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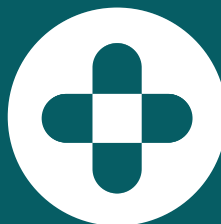

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New regime upon us

By the time you read this, the start of transitional licensing for the new financial advice regime will be only weeks away.

Advisers will have until June to make an application for a transitional licence. From that point, if they want to keep offering advice they will need to apply for a full licence or fit under someone else's financial advice provider (FAP) umbrella.

For many advisers, particularly RFAs, this regime will mean significant changes.

You'll have a code of conduct, you'll need to show you meet competence requirements equal to level five, and you'll need to meet new record-keeping requirements, too.

There have been some dire predictions that advisers would drop out of the industry in droves, so it was good to see that in a recent survey of Financial Advice NZ members, most intended to stick it out and almost half said their own business would take on at least a transitional licence to become a FAP.

Only 7% said they still hadn't thought about it or understood it – a fortunately small percentage but still high considering the limitations on time.

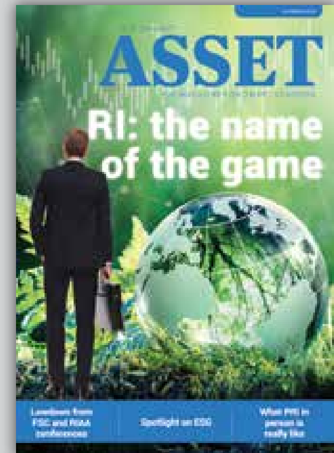
If you're not sure what to do, there are an increasing number of resources available, such as the FMA's website, the Financial Advice NZ helpdesk or services offered by providers such as Advisery at Asteron Life.

It's in advisers' interests to ensure they get the process under way as soon as possible. Financial Advice NZ points out that, if you're planning to have your own licence, you should check your details are correct on the FSPR as a first step.

But it's in everyone's interest to ensure that as many advisers as possible transition to the new regime. New Zealand needs more advice, not less. With more public trust and confidence, the industry should flourish – but it can only do that if the advisers stick it out to take advantage of the opportunities ahead.

Susan

Susan Edmunds
Editor



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Introducing AIA Vitality ambassador: Ian Jones

In a career that spanned some 11 years, Ian Jones played over 100 games for the mighty All Blacks – 79 of those test matches.

What's more, Ian scored 14 tries and made 38 appearances in the early years of Super Rugby where he captained the Chiefs. At the time of his retirement, Ian was the second most capped All Black to have ever played. A true sporting legend, Ian is also someone that understands what it's like to balance the struggle of health and wellbeing.

After Ian retired from professional rugby, he found that his physical and mental health declined: "I thought I'd take some time out but that didn't work so well for me. My body started to ache, my mental state wasn't so good, and I wasn't that fun to be around." Ian decided that he needed to continue his health journey, so he got involved in adventure and multisport racing.

In March 2017, a few short weeks before his 50th birthday, Ian completed the Taupo Ironman, one of the most gruelling multisport events in the world. "Little by little, step by step, if you do the small things ... you can achieve great results." A Sky Sports commentator and busy husband and father, it's impressive he still finds the time for events like this. "I've played at the very top of elite sport. But for me, my sport has never defined me. My family is what defines me. Being a father and a husband helps to put things in perspective."

Ian also finds time to give back to the community through philanthropy. Alongside his wife, he set up "Eddie's Meals", a community food kitchen they host every Friday night with free food, where everyone is welcome. Initially they imagined providing for the homeless or those short of food, which of course they do, but soon realised those in need come in many different guises. "A lot of the people in this room can afford a meal at home, but many are simply lonely and need company and interaction with other people – basically a reason to come out," says Ian.

It's Ian's holistic approach to his own lifestyle and his family's that makes him such a wonderful ambassador for AIA Vitality, understanding the importance of eating well, exercising, thinking well and planning for a healthy life.

AIA Vitality: rewarding healthy choices

AIA Vitality is a scientifically-backed health and wellbeing program that supports your clients to make healthier lifestyle choices.
AIA Vitality's approach will take your clients on a journey to better health, where they get to know their health, improve it and enjoy the rewards for doing so.

AIA Vitality is available with an eligible AIA insurance policy. For more information please visit **aia.co.nz/vitality** or talk to your AIA Business Development Manager.

