(6)	8.6	(2)	8.6	(1)	7.2	(1)	0.5	0.2	2.0	(1)
Mercer	NZ Money Mkt	1.3	(3)	8.3	(3)	8.2	(4)	7.7	(5)	n.a		0.1	0.2	0.9	(5)
TAM		1.2	(4)	8.0	(4)	8.2	(5)	7.7	(6)	6.7	(4)	0.1	0.1	1.1	(4)
TYN		1.8	(1)	9.2	(1)	8.7	(1)	8.1	(2)	7.2	(2)	0.6	0.4	1.6	(2)
Average		1.0		8.0		8.2		7.9		7.0		0.1	0.3	0.7	
Index															
90 Day Bank Bill		1.1		7.7		8.1		7.6		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.
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		Gross 3 Years		5 Years		10 Years	
	%	Rank	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank	% p.a.	Rank
AMPCI	-3.6	(2)	-10.1	(1)	-0.6	(1)	5.7	(1)	4.8	(3)
AXAGI	-3.7	(3)	-15.7	(5)	-4.0	(5)	4.6	(3)	5.9	(1)
ING	-4.5	(5)	-13.6	(4)	-3.6	(4)	4.6	(4)	4.2	(5)
Mercer	-4.5	(6)	-19.2	(6)	-5.1	(6)	2.8	(6)	n.a	
TAM	-4.2	(4)	-12.1	(2)	-0.8	(2)	5.2	(2)	5.7	(2)
TYN	-2.7	(1)	-12.5	(3)	-2.4	(3)	4.6	(5)	4.5	(4)
Average	-3.9		-13.9		-2.8		4.6		5.0	

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	14.4	35.0	12.4	0.0	0.0	61.8	21.8	12.8	3.5	38.2	22.0				
AXAGI	17.6	37.6	1.9	3.4	2.5	63.0	4.2	19.6	13.2	37.0	20.7				
ING	20.3	32.9	9.5	1.8	2.6	67.2	12.5	17.1	3.2	32.8	19.7				
Mercer	13.2	32.0	3.4	5.3	10.8	64.7	6.6	24.2	4.5	35.3	16.0				
TAM	12.6	32.6	13.0	0.0	0.0	58.2	6.1	20.3	15.4	41.8	26.3				
TYN	18.9	30.0	0.0	3.4	7.5	59.8	21.1	17.1	2.1	40.2	15.0				
Average	16.2	33.3	6.7	2.3	3.9	62.4	12.1	18.5	7.0	37.6	19.9				

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	240.0
AXA Global Investors	AXAGI	3,548.0	MLC	MLC	n.a
AMP Capital Investors	AMPCI	10,558.0	MGH Asset Management Ltd	MGH	n.a
Brook Asset Management	BAM	788.0	Mercer	Mercer	1,362.7
BlackRock Investment Management	BLK	n.a	Mint Asset Management	MNT	55.0
BNP Paribas Investment Management	BNP	n.a	New Zealand Assets Management	NZAM	587.0
Dimensional Fund Advisors	DFA	n.a	Russell Investment Group	RUS	n.a
Fisher Funds Management	FIS	519.2	SmartShares	SMS	248.3
GMO	GMO	n.a	Tower Asset Management	TAM	3,407.6
ING	ING	7,052.6	Templeton	TEM	n.a
Intech	INT	n.a	Tyndall Investment Management	TYN	3,389.8
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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