

# KiwiSaver Performance Survey September Quarter 2010

Many KiwiSaver options reach the long-awaited three-year return number.

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## Introduction

Morningstar has released its quarterly KiwiSaver Performance Survey, designed to help New Zealand investors assess the performance of their KiwiSaver superannuation options. The accompanying tables show KiwiSaver fund returns for the three and six months and one, two, and three years to 30 September 2010. This marks the point at which many KiwiSaver options achieve three-year returns.

We continue to believe that we have the most comprehensive KiwiSaver database in New Zealand. Morningstar's KiwiSaver database is free for all fund managers to join, and we make these reports freely available to investors and financial services professionals alike.

We continue to add new options to our database, this quarter's survey featuring four new Grosvenor funds. We have removed Asteron after this firm exited the KiwiSaver market. Additionally, Gareth Morgan KiwiSaver has requested its KiwiSaver funds be removed from this survey.

## Assessing Performance Numbers

KiwiSaver has cemented itself as the retirement savings vehicle of choice for New Zealanders in just three years. Despite volatile market conditions, uptake has surpassed all expectations. The scheme was launched into the oncoming storm of the global financial crisis in late 2007, and the three-year milestone is the first of many performance landmarks.

For investors, 36 months of returns data makes it possible to assess how their KiwiSaver provider has performed over a more medium-term timeframe. When looking through this data, key questions to ask include: how active is your fund manager in its asset allocation decision-making and security selection? In which market environments has your option performed well, and why? Did it underperform its category average in 2009 while the market was rising, but outperform during the preceding downturn in 2008? Posing these questions will not predict a KiwiSaver option's future performance, but will provide some clues about its performance characteristics, and help investors get a better understanding of how their retirement savings are being managed.

### **Performance After Fees**

Fees are one constant that erode returns, and many studies have shown that investors are frequently not compensated adequately for paying a higher-than-average fee. This means that it's important for investors to be aware of what they're paying for their KiwiSaver investment.

The New Zealand financial services industry has few legal requirements for managed funds disclosure, and without this it is difficult to verify the exact final cost to investors of particular KiwiSaver options. Over the past quarter, however, Morningstar has surveyed all KiwiSaver scheme providers on our database asking for written confirmation of which fees they include in the unit price, and which they do not. From this, we have adjusted the performance of a handful of fund managers to ensure that all the returns shown in this survey are after all fees, except the additional dollar-based fee as reported in our survey. This is an important milestone in helping investors and advisers make meaningful apples-with-apples performance comparisons.

### **Market Overview**

Sharemarkets rebounded from record lows last year, but this asset class ran out of steam for most of this year, only picking up in the last quarter. Fixed income by contrast has continued to deliver consistently strong returns, and has consistently outperformed equities over the past three years. The return from global shares over the three years to 30 September 2010 was -7.46 percent, and the domestic sharemarket returned -9.37 percent. New Zealand fixed income, on the other hand, produced a return of 8.98 percent, while international fixed income was up 10.28 percent.

This was good news for most KiwiSaver investors, who are still favouring more conservative options with higher allocations to income assets. The outlook is however mixed, and with yields and credit spreads under further pressure, this is another timely opportunity to warn of the dangers of performance-chasing and the importance of maintaining a balanced exposure to multiple asset classes.

### **Fund Manager Results**

All returns in this survey are reported after fees and before tax. Morningstar's New Zealand-based data analyst undertakes consistent and robust performance calculations following global best practice.

KiwiSaver options with higher fixed income and cash weightings have led the way over all time periods except for the most recent quarter. The best-performing category over the past three years was Multi-Sector Conservative, which includes the default options. This category continued to perform well over the three months to 30 September 2010, posting an average return of 3.01 percent. **Aon Russell Lifepoints Conservative** was the top-performing fund in the Multi-Sector Conservative category over all reported time periods. **Mercer Conservative (Default)** also deserves mention for having delivered competitive results relative to its peers, ranking third or better in the Multi-Sector Conservative category over the past one, two, and three years.

KiwiSaver options in the Multi-Sector Balanced category posted mixed three-year returns. **Brook Professional Balanced** suffered over the short term but delivered the best three-year return in this category (4.10 percent).

Funds in the Multi-Sector Growth and Aggressive categories have struggled to deliver positive returns over the past three years. **Fidelity Growth** and **AMP ING SIL Balanced** were the only two vehicles to have bucked this trend in the Growth category. **Brook Growth** was the top performer in the Aggressive group, while **Fidelity Aggressive** and **Fisher Growth** were the only other options to deliver positive results over the three-year period. There was a wide difference between the best- and worst-performing Aggressive funds, Brook returning 3.80 percent over three years compared to -6.26 percent from **AMP Aggressive**.

#### **Huljich Performance Adjustment**

We have adjusted the performances of the Huljich Wealth Management funds reported in this survey. We have elected to change the start date of the funds to 31 October 2008 as a result of the additional payments made by Peter Huljich in December 2007 and October 2008. We have taken this action to improve the validity of cross-sectional analysis undertaken using our database. More specifically, investment returns should solely reflect investment activities.

#### **Assets Under Management**

Just under 40.0 percent of KiwiSaver assets in multi-sector options are in the six default funds. This means that the Multi-Sector Conservative category (the home of the default funds) had the highest assets at 30 September 2010, followed by Balanced (17.91 percent) and Growth (17.0 percent). **ASB Conservative (Default)** was by far the biggest KiwiSaver fund across all categories, with well over NZ\$700.0 million at 30 September 2010. **AXA Income Plus (Default)** was second-largest at just over half the size of the ASB option. **Westpac Conservative** was the largest non-default KiwiSaver option (NZ\$323.30 million).

