

Master Trust Investment Survey – December 2007

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### Introduction

We are in the process of redesigning our survey to fit with the new investment reporting environment. In this issue we have moved to show returns gross of tax but net of investment fees.

The problem we and others have at the current time is that on a go forward basis from 1 October 2007 there is not a consistent basis on which the managers are reporting. We have some only reporting gross while others just net.

What is important to all parties is that a consistent and continuous data set exists for returns pre and post October. At this stage we do not have this. The approach we have chosen to deal with this is as follows:

- 1 We have taken managers' gross returns net of investment fees for the post September results.
- 2 For pre October results we have taken the returns net of tax and investment fees we held previously and grossed them up at 33 cents for tax.

Accordingly the results in the survey for the period pre October 2007 do not represent the actual gross returns for some of the managers and the total results presented should be considered as solely indicative results. For information on the actual net returns please refer to our September 2007 survey results.

In future we will also include information on the returns achieved by the various KiwiSaver funds.

### Purpose

The aim of the survey is to provide definitive, up to date information on the investment returns of the major New Zealand Master Trust Providers.

### Definitions

1. Excess return is defined as 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.

### Graph explanation

Where shown, the solid box gives the upper and lower quartiles with the dotted lines indicating medians. The dotted lines extend to a dotted box which gives the 10th and 90th percentiles.

### Notes

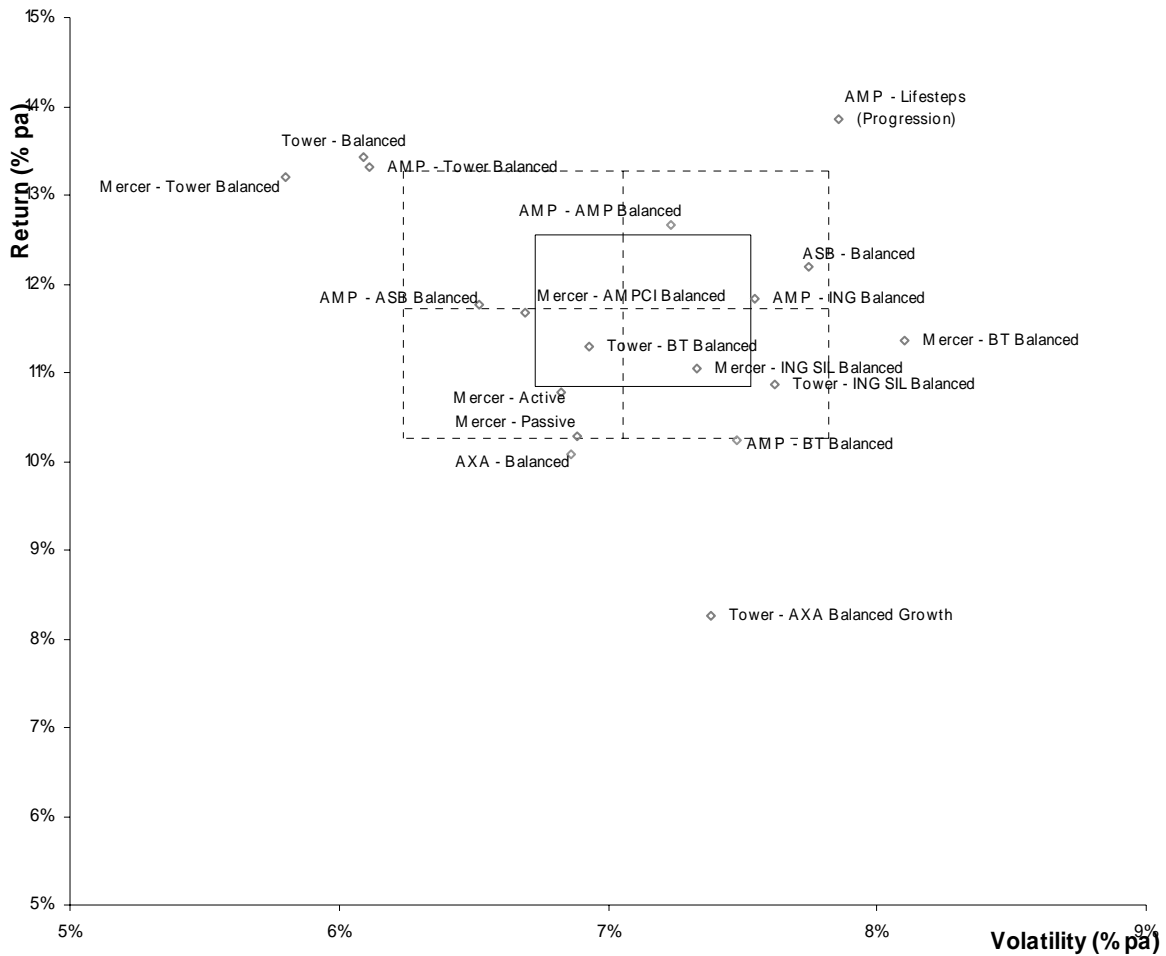
1. The returns are gross of tax and net of investment fees.
2. Results are actual returns achieved by the master trusts.
3. Some providers invest into the same underlying investment funds eg AMP provides the option of the ASB Balanced Fund which is provided separately by ASB itself.
4. G refers to the benchmark exposure to growth assets.
5. Conservative funds have a 0% to 40% range for exposure to growth assets.
6. Balanced funds have a 50% to 64% range for exposure to growth assets.
7. Growth funds have a 65% to 100% range for exposure to growth assets.
8. The two BT funds shown are unit trusts but were included for completeness to illustrate BT's relative investment outcomes. There are of course a number of other funds managed by BT offered by other providers.