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AIA Vitality

Kloogh investigations continue

Liquidators for financial adviser Barry Kloogh's companies are considering whether the rights to his trail commissions could be sold to help recover money for creditors.

The businesses were placed into liquidation by the High Court at the end of August.

It came after an investigation by the Serious Fraud Office, as a result of information supplied by the Financial Markets Authority.

The companies owe more than $12.5 million.

The Official Assignee, in its first liquidators' report, said it was not practicable to estimate how long the process could take and it was in the early stages of administration of the liquidations of Financial Planning Ltd, which traded as Breathe Financial, and Impact Enterprises Ltd.

Breathe Financial was a registered financial provider whose clients were advised on an investment plan by Kloogh, the liquidators noted.

"The liquidator will need to review and verify the purchase of each investment currently showing as a custody asset. Initial sample investigations have shown that the actual funds provided by one investor may have been used for other purposes (eg to repay earlier investors), or co-mingled with other funds.

"For each investor, an investment that appears in the records in their name, may actually be purchased with another investor's funds or a mixture of investors' funds. The scale of co-mingling and funds misapplied is not known at this stage and will be the subject of investigation. This will involve the liquidator having to assess hundreds, potentially thousands of transactions to verify claims by investors to assets currently held with the custodian on trust."

The liquidators have already been given records for a "substantial number" of investors and banking records for companies going back to 2012.

The custodian and wrap platform have been placed on notice that they should not pay out any of the custody assets pending an investigation by the liquidator.

ASB sells Aegis

ASB has sold its investment administration and custody businesses, Aegis Limited and Investment Custodial Services Limited.

They have been bought by MMC.

It comes after a recent strategic review of Aegis.

ASB's executive general manager, private banking, wealth and insurance Adam Boyd said that provided an opportunity to gauge the best options for Aegis' continued success.

"Aegis is a good business which requires continued investment and strategic management focus to ensure its customers continue to receive excellent levels of service in the future. As part of this review, we came to understand that Aegis would be best placed to grow and serve the interests of its customers under a new owner with a specialised focus.

"Essential to the success of Aegis is its people, and that has been a key consideration with MMC committed to investing for long-term success, and committing to offer employment to all Aegis employees," he said.

Aegis' employees and customers have been informed of the sale.

ASB will continue to use the Aegis platform.

Adam Boyd

FMA: Where's value for money?

KiwiSaver providers can expect pressure to show what value they're giving members, after an analysis prepared for the Financial Markets Authority showed they charge higher fees than comparable British funds.

The report, produced by actuaries MJW, was included with this year's KiwiSaver report.

It showed that New Zealand fees were higher than those of the UK across all fund types except the most conservative active funds.

KiwiSaver members were paying FUM-weighted average fees for active funds of 1.14% compared to 0.4% in Britain. Passive funds sat at 0.67% and 0.29%, respectively.

Year-on-year the average fee charged to members increased 13%, to $132.26.

The FMA said, despite its expectation that there would be competitive pressure on fees, they had moved very little over the year to the end of March.

"We will be asking KiwiSaver providers to demonstrate how they are providing value for money for their members, which includes explaining their investment style and how higher fees are justified for services such as active fund management or responsible investment funds."

The report has already prompted change – Westpac announced it would cut its monthly administration fee from $2.25 to $1 and reduce the management fee on its cash, default, conservative, moderate, balanced and growth funds by 0.1 percentage points.

Kiwi Wealth cut its fees the day after the period the FMA included in its report.

Milford launches new advice model

Milford Asset Management is offering a new way to pay advisers for KiwiSaver advice.

Under its new model, advisers can be paid either a $150 upfront consultation fee for giving advice or the client can pay the adviser out of their funds under management.

If the latter option is chosen, a 20 basis point fee on the sum invested is paid from the KiwiSaver member's account to the adviser.

Michael Robson, Milford head of intermediary distribution, says "advisers need to be paid for the advice given". "There is a cost to giving advice and this is a way of remunerating advisers."

To make this cost neutral Milford will also rebate its management fee by the same amount. Robson says this is fair as the fund manager no longer has to service the member.

Robson says the advice fee will be clearly disclosed on each KiwiSaver members statement each month. This makes the fee transparent and ensures members are aware it is being paid to the adviser.

Michael Robson

Generate opens fund

Generate is no longer just a KiwiSaver manager – it has now opened a new fund.