At the provider level, ING (to be renamed OnePath on 8 November 2010) and ASB continue to dominate the KiwiSaver industry with a combined market share of over 40.0 percent. The rest of the market is more fragmented, the next biggest provider AMP commanding only 12.10 percent of total KiwiSaver assets. These were the only three fund managers with more than a 10.0 percent share of the market at 30 September 2010, eight of the 21 providers possessing less than one percent market share.

#### **About This Survey**

This survey groups KiwiSaver options according to their mix of income and growth assets, known as their 'asset allocation'. This is one of the most important decisions to make when saving for retirement income. The term 'income assets' refers to cash and fixed interest securities which generally produce stable and reliable returns, but little opportunity for long-term capital growth. Returns from 'growth assets' such as property and shares will be erratic – as recent market volatility has demonstrated – but have over time shown greater capacity for increasing in value. The mixture of income and growth assets is the major determinant of potential return and volatility.

Investors may notice differences between the returns published in this survey and those they see in other sources. There are several possible reasons for this. Firstly, the returns published here are all after fees, but before tax. Secondly, we have taken the associated tax credit into consideration when calculating and publishing these returns, while some fund managers are basing their published performance figures on month-end unit prices only. ■■

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# KiwiSaver Performance Survey - Returns to 30 September 2010



## Please note:

- Past performance is not a guide to future performance. This year's best performers can easily be next year's worst.
- Understanding your risk profile, and the mix of growth and income assets is critical.
- Fees are the one constant that will always eat away at your returns. Take a close look at the cost of your KiwiSaver Scheme.

## Default Options

	Assets (\$m)	3-month (%)	6-month (%)	1-year (%)	2-year (%pa)	3-year (%pa)	Est. Total Fee (%)	Additional Fee \$/year	Growth Assets (%)
AMP (Default)	323.9	2.35	1.88	4.86	3.89	3.74	0.55	36.00	21.4
ASB Conservative (Default)	741.4	3.37	3.00	6.42	6.24	4.70	0.28	30.00	20.1
AXA Income Plus (Default)	386.7	3.37	2.87	7.06	7.56	4.02	0.53	36.72	22.0
ING Conservative (Default)	354.2	3.39	3.54	7.06	6.35	5.12	0.45	33.00	19.1
Mercer Conservative (Default)	378.1	1.91	2.64	7.42	8.34	5.18	0.53	34.20	20.2
TOWER Cash Enhanced (Default)	318.4	2.26	2.17	5.69	5.23	4.61	0.51	33.00	18.7

## Peer Group Averages

	Assets (\$m)	3-month (%)	6-month (%)	1-year (%)	2-year (%pa)	3-year (%pa)	Est. Total Fee (%)	Additional Fee \$/year	Growth Assets (%)
Default Options	2502.6	2.78	2.68	6.42	6.27	4.56	0.47	33.82	
Conservative	2838.2	3.01	2.82	6.55	6.08	4.65	0.66	30.46	
Moderate	836.9	4.00	2.53	7.08	6.02	2.91	0.78	32.78	
Balanced	1126.4	4.63	0.92	6.48	4.85	0.77	0.88	35.31	
Growth	1069.1	5.44	0.08	6.12	3.34	-2.21	0.91	34.06	
Aggressive	417.6	6.25	-1.38	5.98	3.57	-2.59	0.99	35.01	

## Multisector Options

### Conservative

	Assets (\$m)	3-month (%)	6-month (%)	1-year (%)	2-year (%pa)	3-year (%pa)	Est. Total Fee (%)	Additional Fee \$/year	Growth Assets (%)
AMP (Default)	323.9	2.35 (11)	1.88 (13)	4.86 (13)	3.89 (13)	3.74 (12)	0.55	36.00	21.4
ANZ Conservative	41.9	3.24 (9)	3.28 (4)	7.19 (6)	5.95 (9)	4.87 (7)	0.92	24.00	19.1
Aon Russell Lifepoints Conservative	20.4	4.36 (1)	5.81 (1)	12.37 (1)	9.56 (1)	6.04 (1)	0.63	50.00	Und.
ASB Conservative (Default)	741.4	3.37 (4)	3.00 (6)	6.42 (9)	6.24 (6)	4.70 (8)	0.28	30.00	20.1
AXA Income Plus (Default)	386.7	3.37 (4)	2.87 (8)	7.06 (7)	7.56 (3)	4.02 (11)	0.53	36.72	22.0
Fidelity Capital Guaranteed	17.1	2.32 (12)	2.28 (11)	4.95 (12)	4.41 (12)	—	0.84	36.00	13.9
Fidelity Conservative	20.5	4.03 (2)	2.47 (10)	7.91 (2)	5.71 (10)	5.01 (5)	0.94	36.00	30.1
First Choice Tracker Conservative	41.6	3.37 (4)	2.97 (7)	6.39 (10)	6.30 (5)	4.65 (9)	0.28	36.00	20.1
Fishers Conservative	3.9	2.22 (14)	1.84 (14)	2.59 (15)	—	—	0.95	24.00	15.9
Gareth Morgan Conservative									Und.
ING Conservative (Default)	354.2	3.39 (3)	3.54 (2)	7.06 (7)	6.35 (4)	5.12 (4)	0.45	33.00	19.1
ING SIL Conservative	128.8	3.29 (7)	3.31 (3)	7.26 (4)	6.13 (7)	5.13 (3)	0.87	24.00	19.1
Mercer Conservative (Default)	378.1	1.91 (15)	2.64 (9)	7.42 (3)	8.34 (2)	5.18 (2)	0.53	34.20	20.2
National Bank Conservative	59.9	3.26 (8)	3.27 (5)	7.22 (5)	6.02 (8)	4.95 (6)	0.92	24.00	19.1
Smartshares Conservative	1.6	2.44 (10)	0.97 (15)	3.88 (14)	3.44 (14)	2.48 (13)	0.85/\$40a	0.00	19.6
TOWER Cash Enhanced (Default)	318.4	2.26 (13)	2.17 (12)	5.69 (11)	5.23 (11)	4.61 (10)	0.51	33.00	18.7
<i>Average</i>		<i>3.01</i>	<i>2.82</i>	<i>6.55</i>	<i>6.08</i>	<i>4.65</i>	<i>0.66</i>	<i>30.46</i>	