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**Section 1 Investment Returns – Diversified Funds**

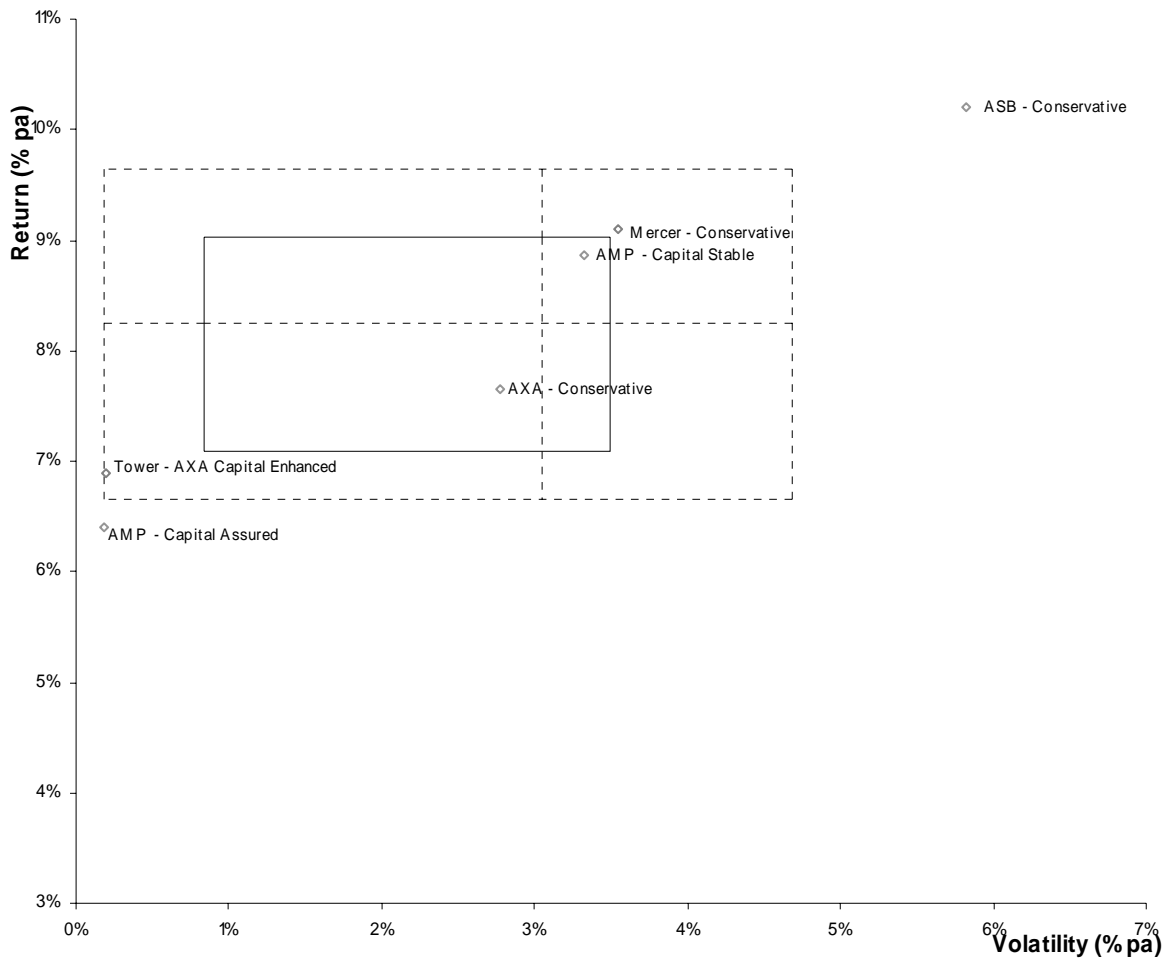
**Chart 1.1 Balanced Funds 3 year results (Gross of tax and net of investment fees)**



