

Multi-Manager Investment Survey – June 2009

We are pleased to present the results of our multi-manager investment survey.

While there are only two sectors where Multi-Manager funds are predominant – global shares and global bonds, there is at least one multi-manager in each asset sector and we have chosen to illustrate the results for every asset sector.

The charts in this document are 3 year risk-return charts, highlighting the Multi-Manager funds. On the charts we have illustrated the single manager results (black dots) as a frame of reference. The horizontal and vertical lines indicate medians for all funds.

The performance expectation of a multi-manager fund compared to a single manager fund is that the fund will achieve above average performance for below average risk. When comparing the results of the global shares and global bonds sectors arguably the global bond sector has the better multi-manager results. A review of the global shares fund results shows that the multi-manager funds returns are less than for the single manager results and with similar risk levels ie they are not achieving what they are meant to achieve.

New in this edition is the inclusion of tables showing the sub-managers employed and their target allocation. Commenting on the sub-managers for the global shares funds we note that Bernstein appears 6 times while other managers to feature more than once are Alliance, Baillie Gifford, Capital International, Arrowstreet Capital and MFS. Under global bonds PIMCO and Colchester are popular sub-managers.

Melville Jessup Weaver has performed a number of Multi-Manager searches recently. In these assignments our analysis covers both the overall fund results (as illustrated in this document) and a review of the underlying manager results. We use the global expertise of Towers Perrin, our alliance partner, for research into the underlying managers.