*Manager has declined to disclose the required information to participate in this survey.*

### Moderate

	Assets (\$m)	3-month (%)	6-month (%)	1-year (%)	2-year (%pa)	3-year (%pa)	Est. Total Fee (%)	Additional Fee \$/year	Growth Assets (%)
AMP Conservative	26.3	3.27 (13)	3.12 (4)	6.90 (11)	6.17 (7)	5.26 (1)	0.88	36.00	27.2
AMP Moderate	64.0	3.78 (11)	2.42 (13)	6.68 (13)	3.88 (16)	2.37 (12)	0.98	36.00	40.0
ANZ Conservative Balanced	39.7	4.15 (9)	2.52 (12)	7.48 (9)	5.48 (12)	3.00 (9)	0.92	24.00	34.4
Aon Russell Lifepoints 2015	2.0	4.69 (5)	4.87 (1)	12.01 (1)	8.29 (1)	3.92 (4)	0.62	50.00	Und.
Aon Russell Lifepoints Moderate	4.2	4.88 (4)	4.27 (2)	11.63 (2)	7.50 (3)	2.99 (10)	0.73	50.00	Und.
ASB Moderate	166.5	5.09 (2)	2.74 (7)	7.69 (5)	5.36 (13)	2.18 (13)	0.37	30.00	38.7
AXA Conservative	9.5	4.04 (10)	3.22 (3)	8.00 (4)	8.22 (2)	—	1.04	36.72	28.1
First Choice Active Conservative	3.6	3.78 (11)	1.82 (16)	6.06 (15)	6.74 (5)	3.05 (7)	0.83	36.00	Und.
First Choice Tracker Moderate	9.6	5.09 (2)	2.71 (8)	7.64 (7)	5.32 (14)	1.91 (14)	0.37	36.00	40.0
Grosvenor Conservative	10.9	2.92 (15)	3.01 (6)	6.97 (10)	6.17 (7)	4.87 (2)	0.98	39.96	22.9
Huljich Conservative Diversified	59.2	1.15 (18)	-1.29 (18)	-1.98 (18)	—	—	0.95	36.00	31.6
ING Conservative Balanced	1.9	4.25 (6)	2.65 (9)	6.60 (14)	5.61 (10)	2.83 (11)	0.50	33.00	34.4
ING SIL Conservative Balanced	43.1	4.17 (7)	2.61 (10)	7.66 (6)	5.76 (9)	3.26 (6)	0.87	24.00	34.4
Mercer Super Trust Conservative	1.2	2.27 (17)	2.27 (14)	6.87 (12)	6.95 (4)	3.27 (5)	0.88	34.20	31.9
National Bank Conservative Balanced	50.7	4.17 (7)	2.55 (11)	7.49 (8)	5.49 (11)	3.01 (8)	0.92	24.00	34.4
Smartshares Balanced	4.2	8.32 (1)	1.03 (17)	5.60 (17)	3.45 (17)	-2.61 (15)	0.85/\$40a	0.00	59.7
TOWER Conservative	17.3	3.14 (14)	3.11 (5)	8.39 (3)	6.67 (6)	4.27 (3)	0.88	33.00	23.6
Westpac Conservative	323.3	2.89 (16)	1.94 (15)	5.66 (16)	5.30 (15)	—	0.62	31.08	28.9
<i>Average</i>		<i>4.00</i>	<i>2.53</i>	<i>7.08</i>	<i>6.02</i>	<i>2.91</i>	<i>0.78</i>	<i>32.78</i>	