Generate has launched its first non-KiwiSaver managed fund the Focused Growth Trust, which is based on its $1.6 billion KiwiSaver Focused Growth Fund.

The KiwiSaver fund has been successful on a performance basis, but the manager had done well supporting its members.

Generate chief executive Henry Tongue says the firm has given KiwiSaver advice to nearly all of its 74,000 members. He says 84% of members' savings being in growth funds and only 16% in conservative funds. This compares well to the whole of KiwiSaver which has only 33% in growth funds and 38% in cash, default, conservative and fixed interest funds.

More than three-quarters (78%) of Generate's members got some or all of this years' $521 annual Government KiwiSaver contribution versus 64% for the whole of KiwiSaver.

"These two important factors alone should materially improve the outcomes at retirement for those KiwiSaver members, and shows the value of advice," Tongue says.

Tongue said the new fund has been launched as: "We have had a lot of members and advisers asking us for a non-KiwiSaver version of this fund. They want a fund that invests that same way but they don't want the money locked in until they turn 65."

Advisers not dropping out: Financial Advice NZ

Financial Advice NZ says a survey of members shows advisers are planning to stick it out into the new regime.

About 80% of respondents had already determined how they would give financial advice under the new licensing regime.

Of those, 48% said their own firm was becoming a licensed financial advice provider (FAP), 21% said they intended to join a large licensed FAP – either a current aggregator or a dealer group – and 12% said their employer was becoming licensed.

Just 12% said they had yet to make up their mind about what route to take, while 7% said they hadn't thought about it or didn't understand enough yet.

Let's work together.

If you're an Authorised Financial Adviser, Milford has a new facility that lets you work with us. It means you can access the Milford KiwiSaver Plan on behalf of your clients.

As you may know, our KiwiSaver Plan comes with an impressive track record of returns, as well as industry awards. Which makes it an ideal choice for your clients.

If you'd like to know more, please get in touch on **0800 662 975** or **wholesale@milfordasset.com**

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Past performance is not a guarantee of future returns. Please read the Milford Product Disclosure Statement at milfordasset.com.

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TRUSTEES EXECUTORS ADDS TOP NAMES

Trustees Executors has made a number of key appointments over recent weeks.

It has appointed ***Geoffory Rimmer*** to the new role of chief operating officer, with responsibility for overseeing the company's daily operations and business strategy. Establishing goals for sustained performance and growth across Trustees Executors business units will be one of his key priorities.

Rimmer has more than 25 years' experience in the Australian trustee and financial services sector, and has deep leadership experience in strategic planning, finance, operations, sales and marketing, business development and M&A.

He was previously executive general manager of trustee and wealth services at Equity Trustees, an ASX-listed trustee company. Prior to this he was the founding chief executive of Financial Services Partners, a top-20 dealer group which had funds under administration of $4.5 billion.

Robert Sloan has been appointed to the newly created role of chief risk officer.

He is currently head of capital markets disclosure at the Financial Markets Authority. Prior to joining the FMA Sloan spent 14 years working for major New Zealand, UK and United States law firms advising clients on M&A and equity transactions in the energy, transport and defence sectors.

"We are delighted to have appointed two high-calibre senior executives to help drive our growth agenda and oversee our management of risk and compliance," chief executive Ryan Bessemer said.

"Geoff is an accomplished and very strategic executive who will assist me to develop and execute our growth strategy, which is underpinned by distributed ledger technology.

"With his deep understanding of the regulatory and compliance framework in New Zealand, Robert will bring a strategic and technical focus to our supervision business, whilst developing a strong culture of best practice conduct in the MIS sector."

It has also appointed ***Victoria Grace*** and ***Graeme Kirkpatrick*** as directors.

Ryan Bessemer is also joining the board as a director. The three new directors will join current board member Matt Sale. Former directors Sarah Roberts and Mark Darrow have stepped down from their roles.

Kirkpatrick has an international background in banking and financial services. He has held senior positions at PwC, Deloitte, AIB and JPMorgan.

Grace has been working closely with Trustees Executors over the last 12 months, driving a number of key corporate initiatives involving digital technology assessment and investment.

Robert Sloan

Victoria Grace

FMA ADDS TO LEADERSHIP TEAM

The Financial Markets Authority (FMA) has made two senior appointments, including filling the newly-created role of director of banking and insurance.