**Table 1.1 Balanced Funds (Gross of tax and net of investment fees)**

Provider	Fund	G %	Returns								Standard Deviation			
			3 Months		1 Year		3 Years		5 Years		3 Years		5 Years	
			%	Rank	%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank
AMP	AMP Balanced	60	-1.7	(10)	6.7	(5)	12.7	(5)	12.6	(10)	7.2	(10)	6.9	(8)
	ASB Balanced	60	-0.6	(4)	5.6	(7)	11.8	(8)	12.1	(12)	6.5	(4)	7.1	(9)
	BT Balanced	63	-2.6	(15)	1.2	(17)	10.2	(16)	10.6	(14)	7.5	(13)	6.8	(7)
	ING Balanced	68	-1.9	(12)	3.4	(11)	11.8	(7)	13.3	(3)	7.5	(14)	7.3	(13)
	Tower Balanced	55	2.4	(2)	9.5	(3)	13.3	(3)	12.7	(8)	6.1	(3)	5.4	(3)
ASB	Lifesteps (Progression)	64	-1.4	(8)	7.0	(4)	13.9	(1)	14.2	(1)	7.9	(17)	7.4	(14)
	Balanced	60	-2.0	(13)	5.6	(8)	12.2	(6)	13.0	(5)	7.7	(16)	7.2	(11)
AXA	Balanced	60	-2.7	(17)	1.7	(15)	10.1	(17)	10.5	(15)	6.9	(7)	6.4	(5)
Mercer	Mercer Active	n.a	-2.7	(16)	2.2	(12)	10.8	(14)	n.a		6.8	(6)	n.a	
	Mercer Passive	n.a	-1.4	(9)	5.4	(9)	10.3	(15)	n.a		6.9	(8)	n.a	
	AMPCI Balanced	60	-1.0	(6)	5.7	(6)	11.7	(9)	11.8	(13)	6.7	(5)	6.4	(4)
	BT Balanced	n.a	-1.1	(7)	1.7	(16)	11.4	(10)	14.0	(2)	8.1	(18)	8.1	(16)
	ING SIL Balanced	68	-0.9	(5)	3.8	(10)	11.1	(12)	12.8	(7)	7.3	(11)	7.3	(12)
Tower	Tower Balanced	55	3.9	(1)	10.7	(1)	13.2	(4)	12.7	(9)	5.8	(1)	5.2	(1)
	BT Balanced	63	-3.0	(18)	0.7	(18)	11.3	(11)	13.0	(6)	6.9	(9)	7.1	(10)
	AXA Balanced Growth	n.a	-1.8	(11)	2.2	(13)	8.3	(18)	8.4	(16)	7.4	(12)	6.5	(6)
	ING SIL Fund	68	-2.5	(14)	1.9	(14)	10.9	(13)	12.5	(11)	7.6	(15)	7.5	(15)
Average				-1.1		4.7		11.6		12.3		7.1		6.7