# KiwiSaver Performance Survey - Returns to 30 September 2010



Balanced	Assets (\$m)	3-month (%)	6-month (%)	1-year (%)	2-year (%pa)	3-year (%pa)	Est. Total Fee (%)	Additional Fee \$/year	Growth Assets (%)	
AMP Balanced	98.9	4.84 (15)	1.56 (10)	6.55 (15)	2.39 (23)	-0.66 (15)	1.03	36.00	63.0	
AMP Moderate Balanced	92.9	4.30 (19)	1.75 (5)	6.49 (16)	2.62 (22)	0.36 (13)	1.03	36.00	52.8	
AMP TOWER Balanced	5.7	3.72 (23)	2.00 (4)	8.68 (4)	4.58 (16)	1.38 (7)	1.24	36.00	53.2	
ANZ Balanced	59.5	4.95 (12)	1.70 (6)	7.56 (9)	4.99 (12)	1.11 (9)	0.97	24.00	49.2	
Aon ING Balanced	5.4	5.29 (6)	2.39 (3)	9.69 (3)	7.23 (2)	2.00 (4)	0.71	50.00	Und.	
Aon Russell Lifepoints 2025	3.1	5.16 (7)	3.34 (1)	11.24 (1)	5.62 (5)	0.52 (11)	0.71	50.00	Und.	
Aon Russell Lifepoints Balanced	29.7	5.50 (5)	2.75 (2)	10.87 (2)	5.04 (10)	-0.85 (18)	0.77	50.00	Und.	
ASB Balanced	135.3	6.43 (1)	1.42 (12)	7.60 (8)	4.04 (18)	-0.80 (16)	0.37	30.00	59.4	
AXA Balanced	64.2	6.29 (3)	1.04 (15)	7.72 (6)	7.39 (1)	-0.50 (14)	1.07	36.72	Und.	
Brook Balanced	0.8	3.38 (24)	-2.48 (23)	2.18 (22)	3.44 (19)	4.10 (1)	0.99	30.00	55.8	
Fidelity Balanced	47.0	5.03 (10)	0.44 (19)	6.60 (14)	5.55 (7)	3.90 (2)	1.00	36.00	51.2	
Fidelity Ethical	3.7	5.10 (8)	0.83 (16)	6.03 (18)	3.19 (20)	— —	1.17	36.00	54.5	
First Choice Active Balanced	13.2	5.51 (4)	0.23 (20)	5.84 (19)	4.86 (13)	-0.81 (17)	0.88	36.00	Und.	
First Choice Tracker Balanced	11.8	6.42 (2)	1.37 (13)	7.53 (11)	4.22 (17)	-0.88 (19)	0.37	36.00	59.4	
Forsyth Barr Balanced Portfolio	2.1	2.46 (25)	-1.90 (22)	1.87 (23)	2.68 (21)	— —	0.65	30.00	62.0	
Gareth Morgan Balanced		<i>Manager has declined to disclose the required information to participate in this survey.</i>								Und.
Grosvenor Balanced	38.4	3.82 (21)	0.73 (18)	5.73 (20)	5.27 (9)	2.29 (3)	1.08	39.96	49.6	
Grosvenor Balanced Growth	2.4	4.99 (11)	— —	— —	— —	— —	1.13	39.96	68.8	
Huljich Balanced Diversified	29.5	0.98 (26)	-2.75 (24)	-5.28 (24)	— —	— —	1.10	36.00	46.7	
ING Balanced	4.1	5.06 (9)	1.64 (9)	6.10 (17)	4.81 (14)	0.37 (12)	0.55	33.00	49.2	
ING SIL Balanced	108.3	4.92 (14)	1.66 (8)	7.63 (7)	5.31 (8)	1.39 (6)	0.92	24.00	49.2	
Mercer Balanced	18.6	4.38 (17)	1.17 (14)	6.92 (12)	5.83 (4)	-1.06 (20)	0.75	34.20	64.1	
Mercer Super Trust Moderate	6.3	3.80 (22)	0.75 (17)	6.81 (13)	7.10 (3)	0.58 (10)	0.68	34.20	53.8	
Milford Balanced	0.4	4.11 (20)	— —	— —	— —	— —	1.05	36.00	38.0	
National Bank Balanced	88.6	4.94 (13)	1.69 (7)	7.54 (10)	5.03 (11)	1.13 (8)	0.97	24.00	49.2	
TOWER Balanced	112.1	4.69 (16)	1.48 (11)	8.48 (5)	5.60 (6)	1.89 (5)	0.98	33.00	51.5	
Westpac Balanced	144.7	4.33 (18)	-0.68 (21)	5.05 (21)	4.70 (15)	— —	0.72	31.08	66.7	
<i>Average</i>		<i>4.63</i>	<i>0.92</i>	<i>6.48</i>	<i>4.85</i>	<i>0.77</i>	<i>0.88</i>	<i>35.31</i>		

Growth	Assets (\$m)	3-month (%)	6-month (%)	1-year (%)	2-year (%pa)	3-year (%pa)	Est. Total Fee (%)	Additional Fee \$/year	Growth Assets (%)	
AMP ING SIL Balanced	21.1	4.70 (20)	1.57 (5)	9.05 (3)	3.42 (14)	0.72 (2)	1.08	36.00	64.6	
AMP Growth	88.2	5.30 (16)	0.41 (13)	6.13 (17)	-0.79 (24)	-4.26 (18)	1.08	36.00	78.5	
AMP Tyndall Balanced	4.5	4.02 (23)	1.78 (3)	7.84 (5)	3.26 (16)	-0.91 (4)	1.08	36.00	65.3	
ANZ Balanced Growth	42.1	5.66 (14)	0.81 (9)	7.56 (9)	4.34 (4)	-0.99 (5)	1.02	24.00	63.4	
ANZ Growth	98.7	6.40 (6)	-0.18 (17)	7.42 (11)	3.60 (11)	-3.18 (13)	1.07	24.00	78.5	
Aon Russell Lifepoints 2035	2.9	5.56 (15)	2.04 (1)	10.49 (1)	3.35 (15)	-2.22 (9)	0.79	50.00	Und.	
Aon Russell Lifepoints Growth	5.7	5.70 (12)	1.65 (4)	10.23 (2)	2.87 (18)	-2.95 (11)	0.85	50.00	Und.	
Aon Tyndall Balanced	1.4	4.58 (21)	1.86 (2)	8.14 (4)	3.07 (17)	— —	0.88	50.00	Und.	
ASB Growth	130.2	7.64 (1)	-0.19 (18)	7.04 (13)	2.48 (22)	-3.76 (16)	0.37	30.00	78.3	
Fidelity Growth	24.1	6.14 (9)	-1.10 (21)	5.25 (20)	3.44 (13)	1.25 (1)	1.07	36.00	68.4	
First Choice Active Growth	13.4	6.65 (3)	-1.36 (22)	4.89 (21)	3.98 (6)	-3.33 (15)	0.93	36.00	Und.	
First Choice Tracker Growth	10.1	7.63 (2)	-0.22 (19)	6.99 (14)	2.49 (21)	-3.85 (17)	0.37	36.00	78.3	
Forsyth Barr Growth Portfolio	2.2	2.99 (24)	-3.91 (24)	-0.03 (24)	0.55 (23)	— —	0.65	30.00	85.0	
Gareth Morgan Growth		<i>Manager has declined to disclose the required information to participate in this survey.</i>								Und.
Huljich Growth Diversified	73.1	0.81 (25)	-4.32 (25)	-8.82 (25)	— —	— —	1.25	36.00	66.2	
ING Balanced Growth	4.9	5.79 (10)	0.50 (12)	5.40 (19)	3.95 (7)	-2.03 (8)	0.60	33.00	63.4	
ING Growth	4.9	6.56 (4)	-0.69 (20)	4.59 (22)	2.85 (19)	-4.36 (19)	0.65	33.00	78.5	
ING SIL Balanced Growth	102.9	5.70 (11)	0.76 (11)	7.61 (6)	4.65 (2)	-0.71 (3)	0.97	24.00	63.4	
ING SIL Growth	76.2	6.43 (5)	-0.10 (15)	7.58 (7)	3.91 (8)	-2.95 (10)	1.02	24.00	78.5	
Mercer Super Trust Active Balanced	28.7	4.39 (22)	1.05 (7)	6.80 (15)	5.87 (1)	-1.09 (7)	0.90	34.20	64.3	
Mercer Super Trust Growth	2.0	5.19 (17)	0.37 (14)	6.01 (18)	4.58 (3)	-3.09 (12)	0.98	34.20	75.8	
National Bank Balanced Growth	72.8	5.67 (13)	0.80 (10)	7.58 (7)	4.32 (5)	-1.00 (6)	1.02	24.00	63.4	
National Bank Growth	155.2	6.39 (7)	-0.15 (16)	7.45 (10)	3.48 (12)	-3.30 (14)	1.07	24.00	78.5	
Staples Rodway Balanced	6.6	6.30 (8)	1.37 (6)	7.25 (12)	2.79 (20)	— —	1.08	39.96	65.7	
Staples Rodway Growth	4.5	5.04 (18)	0.85 (8)	6.27 (16)	3.87 (10)	— —	1.23	39.96	56.5	
Westpac Growth	92.8	4.87 (19)	-1.48 (23)	4.41 (23)	3.91 (8)	— —	0.77	31.08	78.9	
<i>Average</i>		<i>5.44</i>	<i>0.08</i>	<i>6.12</i>	<i>3.34</i>	<i>-2.21</i>	<i>0.91</i>	<i>34.06</i>		