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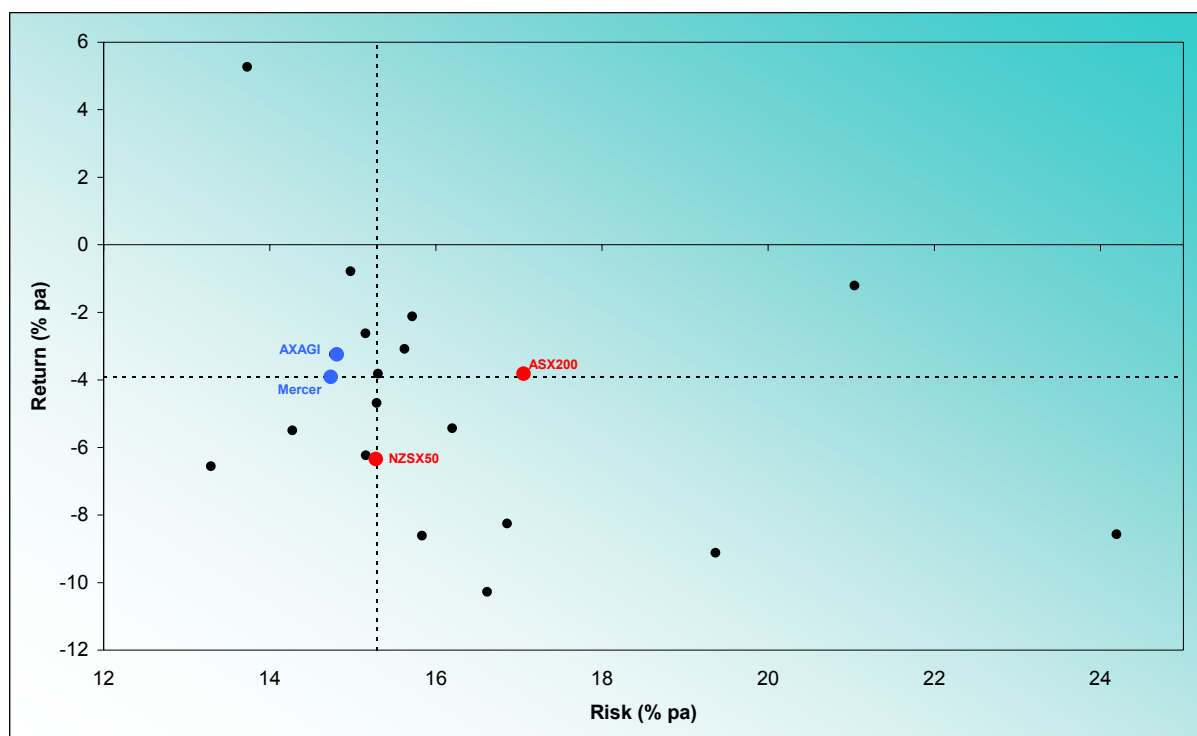
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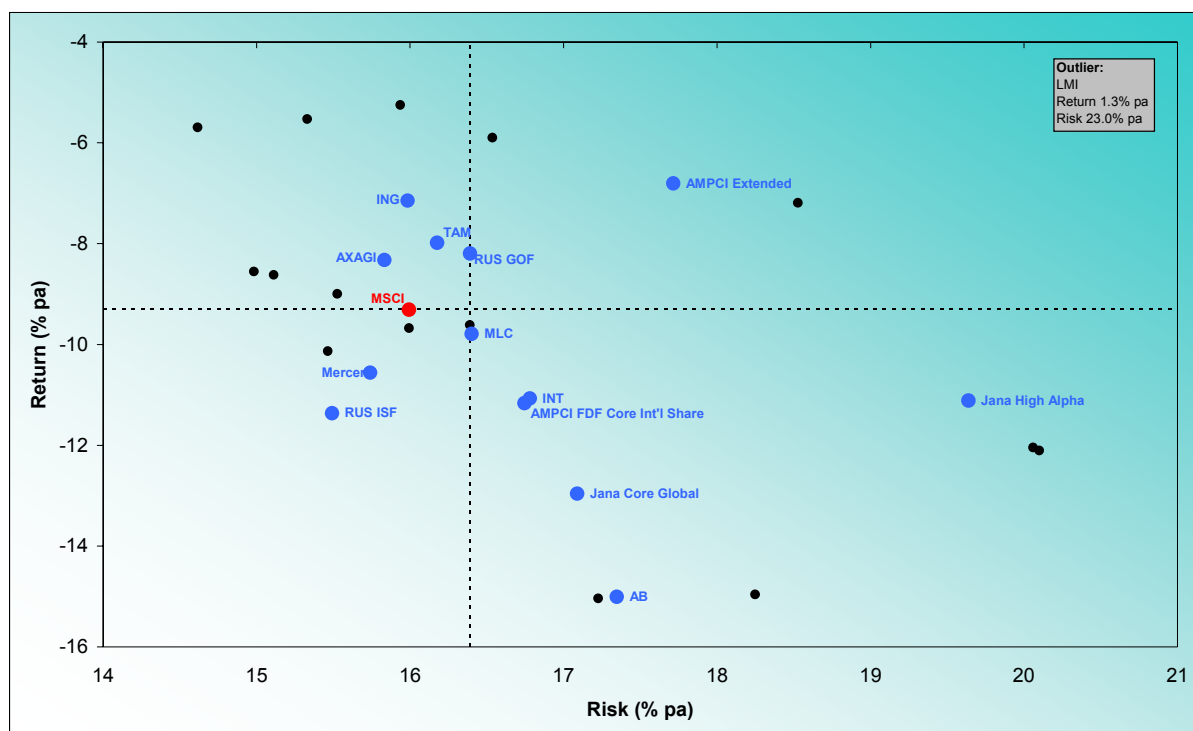
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Table 1.1 – Australasian Share Funds**3 Years to June 2009**

	3 Months	1 Year	3 Years	5 Years	10 Years
Manager	% Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank
AXAGI	10.1 (1)	-8.6 (2)	-3.2 (1)	n.a	n.a
Mercer Trans-Tasman	7.7 (2)	-5.9 (1)	-3.9 (2)	6.1 (1)	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

Comments:

The 2 multi-manager funds from AXAGI and Mercer continue to have lower volatility than the average fund. AXAGI has slightly outperformed over 3 years.