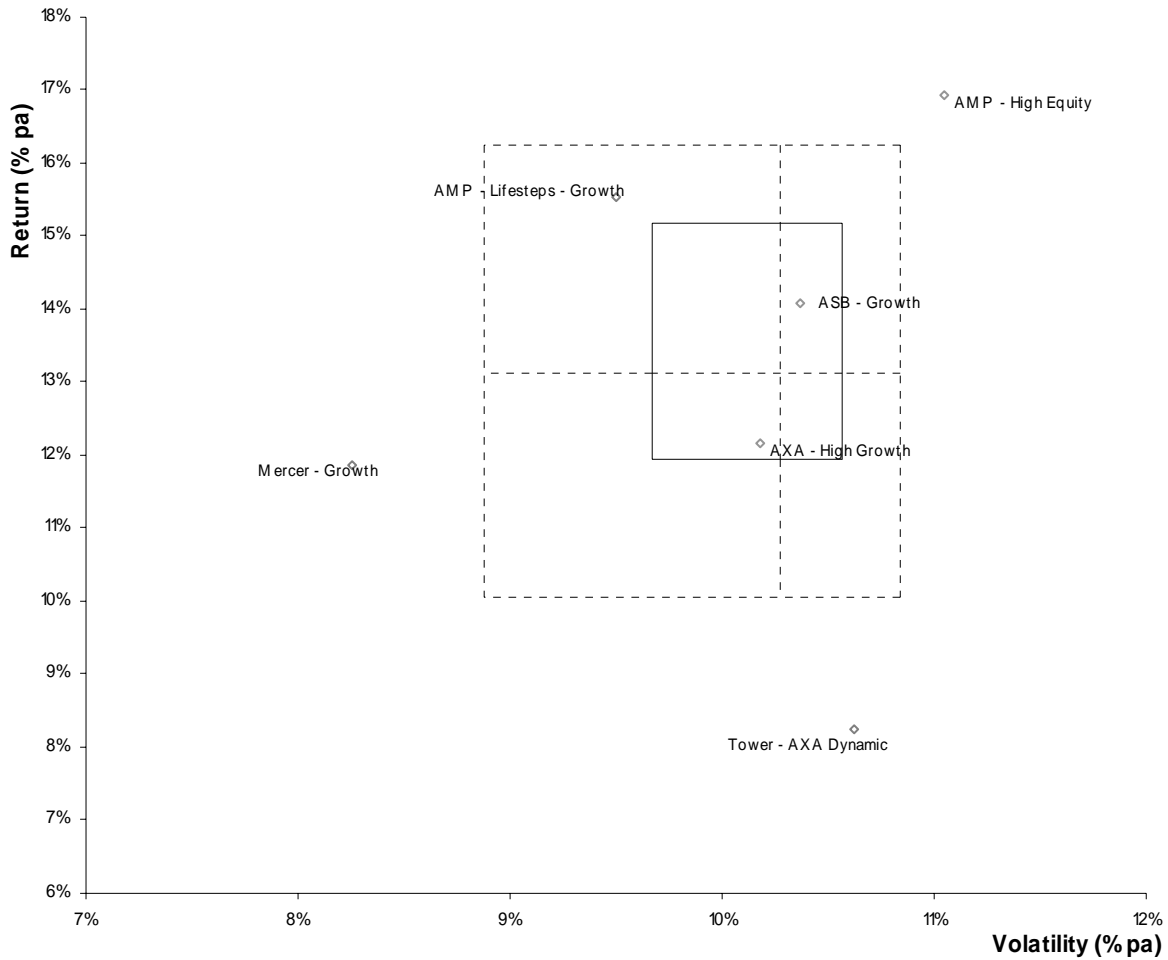
**Chart 1.2 Conservative Funds 3 year results (Gross of tax and net of investment fees)**