## KiwiSaver Performance Survey - Returns to 30 September 2010



<b>Aggressive</b>	Assets (\$m)	3-month (%)	6-month (%)	1-year (%)	2-year (%pa)	3-year (%pa)	Est. Total Fee (%)	Additional Fee \$/year	Growth Assets (%)
AMP Aggressive	79.5	5.82 (8)	-0.34 (6)	5.86 (7)	-2.26 (11)	-6.26 (10)	1.13	36.00	91.3
Aon Russell Lifepoints 2045	3.0	5.97 (7)	0.92 (2)	9.87 (2)	1.08 (9)	-4.95 (7)	0.86	50.00	Und.
AXA Growth	49.2	7.58 (2)	-0.97 (7)	6.46 (5)	5.46 (2)	-4.14 (6)	1.03	36.72	89.0
Brook Growth	3.7	5.18 (12)	-4.53 (12)	2.27 (13)	4.47 (4)	3.80 (1)	0.99	30.00	86.8
Fidelity Aggressive	8.8	6.49 (3)	-2.24 (9)	6.72 (4)	4.84 (3)	0.37 (3)	1.14	36.00	94.1
First NZ Capital Scheme	7.9	6.47 (5)	-1.43 (8)	4.64 (10)	-2.24 (10)	— —	0.66	30.00	78.2
Fishers Growth	167.4	9.54 (1)	1.82 (1)	11.07 (1)	15.72 (1)	3.26 (2)	1.05	24.00	79.3
Grosvenor Geared Growth	0.9	5.35 (10)	-2.79 (10)	4.70 (9)	— —	— —	1.18	39.96	95.6
Grosvenor High Growth	36.1	5.28 (11)	-3.23 (11)	3.59 (11)	1.62 (8)	-4.09 (5)	1.18	39.96	97.9
Mercer High Growth	13.2	6.48 (4)	0.04 (3)	6.11 (6)	3.17 (6)	-5.49 (8)	0.85	34.20	91.8
Mercer Super Trust High Growth	3.6	6.44 (6)	-0.18 (5)	5.77 (8)	3.09 (7)	-5.61 (9)	1.03	34.20	91.9
TOWER Growth	34.9	5.56 (9)	-0.14 (4)	8.23 (3)	4.35 (5)	-2.78 (4)	1.08	33.00	Und.
Westpac Capital Protect Plan 1	9.6	5.03 (13)	-4.90 (14)	2.48 (12)	— —	— —	0.72	31.08	99.2
Westpac Capital Protect Plan 2	8.3	5.03 (13)	-4.88 (13)	— —	— —	— —	0.72	31.08	99.2
<i>Average</i>		<i>6.25</i>	<i>-1.38</i>	<i>5.98</i>	<i>3.57</i>	<i>-2.59</i>	<i>0.99</i>	<i>35.01</i>	

**Single Sector Options**

<b>Cash</b>	Assets (\$m)	3-month (%)	6-month (%)	1-year (%)	2-year (%pa)	3-year (%pa)	Est. Total Fee (%)	Additional Fee \$/year	Growth Assets (%)
AMP Cash	22.1	1.01 (3)	1.95 (3)	3.82 (3)	4.63 (3)	5.94 (1)	0.73	36.00	0.0
ANZ Cash	17.8	0.60 (13)	1.09 (13)	2.11 (14)	3.01 (14)	—	0.42	24.00	0.0
Aon ING Cash	1.9	0.73 (9)	1.31 (10)	2.80 (9)	3.20 (11)	4.84 (9)	0.43	50.00	Und.
Aon Tyndall Cash	0.8	0.79 (7)	1.83 (5)	3.32 (6)	4.17 (5)	—	0.54	50.00	Und.
ASB NZ Bank Deposit	120.7	0.69 (10)	1.32 (9)	2.50 (10)	3.36 (8)	5.10 (6)	0.23	30.00	0.0
AXA Cash	12.9	0.89 (4)	1.66 (6)	3.59 (4)	4.24 (4)	5.27 (5)	0.83	36.72	0.0
First Choice NZ Cash	6.4	0.69 (10)	1.29 (11)	2.47 (11)	3.34 (9)	5.07 (7)	0.23	36.00	0.0
ING Cash Plus	0.8	0.66 (12)	1.22 (12)	2.38 (12)	3.33 (10)	4.95 (8)	0.40	33.00	0.0
ING SIL Cash Plus	9.6	0.52 (15)	0.94 (15)	1.81 (15)	2.74 (15)	4.70 (10)	0.77	24.00	0.0
Mercer Cash	7.4	1.06 (1)	2.62 (1)	4.33 (2)	4.73 (1)	5.90 (2)	0.35	34.20	0.0
Mercer Super Trust Cash	1.1	1.02 (2)	2.59 (2)	4.48 (1)	4.72 (2)	5.88 (3)	0.50	34.20	0.0
National Bank Cash	29.1	0.60 (13)	1.09 (13)	2.12 (13)	3.03 (13)	—	0.42	24.00	0.0
Staples Rodway Conservative	8.3	0.82 (6)	1.88 (4)	3.53 (5)	3.19 (12)	—	0.83	39.96	0.0
TOWER Preservation	9.0	0.83 (5)	1.53 (7)	3.10 (7)	3.90 (6)	5.42 (4)	0.51	33.00	0.0
Westpac Cash	80.8	0.77 (8)	1.40 (8)	2.82 (8)	3.45 (7)	—	0.37	31.08	0.0