Sarah Vrede joins as director of capital markets and has more than 20 years' public and private sector experience in financial and capital markets.

Most recently she was the head of the NZ Debt Management Office within Treasury. Vrede was appointed a Fellow of the Institute of Finance Professionals (INFINZ) earlier this year in recognition of her significant contribution to New Zealand's capital markets.

She will join the FMA in early November and be based in Wellington.

Clare Bolingford will join the FMA in a new role of director of banking and insurance.

She leaves a senior role at the UK markets and conduct regulator, the Financial Conduct Authority (FCA).

Bolingford has worked for the FCA for almost 20 years, most recently as head of cross-cutting policy and head of supervision for retail banking groups. She also recently spent two years at the UK Treasury, leading capital markets and prudential policy.

Bolingford will relocate to New Zealand to assume her new role in January 2020. She will be based in Auckland.

Chief executive Rob Everett said: "I am excited to be hiring leaders of such calibre into my team. These are important additions into the leadership group as we look towards a greatly expanded regulatory remit. It is great to see such enthusiasm for the work of the FMA as we serve New Zealanders by applying conduct regulation across sectors and markets within financial services."

GASCOIGNE LEAVES PM CAPITAL ROLE

Aaron Gascoigne, the executive director of Kiwi Investment Partners, which represents Australian manager PM Capital in New Zealand, has taken on a new role with a sharebroking firm.

With a career in financial services spanning two decades, Gascoigne brings Australasian and European experience in funds management and investment advice to Forsyth Barr.

Forsyth Barr managing director Neil Paviour-Smith said the company was excited to have someone of Gascoigne's calibre and experience joining the Auckland team.

"Aaron has a wealth of experience in advising clients and investment management. He has a track record of building strong client relationships and businesses," he said.

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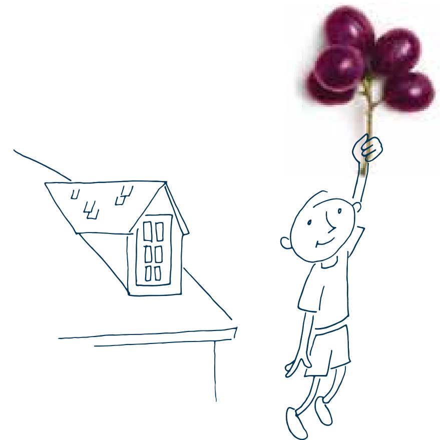

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By Footprint

Advisers: Key to Bridging the Wills Gap

A new Kiwi company is expanding the service profile for advisers while tackling a longstanding problem in New Zealanders' approach to personal finance and future planning.

Footprint offers an innovative digital Wills service and is collaborating with advisers to start the conversation with clients.

The urgency of the need is proven by a May 2019 survey of 1,100 New Zealanders which found that only 37 percent of full-time workers have a Will, despite the cost and effort involved having plummeted through digital innovation.

Footprint CEO Angela Vale says after taking a while to find its feet with advisers, the company has adapted to the necessary levels of service and support. "We have refined our service by bringing in the right people to make sure we deliver on the value proposition.

"Our focus is on working with advisers to provide a value-add. They refer clients for Wills services as part of their full consultative service across all aspects of financial planning."

WHAT FOOTPRINT OFFERS ADVISERS

- Help to protect their clients by providing Wills
- A dedicated point of contact
- Regular service check-ins
- Step-by-step guides for advisers and their clients
- Reporting on client referrals and take-up so advisers know which of their clients created or updated their Wills. This also has the benefit of providing evidence that estate planning support was offered to clients
- Comprehensive Footprint collateral
- The option to collaborate on trials to help improve conversion ratios and client service

Registered financial adviser Paul de Klerk, principal of Paul de Klerk Financial Advisors Ltd, refers clients to Footprint. To deliver extra value to clients he covers the costs of their Wills.

"As a responsible adviser it is up to me to make the introduction to Footprint. I pay for it as a 'thank you' to my clients for arranging their insurance with me. For a lot of families, $100 for a Will is something they have to budget for, and by meeting the cost I can ensure my clients don't have a qualm about getting a Will and don't procrastinate. I've never had any pushback and it helps clients overcome the misconception that they need to take time out of their day and go to a lawyer's office. In most cases a Will can be made online quickly and easily because it's not a complicated document."