**Table 1.2 Conservative Funds (Gross of tax and net of investment fees)**

Provider	Fund	G %	Returns								Standard Deviation			
			3 Months		1 Year		3 Years		5 Years		3 Years		5 Years	
			%	Rank	%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank
AMP	Capital Assured	25	1.2	(4)	6.4	(2)	6.4	(6)	6.1	(6)	0.2	(1)	0.4	(2)
	Capital Stable	25	-0.1	(6)	6.1	(3)	8.9	(3)	9.1	(2)	3.3	(4)	3.1	(4)
ASB	Conservative	40	-0.6	(7)	6.1	(4)	10.2	(1)	10.7	(1)	5.8	(6)	5.2	(6)
AXA	Conservative	25	-0.1	(5)	4.0	(8)	7.6	(4)	7.6	(4)	2.8	(3)	2.6	(3)
Mercer	Conservative	n.a	-0.7	(8)	4.6	(7)	9.1	(2)	8.9	(3)	3.5	(5)	3.3	(5)
Tower	LifeSaver Const'ive	n.a	1.4	(2)	5.3	(6)	n.a		n.a		n.a		n.a	
	AXA Cap Enhanced	0	1.3	(3)	7.0	(1)	6.9	(5)	6.2	(5)	0.2	(2)	0.3	(1)
	Cap Preservation	n.a	1.5	(1)	6.0	(5)	5.9	(7)	5.5	(7)	n.a		n.a	
Average			0.5		5.7		7.9		7.7		2.6		2.5	

**Chart 1.3 Growth Funds 3 year results (Gross of tax and net of investment fees)**



**Table 1.3 Growth Funds (Gross of tax and net of investment fees)**

Provider	Fund	G %	Returns								Standard Deviation			
			3 Months		1 Year		3 Years		5 Years		3 Years		5 Years	
			%	Rank	%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank
AMP	High Equity	90	-2.6	(3)	7.2	(1)	16.9	(1)	18.0	(1)	11.1	(6)	10.4	(6)
	Lifesteps (Growth)	77	-1.9	(2)	7.1	(2)	15.5	(2)	16.2	(2)	9.5	(2)	8.9	(2)
ASB	Growth	80	-3.4	(5)	4.9	(3)	14.1	(3)	15.4	(3)	10.4	(4)	9.6	(4)
AXA	High Growth	85	-4.3	(8)	0.1	(7)	12.2	(4)	12.9	(4)	10.2	(3)	9.6	(3)
Mercer	Growth	n.a	-3.6	(6)	2.2	(5)	11.9	(5)	11.7	(5)	8.3	(1)	7.7	(1)
	High Growth	n.a	-4.3	(7)	-0.8	(8)	n.a		n.a		n.a		n.a	
Tower	LifeSaver Growth	n.a	-1.1	(1)	4.2	(4)	n.a		n.a		n.a		n.a	
	AXA Dynamic Gth	n.a	-3.1	(4)	1.4	(6)	8.3	(6)	8.5	(6)	10.6	(5)	9.7	(5)
Average			-3.0		3.3		13.1		13.8		10.0		9.3	