<b>Fixed Income</b>	Assets (\$m)	3-month (%)	6-month (%)	1-year (%)	2-year (%pa)	3-year (%pa)	Est. Total Fee (%)	Additional Fee \$/year	International Assets (%)
Grosvenor Enhanced Income	6.7	1.03 (3)	1.56 (4)	4.22 (4)	4.52 (4)	6.04 (4)	0.73	39.96	0.0
ING SIL NZ Fixed Interest	2.9	2.51 (2)	5.70 (2)	10.74 (1)	5.89 (3)	6.35 (3)	0.77	24.00	0.0
ING SIL Intl Fixed Interest	1.1	2.93 (1)	5.97 (1)	7.99 (3)	8.79 (2)	9.66 (1)	0.77	24.00	99.6
Mercer Super Trust Fixed Interest	0.6	0.10 (4)	3.83 (3)	10.05 (2)	12.36 (1)	9.52 (2)	0.83	34.20	86.0

<b>Property</b>	Assets (\$m)	3-month (%)	6-month (%)	1-year (%)	2-year (%pa)	3-year (%pa)	Est. Total Fee (%)	Additional Fee \$/year	International Assets (%)
ING SIL Australasian Property	3.8	8.13 (2)	3.05 (2)	2.16 (3)	-0.29 (1)	-7.63 (1)	1.02	24.00	0.0
ING SIL Intl Property	2.9	12.74 (1)	7.08 (1)	22.39 (1)	-4.57 (3)	-10.96 (3)	1.02	24.00	97.0
Mercer Super Trust Real Assets	0.4	3.36 (3)	-0.60 (3)	6.23 (2)	-3.00 (2)	-8.65 (2)	1.08	34.20	0.0

<b>Australasian Equity</b>	Assets (\$m)	3-month (%)	6-month (%)	1-year (%)	2-year (%pa)	3-year (%pa)	Est. Total Fee (%)	Additional Fee \$/year	Australian Assets (%)
ING SIL Australasian Share	6.8	5.07 (4)	-3.86 (5)	0.26 (5)	2.62 (2)	-7.59 (3)	1.02	24.00	15.3
Mercer Super Trust TransTasman	0.5	5.39 (3)	-2.69 (4)	0.65 (4)	1.97 (5)	-6.95 (2)	1.08	34.20	25.0
Mercer Super Trust Shares	0.7	8.66 (2)	-1.55 (3)	4.84 (3)	2.47 (3)	-8.13 (4)	1.08	34.20	7.4
Milford Aggressive	12.7	4.51 (5)	0.58 (1)	8.02 (1)	13.16 (1)	11.27 (1)	1.05	36.00	4.0
Smartshares Growth	10.1	13.18 (1)	-0.71 (2)	5.82 (2)	2.04 (4)	-8.38 (5)	0.85/\$40a	0.00	40.3

<b>International Equity</b>	Assets (\$m)	3-month (%)	6-month (%)	1-year (%)	2-year (%pa)	3-year (%pa)	Est. Total Fee (%)	Additional Fee \$/year	International Assets (%)
First Choice Active High Growth	1.2	7.13 (3)	-3.52 (6)	3.92 (6)	-2.41 (6)	—	1.03	36.00	Und.
First Choice Global Sustainable	1.9	5.72 (6)	-2.11 (2)	7.68 (3)	7.87 (1)	—	1.53	36.00	99.5
Grosvenor Intl Share	0.3	5.47 (8)	—	—	—	—	1.23	39.96	0.0
Grosvenor Socially Responsible	0.7	7.44 (2)	—	—	—	—	1.08	39.96	24.1
ING SIL Intl Share	10.8	6.10 (5)	-2.76 (5)	7.78 (2)	1.07 (4)	-4.96 (1)	1.02	24.00	98.1
ING SIL Sustainable Growth	0.6	5.67 (7)	-2.40 (3)	5.12 (5)	-1.33 (5)	—	1.22	24.00	96.5
Mercer Super Trust Global	0.8	9.93 (1)	-1.17 (1)	6.40 (4)	2.15 (2)	-9.02 (3)	1.08	34.20	100.0
TOWER Equity	13.6	6.69 (4)	-2.72 (4)	8.10 (1)	2.08 (3)	-8.02 (2)	1.13	33.00	99.9

<b>Miscellaneous</b>	Assets (\$m)	3-month (%)	6-month (%)	1-year (%)	2-year (%pa)	3-year (%pa)	Est. Total Fee (%)	Additional Fee \$/year	Growth Assets (%)
Fidelity Options	31.9	2.73 (1)	-1.46 (1)	10.89 (1)	6.39 (1)	11.75 (1)	1.07	36.00	100.0