Table 1.2 – Global Share Funds (unhedged)**3 Years to June 2009**

		3 Months		1 Year		3 Years		5 Years		10 Years	
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. Rank	% p.a. Rank
Core											
AB	Style Blend	6.2 (10)	-28.7 (12)	-15.0 (12)	-2.1 (9)	n.a					
AMPCI	Core Int'l Share	7.1 (7)	-22.5 (10)	-11.2 (9)	0.0 (6)	n.a					
AXAGI	Global Eq	9.8 (1)	-17.7 (5)	-8.3 (5)	n.a	n.a					
ING	Int'l Eq	7.4 (5)	-12.6 (1)	-7.1 (2)	1.8 (2)	-2.6 (4)					
INT	Int'l Shares	8.5 (3)	-18.7 (6)	-11.1 (8)	-1.0 (8)	-2.7 (5)					
Jana	Core Global	4.7 (13)	-26.6 (11)	-13.0 (11)	n.a	n.a					
Mercer	Global Shares	6.3 (8)	-20.4 (8)	-10.6 (7)	0.4 (5)	n.a					
MLC	NCIT	8.4 (4)	-20.4 (9)	-9.8 (6)	0.4 (4)	-1.4 (3)					
RUS	ISF	4.8 (12)	-20.0 (7)	-11.4 (10)	-0.9 (7)	n.a					
RUS	GOF	7.3 (6)	-15.2 (4)	-8.2 (4)	n.a	n.a					
TAM	International	8.5 (2)	-14.5 (3)	-8.0 (3)	1.3 (3)	-0.3 (2)					
TYN	Multi-manager	5.2 (11)	n.a	n.a	n.a	n.a					
WEL	Opportunities	6.2 (9)	-14.4 (2)	-5.9 (1)	2.6 (1)	1.1 (1)					
Other											
AMPCI	Extended	11.3	-15.3	-6.8	4.6	n.a					
Jana	High Alpha	11.0	-20.7	-11.1	n.a	n.a					
NZAM	Multi-Manager	5.8	8.5	0.4	7.8	9.8					
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					

Comments:

Most multi-manager funds had similar volatility levels, but there is a wide range of return results.

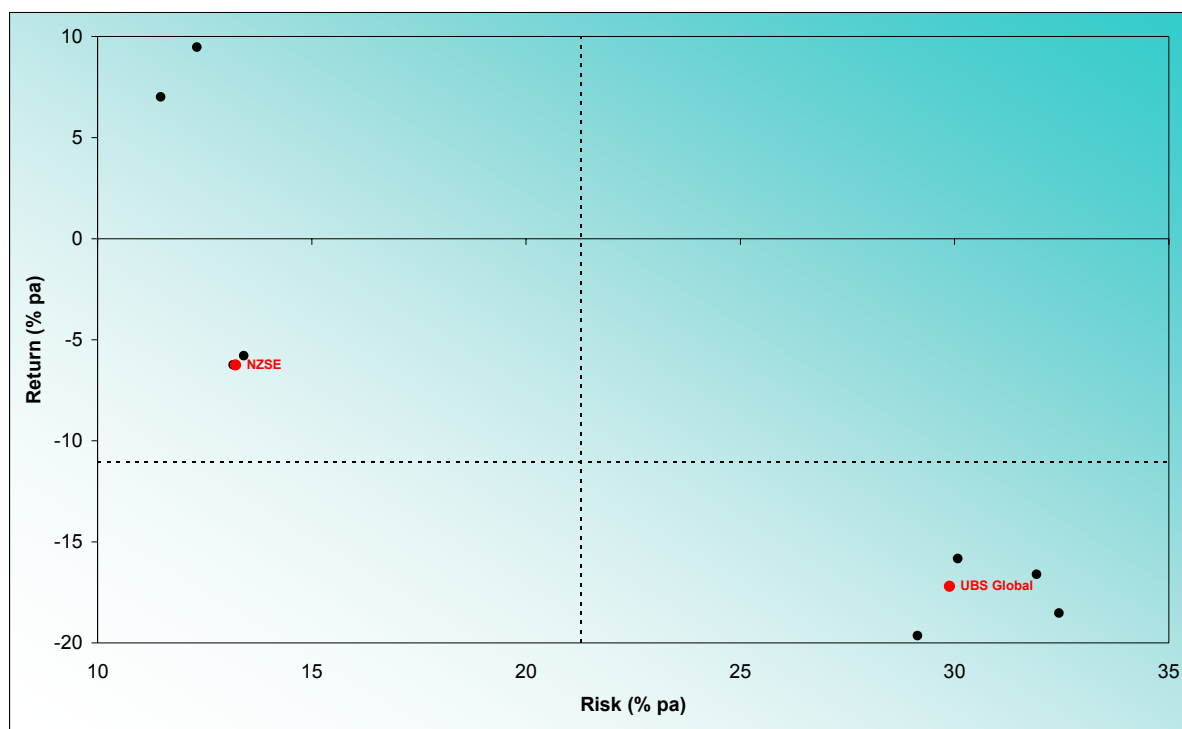
The two top funds for the 3 year period are ING and TAM which have different approaches to the average multi-manager fund.