EASE, ACCESS AND AFFORDABILITY

To lead the adviser support programme Footprint has appointed Emma Richards as sales and service manager. Ms Richards says many advisers are already doing great work in the estate planning arena, and Footprint's job is to make the work of Wills easy for advisers and attractive and affordable for their clients.

Paul de Klerk and Angela Vale.

"Our aim is to have advisers pre-position our services with clients. Some advisers are among the 81 percent of Kiwis who don't necessarily understand estate planning fully, which is understandable as it is a specialist area in its own right, and we are working on that knowledge gap.

To understand more closely what advisers need, Footprint is currently running a trial with a number of advisers. Ms Vale says more grounding in the challenges facing advisery businesses will only improve the Footprint service.

> **"I think every financial adviser who deals with insurance has a responsibility to bring up the issue of Wills."**

"We are very experienced with corporates so we know how to make the messaging relevant to people's lives. We can help advisers cover off FAQs with clients, and our guides and monthly reporting are also comprehensive, so advisers can be confident about quality of advice and meeting obligations to regulators.

"We already do on-site Learning Labs for our corporate clients on employee benefits, and there could be similar labs in future for advisers that are accredited and count towards their required annual training quota."

One of the companies investing in Learning Labs is national hotel group Sudima Hotels, whose chief executive Sudesh Jhunjhnuwala brought in Footprint to upskill employees. The majority of staff admitted to not having written a Will, mostly because they hadn't had time to get around to it.

FOOTPRINT LEARNING LABS

Footprint provides its corporate clients with employee Learning Labs either on-site or at a convenient location nearby. Our consultants teach staff all the 'need-to-knows', such as:

- What is an asset
- What is an Estate
- Why you need a Will and what can happen if you don't have one
- What is an Executor and what do they do
- What is involved in Estate Administration, tasks and costs
- How to avoid leaving loved ones without access to funds while your estate is being administered

A COMPETITIVE ADVANTAGE

Ms Vale says Footprint is conscious that the advisery market is intensely competitive, and advisers need a point of difference. "Incorporating Wills as part of the advice programme feeds into the industry's Code of Conduct. Advisers are also able to secure good rates for clients because we pass discounts on, and we are seeing a trend towards advisers paying for clients' Wills because there is a low cost of acquisition and it is a good way to differentiate their service and take due care of clients.

"We don't want to step into advisery businesses but see a much stronger value proposition in being a good commercial partner. The more successful advisers are, the more people are protected. Thinking ahead, there is no reason why an adviser who wants to specialise in estate planning could not, and Footprint could be white-labelled."

> **"Making a Will is not difficult or time-consuming but it is a today conversation, not a retirement conversation."**

Mr de Klerk says he has a "very open" relationship with Footprint but doesn't receive referrals in return for passing on clients. He says Footprint is "not a burden of a process – it's simple, easy to use and to understand. Ninety-nine percent of my clients are in similar situations to one another, so I can say to them 'here's how the Will works and why it's a good idea'. My advice is around highlighting the consequences of not having a Will in place. Footprint is a really good thing for financial advisers because it's so easy for clients to go online and take care of it."

As Ms Vale says, "The Will only performs one part of the life finance equation. How bank accounts and insurance policies are set up and how your property is owned can all affect the funds that are available to your loved ones while your estate is being settled. Too many people have been left penniless in that interim period. That's why these are conversations for today and why our work with advisers and employers like Sudima Hotels is so important."

To find out more about how Footprint can work with your business, contact www.myfootprint.co.nz

By Susan Edmunds

Spotlight on New Zealand market

Research IP founder Darren Howlin says good research is about breaking investment outputs down to understand their parts.

Investment researcher Darren Howlin says investment products aren't too dissimilar from TVs – the output to the consumer depends a lot on the make-up of the components within.

It might not be the comparison that springs to mind most readily for those in the industry but the analogy is indicative of Howlin's background.

An electrical engineer by training, he started his career with the Australian Defence Force, doing "interesting things" that he's not really at liberty to discuss in the media.

Basically, he says, it amounted to breaking everything down to its processes and systems and understanding the building blocks.

"Take a TV. TVs have changed a lot over the last 20 years, from CRT to plasma, to LCD to LED. The quality for the picture keeps getting better and better at time goes by … investment is the same. You know what the output is, the PDS, talking to portfolio managers, the marketing teams.