# KiwiSaver Performance Survey - Returns to 30 September 2010



## Assets Under Management

	September 2010		June 2010		December 2009		June 2009		December 2008		June 2008		December 2007	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
AMP	822.5	12.1	680.5	11.7	592.9	12.4	384.3	12.9	263.4	13.2	135.8	14.2	23.7	10.2
- AMP excl. default	545.2	8.1	403.2	7.0	341.3	7.1	212.3	7.1	141.7	7.1	65.5	6.9	9.4	4.0
Aon	80.4	1.2	68.7	1.2	61.5	1.3	41.8	1.4	---	---	---	---	---	---
ASB	1406.7	20.8	1128.2	19.5	932.7	19.5	582.5	19.5	409.4	20.5	183.2	19.2	50.9	21.8
- ASB excl. default	806.0	11.9	527.4	9.1	437.1	9.1	263.7	8.8	182.1	9.1	79.0	8.3	20.9	9.0
Asteron	36.0	0.5	35.6	0.6	31.2	0.7	18.3	0.6	11.9	0.6	5.5	0.6	1.2	0.5
AXA	522.4	7.7	428.5	7.4	372.4	7.8	240.9	8.1	168.7	8.5	79.1	8.3	23.1	9.9
- AXA excl. default	197.7	2.9	103.8	1.8	86.6	1.8	49.9	1.7	34.3	1.7	16.3	1.7	5.2	2.2
Brook	4.5	0.1	3.9	0.1	3.4	0.1	2.0	0.1	1.3	0.1	---	---	---	---
Fidelity	153.0	2.3	114.8	2.0	85.3	1.8	46.8	1.6	29.5	1.5	14.5	1.5	3.2	1.4
Fisher Funds	171.3	2.5	134.1	2.3	116.1	2.4	71.0	2.4	45.1	2.3	30.6	3.2	11.7	5.0
First NZ Capital	7.9	0.1	6.9	0.1	---	---	---	---	---	---	1.6	0.2	---	---
Forsyth Barr	4.4	0.1	3.2	0.1	---	---	---	---	---	---	---	---	---	---
Gareth Morgan KiwiSaver	---	---	323.9	5.6	262.1	5.5	149.8	5.0	100.9	5.1	43.2	4.5	8.7	3.7
Grosvenor	96.6	1.4	72.4	1.2	58.9	1.2	34.6	1.2	22.4	1.1	10.6	1.1	3.1	1.3
Huljich	161.8	2.4	136.1	2.3	100.2	2.1	38.4	1.3	---	---	---	---	---	---
ING	1624.2	24.0	1288.5	22.2	1045.9	21.8	641.4	21.5	423.1	21.2	209.6	21.9	61.3	26.2
- ING excl. default	1327.7	19.6	992.0	17.1	789.9	16.5	466.2	15.6	297.3	14.9	146.5	15.3	44.1	18.9
Mercer	463.0	6.8	390.8	6.7	332.9	7.0	215.1	7.2	143.3	7.2	75.0	7.8	1.0	0.4
- Mercer excl. default	141.0	2.1	68.8	1.2	58.3	1.2	35.2	1.2	21.4	1.1	10.9	1.1	---	---
Milford	13.1	0.2	8.5	0.1	---	---	---	---	---	---	---	---	---	---
NZX	15.9	0.2	13.4	0.2	12.7	0.3	8.0	0.3	5.6	0.3	3.4	0.4	1.2	0.5
Staples Rodway	19.3	0.3	16.3	0.3	13.7	0.3	9.1	0.3	6.1	0.3	3.4	0.4	---	---
Tower	505.2	7.5	419.3	7.2	358.8	7.5	236.6	7.9	165.0	8.3	84.0	8.8	26.1	11.2
- Tower excl. default	229.0	3.4	143.1	2.5	111.9	2.3	67.2	2.3	45.0	2.3	22.6	2.4	7.5	3.2
Tyndall	4.5	0.1	3.6	0.1	2.7	0.1	1.6	0.1	1.1	0.1	0.5	0.1	0.0	0.0
Westpac	659.5	9.7	519.6	9.0	406.1	8.5	257.8	8.7	196.4	9.9	75.8	7.9	18.3	7.8
<b>Total</b>	<b>6772.2</b>		<b>5796.7</b>		<b>4789.4</b>		<b>2979.9</b>		<b>1993.0</b>		<b>955.5</b>		<b>233.5</b>	

Returns are before tax and after fees. Estimated Total Fee is the sum of the ongoing Management Fees, the Trustee Fees, and Administration fees. The performance for AMP, AXA, Forsyth Barr and Tower reflects fees that are charged as a percentage of your account balance and paid by cancelling units. Please contact Morningstar if you require clarification. Additional fees are dollar-based Administration or Membership Fees payable in addition to the Total Fee, and are not reflected in the fund's performance. (a) Total Fee is a minimum of \$40 or 0.85 percent dependent upon account balance. Und. = Undisclosed. We have adjusted the performances of the Huljich Wealth Management funds reported in this survey. We have elected to change the start date of the funds to 31 October 2008 as a result of the additional payments made by Peter Huljich in December 2007 and October 2008. We have taken this action to improve the validity of cross-sectional analysis undertaken using our database. More specifically, investment returns should solely reflect investment activities.

# Morningstar™ KiwiSaver Performance Survey

## Key Benefits

- ▶ Shows KiwiSaver fund performance over time relative to category peers
- ▶ Displays assets under management at fund and overall provider levels
- ▶ Estimates total fee as a percentage as well as showing dollar-based administration fee
- ▶ Shows growth assets as a percentage of total assets

The Morningstar KiwiSaver Survey is a quarterly snapshot of the KiwiSaver sector providing comprehensive performance, size, and fee information at a fund level. The report offers an overview of the performance of the more than 140 KiwiSaver options on Morningstar's database through a consistent performance calculation framework while also providing context through categorisation.