NZAM's results stand out as they have managed to avoid the fall in markets with their absolute return mandate. LMI is an emerging market fund that continues to perform well.

The graph shows that the multi-manager funds have similar risk levels as single manager funds but with a lower return.

Table 1.3 – Property Funds

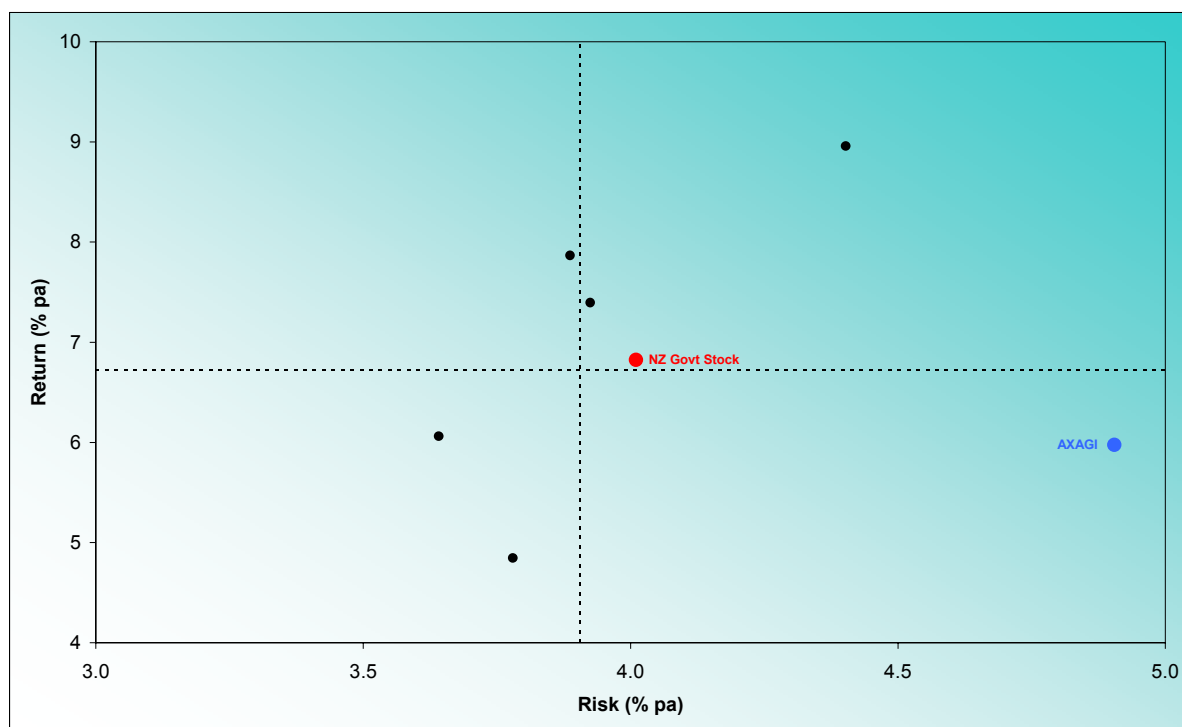
3 Years to June 2009



		3 Months	1 Year	3 Years	5 Years	10 Years
Manager		% Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank
RUS	Global R.E.	28.9	-37.7	n.a	n.a	n.a
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

Comments:

The only multi-manager fund, Russell's global fund, does not yet have a 3 year history.