## Section 2 – Investment returns – Sector Funds

**Table 2.1 NZ and Trans-Tasman Shares (Gross of tax and net of investment fees)**

Provider	Fund	Returns								Standard Deviation			
		3 Months		1 Year		3 Years		5 Years		3 Years		5 Years	
		%	Rank	%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank
<b>NZ</b>													
ASB Tower	NZ Shares Focus NZ	-5.3	(1)	0.7	(1)	11.8	(1)	19.9	(1)	15.5	(2)	14.8	(2)
			-5.6	(2)	-1.1	(2)	10.9	(2)	17.2	(2)	12.0	(1)	11.4
Average		-5.4		-0.2		11.3		18.5		13.7		13.1	
<b>Trans-Tasman</b>													
AXA	Growth	-5.7	(3)	1.5	(2)	13.5	(1)	19.0	(1)	12.3	(2)	11.3	(2)
AXA	Value	-4.6	(2)	4.5	(1)	12.0	(2)	17.6	(2)	10.0	(1)	10.4	(1)
Mercer	Trans-Tasman	-4.1	(1)	0.0	(3)	n.a		n.a		n.a		n.a	
Average		-4.8		2.0		12.8		18.3		11.1		10.8	
<b>Indices</b>													
NZSX50 (incl IC's)		-5.1		1.4		11.2		16.6		11.2		10.7	
ASX 200		-2.7		16.1		21.0		21.0		9.4		8.9	

**Table 2.2 Overseas shares (Gross of tax and net of investment fees)**

Provider	Fund	Returns								Standard Deviation			
		3 Months		1 Year		3 Years		5 Years		3 Years		5 Years	
		%	Rank	%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank
ASB	World shares	-3.5	(1)	6.1	(1)	17.2	(2)	17.0	(2)	14.2	(3)	13.5	(3)
AXA	Growth	-4.9	(5)	-0.3	(3)	10.6	(6)	7.5	(6)	12.4	(1)	11.9	(2)
	Value	-7.0	(6)	-3.3	(5)	14.1	(5)	13.3	(5)	12.6	(2)	11.8	(1)
	Passive	-4.3	(3)	-1.8	(4)	14.5	(4)	14.0	(4)	16.0	(5)	15.1	(5)
Mercer	Global Shares	-4.6	(4)	0.0	(2)	n.a		n.a		n.a		n.a	
Tower	LifeSaver Equity	-4.2	(2)	-3.9	(6)	16.4	(3)	16.7	(3)	15.4	(4)	14.0	(4)
	BT Int'l	-7.1	(7)	-7.0	(7)	24.1	(1)	24.9	(1)	22.9	(6)	20.8	(6)
Average		-5.1		-1.5		16.2		15.6		15.6		14.5	
<b>Index</b>													
MSCI hedged		-2.0		8.8		16.5		19.1		7.9		8.5	
MSCI unhedged		-4.1		0.4		10.9		8.8		12.9		12.0	

**Note** The results reflect each fund's exposure to foreign currency.

**Table 2.3 Property (Gross of tax and net of investment fees)**

Provider	Fund	Returns								Standard Deviation			
		3 Months		1 Year		3 Years		5 Years		3 Years		5 Years	
		%	Rank	%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank
<b>NZ</b>													
ASB	NZ & Aus Prop Listed	-13.4	(2)	-4.2	(2)	12.9	(2)	14.7	(2)	16.1	(2)	13.5	(2)
AXA			-6.0	(1)	-0.9	(1)	17.5	(1)	17.2	(1)	9.8	(1)	8.2
Average		-9.7		-2.5		15.2		15.9		13.0		10.9	
<b>Global</b>													
AXA	International	-8.6	(1)	-9.9	(1)	15.0	(1)	21.5	(1)	9.8		8.2	
<b>Index</b>													
NZSE Property		-3.9		-4.3		12.7		14.3		11.3		9.4	
UBS Global Property		-11.2		-13.4		13.8		n.a		13.6		n.a	