Morningstar has the most comprehensive database of KiwiSaver options in New Zealand, which allows for meaningful comparisons across the full range of providers. We welcome all KiwiSaver providers on to our database. There's no cost to fund managers to participate, and performance numbers are freely available on our retail investor website. We constantly look to add depth to our KiwiSaver survey by providing increased fund manager coverage and new information.

## Morningstar KiwiSaver Report Structure

### *Morningstar Category*

Each fund on Morningstar's database is assigned a peer group category to ensure meaningful 'apples with apples' comparisons. Morningstar has sole discretion to assign a fund's category, which is determined objectively by assessment of a fund's underlying portfolio holdings and the percentage of income compared to growth assets. The following definitions describe the characteristics of these categories.

**Conservative** category funds have portfolios that invest in a number of sectors and have 20.0 percent or less of their investments in growth sectors (typically defined as equity and property asset classes).

**Moderate** category funds have portfolios that invest in a number of sectors and have 21.0–40.0 percent of their investments in growth sectors (typically defined as equity and property asset classes).

**Balanced** category funds have portfolios that invest in a number of sectors and have 41.0–60.0 percent of their assets in growth sectors (typically defined as equity and property asset classes).

**Growth** category funds have portfolios that invest in a number of sectors and have 61.0–80.0 percent of their assets in growth sectors (typically defined as equity and property asset classes).

**Aggressive** category funds have portfolios that invest in a number of sectors and have over 80.0 percent of their assets in growth sectors (typically defined as equity and property asset classes).

**Cash** category funds invest predominantly in highly-liquid market-type securities such as bank deposits, bank bills, and cash/overnight accounts. The portfolio's overall maturity is expected to be less than 12 months.

**Fixed Income** category funds invest predominantly in both local and global bonds. This includes government and corporate debt as well as money market securities and cash. The portfolio's overall maturity is expected to be more than 12 months.

**Property** category funds invest predominantly in both local and global property. This may include mortgages, direct, and listed property.

**Australasian Equity** category funds invest predominantly in securities originating from companies listed in New Zealand and Australia.

**International Equity** category funds invest predominantly in securities originating outside Australia and New Zealand.

**Miscellaneous** category funds include all those not covered by the multi-sector and single-sector categories described above. This typically includes niche investment strategies that don't fall into a standard fund category.

## Explanation of Data

### *Data Integrity*

Morningstar has developed robust processes to ensure the timely and accurate processing of data. Checks and balances are carried out throughout the performance calculation process. The integrity of the data management process is paramount, and is managed by a New Zealand-based data team. Morningstar delivers consistent datapoints for more than 360,000 investment vehicles globally. The data process incorporated in the KiwiSaver Performance Survey is used throughout the world and follows global best practice.

### **Assets Under Management**

#### *Fund Level*

The Survey displays this asset value in NZ\$ millions, and we make every effort to ensure that the money included here is the money solely managed by the company in the fund at its lowest level. We seek to eliminate any interfunding relationships we find embedded in the fund size to avoid duplication.

#### *Provider Level*

The Survey aggregates fund level values and estimates each KiwiSaver scheme provider's market share for the period. This gives an indication of where the money in KiwiSaver is concentrated. This information is presented biannually for the previous three years.

#### *Performance*

This is reported at the fund level over one, three, and six months, and one and three years on an annualised basis. (The Morningstar KiwiSaver Performance Survey methodology paper contains a comprehensive explanation of the performance calculation and reporting methodology.) We do not provide returns since inception. Not all KiwiSaver funds have the same inception date, and it would therefore be misleading to publish one 'since inception' performance number, as the date of inception could lead to a very different performance outcome across funds.

Each performance statistic is followed by a rank in brackets. This shows the fund's relative ranking in the category for the given time period. Funds are ranked from '(1)' for the top-performing fund in the category for the given time period through to the number of funds in the category.

#### *Estimated Total Fee (%)*

The estimated total fee is the sum of the percentage-based standard fees that the KiwiSaver provider outlines in the scheme's investment statement. We call this 'estimated' as this is generally the maximum the provider can charge, and the total fee will vary from year to year around this figure. The total fee is the addition of the management fee, the percentage-based administration fee, the custodian fee, and the trustee fee.

#### *Additional Fee \$/Year*

This is a dollar-based fee charged to each investor on a monthly basis to pay for the administration costs that the promoter performs on behalf of the scheme. This is not included in the estimated total fee, and is usually debited as units from an investor's account.

#### *Asset Allocation*

A KiwiSaver fund's underlying asset allocation, or the mixture of asset classes, will be one of the biggest drivers of returns (total fees paid are also important). Investors need to be aware of a fund's total exposure to equities-based growth assets as well as cash and fixed income assets. For this reason, the KiwiSaver Survey shows a fund's total growth assets.

#### *Growth Assets (%)*

The Default, Multisector, Cash, and Miscellaneous categories show the percentages of growth assets in a given KiwiSaver fund. This is the percentage of the fund allocated to growth assets at a particular time. Morningstar typically defines growth assets as equities and property. We collect this information from an asset allocation survey completed by KiwiSaver providers. (The inverse of the percentage of growth assets is a fund's percentage of income assets.)

#### *Australian Assets (%)*

This is the percentage of the fund allocated to assets domiciled in Australia at a particular time. We collect this information from an asset allocation survey of KiwiSaver providers.

#### *International Assets (%)*

This is the percentage of the fund allocated to assets not domiciled in Australia or New Zealand at a particular time. We collect this information from an asset allocation survey of KiwiSaver providers.

### **More Information**

To find out more about Morningstar's data collection requirements and processes, contact Greg Bunkall on +61 9 915 6777 or email [greg.bunkall@morningstar.com](mailto:greg.bunkall@morningstar.com)