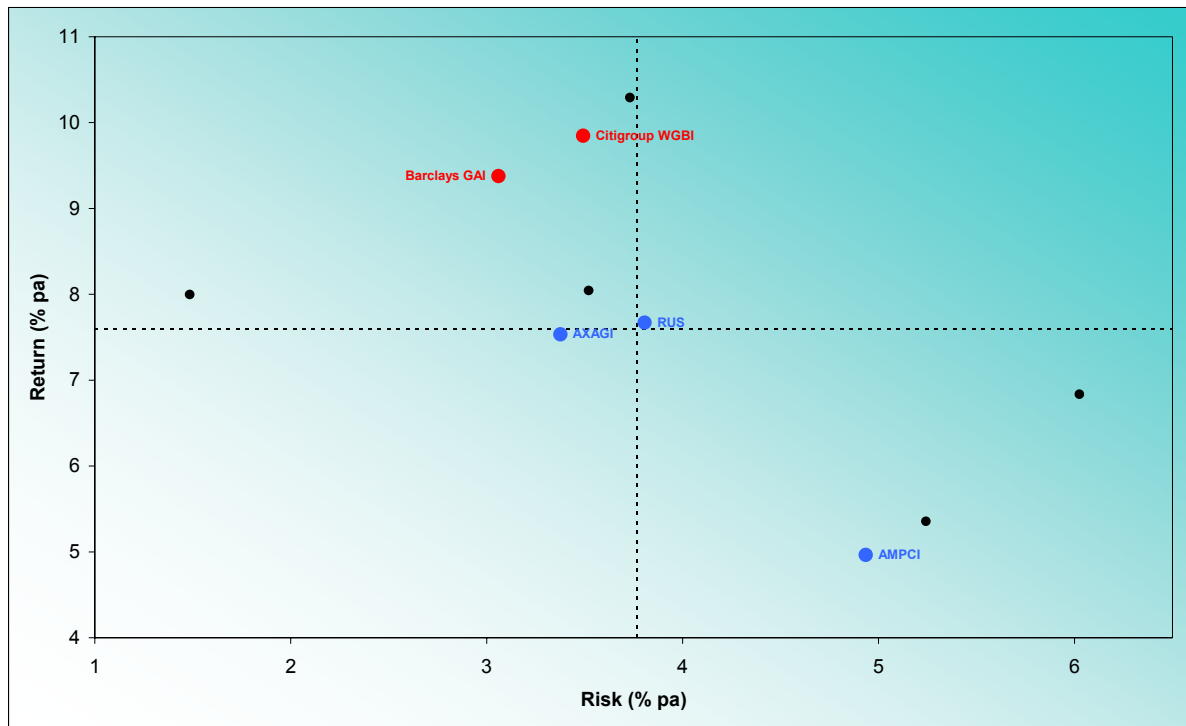
Table 1.4 – NZ Bond Funds**3 Years to June 2009**

	3 Months	1 Year	3 Years	5 Years	10 Years
Manager	% Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank	% p.a. Rank
AXAGI	1.3	7.9	6.0	n.a	n.a
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

Comments:

AXAGI has a much higher volatility than the single manager funds. The results reflect ING, one of the two fund managers, who's returns have recently been quite volatile. On a go forward basis, ING has been replaced by AllianceBernstein in the fund.

Table 1.5 – Global Bond Funds (hedged)
3 Years to June 2009



		3 Months		1 Year		3 Years		5 Years		10 Years	
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. Rank	
AMPCI	AIF Q	7.1	(1)	5.2	(3)	5.0	(3)	6.0	(2)	6.8	(2)
AXAGI		3.1	(3)	7.6	(2)	7.5	(2)	n.a		n.a	
RUS	Global Bond	6.2	(2)	9.4	(1)	7.7	(1)	8.2	(1)	8.2	(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	