**Table 2.4 NZ Fixed Interest (Gross of tax and net of investment fees)**

Provider	Fund	Returns								Standard Deviation			
		3 Months		1 Year		3 Years		5 Years		3 Years		5 Years	
		%	Rank	%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank
ASB	NZ Fixed	0.3	(3)	6.1	(1)	6.7	(1)	6.1	(1)	0.6	(1)	0.5	(1)
AXA	NZ Fixed	2.0	(1)	4.3	(2)	5.2	(2)	5.3	(2)	1.8	(3)	2.2	(3)
Tower	Focus Fixed	0.3	(2)	4.2	(3)	5.1	(3)	5.2	(3)	1.6	(2)	1.9	(2)
Average		0.9		4.9		5.7		5.5		1.4		1.5	
<b>Index</b>													
NZ Govt Stock		0.5		3.9		5.0		5.4		2.3		2.5	

**Table 2.5 Overseas Fixed Interest (Gross of tax and net of investment fees)**

Provider	Fund	Returns								Standard Deviation			
		3 Months		1 Year		3 Years		5 Years		3 Years		5 Years	
		%	Rank	%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank
ASB	World Fixed	4.5	(1)	13.6	(1)	11.6	(1)	10.1	(1)	1.8	(1)	1.5	(1)
AXA	Int'l Fixed	2.0	(2)	4.0	(2)	5.0	(2)	5.5	(2)	4.2	(2)	3.7	(2)
Average		3.2		8.8		8.3		7.8		3.0		2.6	
<b>Index</b>													
Lehman		3.1		8.5		7.5		7.9		2.3		2.7	

**Table 2.6 Cash (Gross of tax and net of investment fees)**

Provider	Fund	Returns								Standard Deviation			
		3 Months		1 Year		3 Years		5 Years		3 Years		5 Years	
		%	Rank	%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank
ASB	Cash	1.7	(2)	15.3	(1)	15.9	(1)	14.3	(1)	0.8	(4)	0.8	(4)
AXA	Cash	1.7	(3)	7.3	(3)	7.2	(2)	6.5	(2)	0.1	(1)	0.3	(2)
Mercer	Cash	1.0	(4)	3.6	(4)	3.6	(4)	3.2	(4)	0.2	(2)	0.3	(1)
Tower	Preservation	1.9	(1)	7.8	(2)	7.2	(3)	6.4	(3)	0.2	(3)	0.3	(3)
Average		1.6		8.5		8.5		7.6		0.3		0.4	
<b>Index</b>													
90 Day Bank Bill		2.2		8.5		7.8		7.0		0.2		0.3	

**Table 2.7 Other (Gross of tax and net of investment fees)**

Provider	Fund	Returns								Standard Deviation			
		3 Months		1 Year		3 Years		5 Years		3 Years		5 Years	
		%	Rank	%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	% pa	Rank
Mercer	Shares	-5.4		-0.5		6.7		7.1		6.7		6.1	
	Property	-5.5		-8.3		n.a		n.a		n.a		n.a	
	Fixed Interest	0.8		2.9		n.a		n.a		n.a		n.a	

## MJW INVESTMENT SURVEYS

We compile two quarterly surveys. Each has a different focus and target audience.

### Investment survey

This provides information on the returns and risks for seven different asset classes. The aim is to cover a wide universe of funds with different styles and different market sectors to enable an investor to see the options available to them. While some of the funds on offer are new and do not have a NZ investment performance history we have still shown historical returns where there is a good basis for the figures. The returns shown are gross of fees and tax.

### Master Trust Investment Survey

This includes information on the investment returns achieved by 8 master trusts. It covers both sector returns and those for Balanced, Growth and Conservative funds. The aim is to provide comparative information to both those employers with a master trust and to Trustees of standalone schemes who wish to compare the results achieved by their fund with an expanding universe of master trust schemes. The returns shown are net of investment fees and gross of tax.

MJW can assist trustees or employers with the reporting of their own scheme performance by including their results on a MJW produced risk return chart.

## ABOUT MELVILLE JESSUP WEAVER

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

The firm is an alliance partner of Towers Perrin, a global professional services firm that helps organisations around the world optimise performance through effective people, risk and financial management. Towers Perrin has offices in 25 countries and the business covers HR services, reinsurance and Tillinghast.

## ASSET CONSULTING SERVICES

These comprise:

- 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.

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