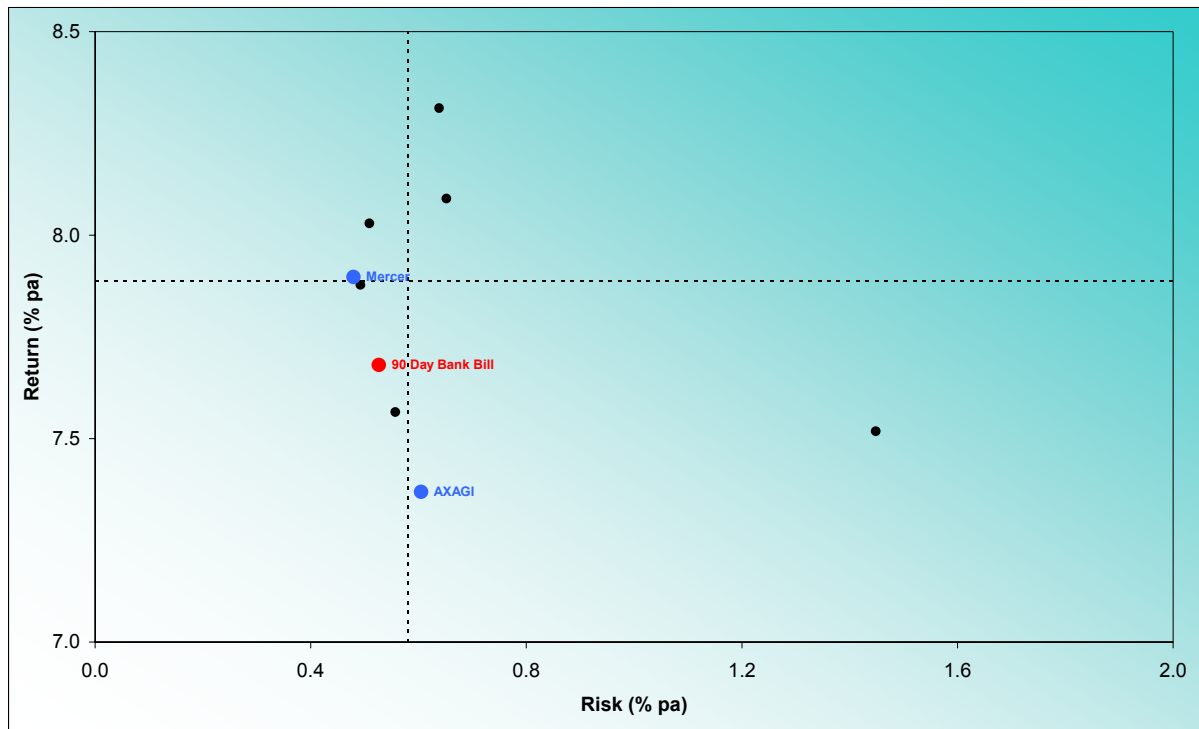
Comments:

AMPCI had a strong June quarter as markets began to normalise. Over longer periods, they still trail their peers and the index.

All except one manager underperformed the two indices. Ignoring AMPCI who have had a rough time recently, the multi-managers have been median in both risk and returns

Table 1.6 – Cash Funds

3 Years to June 2009



	3 Months		1 Year		3 Years		5 Years		10 Years	
Manager	% Rank	% p.a. Rank	% Rank	% p.a. Rank	% Rank	% p.a. Rank	% Rank	% p.a. Rank	% Rank	% p.a. Rank
AXAGI	1.3	(1)	6.3	(2)	7.4	(2)	n.a		n.a	
Mercer NZ Money Mkt	1.0	(2)	6.9	(1)	7.9	(1)	7.6	(1)	n.a	
Index										
90 Day Bank Bill	0.8		6.2		7.7		7.5		6.7	

Comments:

AXAGI's fund has trailed the index somewhat. The fund with the relatively large volatility (risk) is AMPCI's Enhanced Yield Fund.

Table 2.1 – Australasian Share Funds

AXAGI	Brook Asset Management	Australasian Value	33%
	AllianceBernstein NZ	Australasian High Growth	33%
	Milford Asset Management	NZ Equities	17%
	MIR	Australian Value	17%

Table 2.2 – Global Share Funds

AB	Style Blend	Bernstein Value Equities	Value	50%
		Alliance Growth Equities	Growth	50%
AMPCI	FDF Core Int'l share	Schroders	Quantitative dynamic style blend	20%
		THS	Thematic with value discipline	20%
		Bernstein	Relative value	20%
		Baillie Gifford	Long-term fundamental growth	15%
		Alliance GLCG	Fundamental growth	15%
		T Rowe Price	Fundamental growth	10%
AXAGI	Global Eq	RCM	Growth	20%
		Bernstein	Global Value	20%
		Capital International	Core	42%
		LSV	Value	9%
		GMO	Growth	9%
ING	Int'l Eq	MFS	Core	53%
		Franklin Global Advisors	Growth	29%
		LSV Asset Management	Value	19%
INT	Int'l Shares	Intech HOT Active (UH)	High alpha multi-manager	50%
		AXA Rosenberg	Core (global)	30%
		Dimensional	Value (global)	15%
		Marathon Global Value	Contrarian	5%
Jana	Core Global	Acadian	Quantitative	35%
		Alliance Bernstein Blend	Growth & Value	35%
		Capital	Neutral	30%
Mercer	Global Shares	Alliance Capital	Global Research Growth	19%
		Arrowstreet Capital	Style Neutral / Quant	11%
		Baillie Gifford	Long Term Growth	11%
		Bernstein	Global Value	19%
		Edinburgh Partners	Global Value	13%
		Taube Hodson	Style Neutral / Fundamental	13%
		Acadian	Long/Short	15%
MLC	NCIT	Capital International	Mid-Large Cap, GARP bias	18%
		Dimensional	Deep Value, Small-Mid Cap	12%
		Harding Loevner	Mid-Large Cap, Quality Growth	11%
		Mondrian	Large Cap, Value (dividend) bias	12%
		Sands Capital	Mid-Large Cap, Secular Growth	11%
		Tweedy Browne	Mid-Large Cap, Absolute Value	12%
		Walter Scott	Small-Mid Cap, Real Return bias	14%
		Wellington	Mid-Large Cap, GARP bias	10%

Russell	ISF	ClariVest	Value bias	24%
		Bernstein	Value	15%
		ICAP	Large cap, value	18%
		MFS	Growth bias	15%
		Marsico	Growth bias	16%
		Turner	Small cap, growth	12%
Russell	GOF	Arrowstreet	Value bias	20%
		MFS	Moderate tilts	30%
		Axiom	Strong growth bias	10%
		T. Rowe Price	Fundamental Growth	25%
		Harris	Strong Value	15%
TAM	International	Marathon	UK & Europe	n.a
		AllianceBernstein	US	n.a
		Martin Currie	Japan	n.a
		Capital International	Asia & Emerging Markets	n.a
Tyndall	Multi-manager	Walter Scott	Global Growth	25%
		Principal Global Investors	Global Growth	20%
		Epoch	Global Value	25%
		Davis Advisors	Global Value	20%
		Schroders	Global Emerging Markets	5%
			Cash	5%
AMPCI	Extended	AXA Rosenberg	Asia ex-Japan small cap	n.a
		AXA Rosenberg	Japanese small cap	n.a
		Charlemagne Capital	Opportunistic	n.a
		Colonial First State	Quality	n.a
		Copper Rock Capital	US small companies	n.a
		Fortis Investments	European small companies	n.a
		Genesis Investment	Growth	n.a
		Morgan Stanley	European small companies	n.a
		Rheos Capital Works	Japanese small companies	n.a
		River Road	US small companies	n.a
		Schroders	Core	n.a
Jana	High Alpha	Baillie Gifford	Growth	28%
		Pzena	Value	32%
		Wellington GSE	GARP	40%

Table 2.3 – Property Funds

Russell	Global Real Estate	AEW	Core global	35%
		INVESCO	North American	20%
		Morgan Stanley	World ex Nth America	30%
		Perennial	Absolute return global	15%
Russell	Int'l Property	Perennial	Core (Global)	45%
		Heitman	Core (North America)	30%
		Cohen & Steers	Value (Europe)	25%

Table 2.4 – NZ Bond Funds

AXAGI	AMP Capital	60%
	AllianceBernstein NZ	40%

AllianceBernstein have only recently been appointed (replacing ING) and the past performance is reflective of this.

Table 2.5 – Global Bond Funds

AMPCI	Global Fixed	Putnam	Global aggregate	25%
		Mondrian	Global aggregate	25%
		Credit Agricole	Global treasury	25%
		Goldman Sachs	Global credit	15%
		Hyperion Capital	Asset-backed securities	10%
AXAGI		PIMCO		50%
		BlackRock		50%
Russell	Global Bond	PIMCO	Sector specialist	35%
		Colchester Global	Global macro value	15%
		Loomis	Core global	35%
		Drake	Global core plus	15%

Russell is in the process of replacing Drake as a manager. As of June, the weighting to Drake is about 9%.

INT	Int'l Bonds	Aberdeen	Diversified	67%
		Colchester	Sovereign	33%

ABOUT MELVILLE JESSUP WEAVER

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

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