"The research piece is deconstruction. The PDS is the TV screen, we want to know how you got there. What processes were involved in whatever investments are inside that portfolio, the different asset classes determine how you get the picture on the screen."

Before setting up Research IP, Howlin was a research manager at Lonsec, national research manager for Professional Investment Services, and worked for Suncorp as a product research adviser.

Research IP has been making noise on this side of the Tasman this month, launching its expanded operation in New Zealand.

Until the sale of FundSource it had been providing qualitative reports to the NZX operation and powering its FundSource awards, which highlighted the country's best performing fund managers.

At launch, Research IP offered 58 managed fund qualitative research reports and more than 700 one page snapshots. It will also run its own fund manger of the year awards.

> **"The PDS is the TV screen, we want to know how you got there."**

Howlin had been interested in buying FundSource but said he and the NZX could not come to an agreement on price. "They did what they had to do." Zenith reportedly bought FundSource for about $340,000. The NZX had valued its assets at the end of 2017 at $435,000.

He said the Research IP launch could have happened sooner. "But sometimes it's better to let a little bit of water go under the bridge."

He is also in the process of locking in an expanded team and said some of the people who will join the business are still on gardening leave in positions where they cannot be seen to be making any

professional moves yet.

Howlin said the move was a continuation of what Research IP had already been doing in the New Zealand market.

"One of the key things that has been part of our rollout into New Zealand has been making sure that our technology is set up specifically for the New Zealand market. That's part of the reason for the timing being what it is."

Some of the technology has been used in the Taiwanese market, where Research IP provides services to the Taiwanese Government. It has been operating there since 2013, led by Kevin Kan, who heads sister company Square One Research. "We had to do some tailoring for the New Zealand market. In Taiwan, we have information on over 3,000 managed funds … the universe isn't that big in New Zealand even if you do include all the Australian fund managers who have New Zealand-compliant funds."

Square One Research and Research IP are key partners in the Taiwan Government's voluntary top up retirement saving system called the Fund Rich Service (FRS). Since launching in January 2017, the FRS has grown to US$2 billion ($3.15 billion) and there are more than 140,000 active investors using the service. More than 35% of users have fortnightly or monthly regular savings plans linked to their accounts. The Taiwan Government's FRS leverages Research IP's Search-Research-Transact capability.

He said qualitative research was an important part of the New Zealand proposition and was less scalable. "That's a bit more important In the New Zealand and Australian market."

Howlin said it was important to him that the product was open to financial advisers and to retail investors.

"Research IP will have a core offering that is freely available to financial advisers and direct investors. This will enable people to have access to key information and ratings, helping them to make important investment decisions. The only requirement to access the service is an email address."

Howlin said the New Zealand research market was changing again. "Zenith has acquired FundSource – there's a brand there but a limited amount of knowledge of the New Zealand market. Obviously, Morningstar had a long relationship with the market but the key person who understood the market best has moved on."

Chris Douglas moved from Morningstar to MyFiduciary.

"Research IP will have a core offering that is freely available to financial advisers and direct investors."

"Aaron [Drew] and Chris have the best understanding of the New Zealand marketplace of all of us but their service is different to the type of service that Research IP puts into the market place."

Howlin said the investment world had changed over the time he had been part of it. "You definitely have asset classes that were the darlings of their time and don't exist anymore. You only have to look at finance companies as an example, I think they had half of New Zealand's wealth sitting in them at one point."

But he said while products would change and people would move in and out of the industry and between companies, in essence investment products were always about the key asset classes. "Equities, bonds, property still make up the world. Nothing has really changed there despite everything that's happened."

Advisers would continue to be important, he said, and should focus on what they did best.

Research IP also provides consulting services to Australian financial advice groups and financial advisers, with over $2 billion under advice and growing. Over $600 million of this is invested via managed accounts, with the balance residing in advice group approved products.

Howlin said: "With the regulatory landscape constantly changing, financial advice groups are now bolstering investment committees with independent experts like us. We don't just sit on an investment committee, we assist advisers to solve and implement systems and services which allows financial advisers to do what they do best; help their clients, rather than filling their day with administration."

He said many advisers called on Research IP services because they were dealing with increasing amounts of paperwork and administration that had become a distraction taking them away from working with their clients.

He said roboadvice would be part of the future – Research IP is developing its own AI solution. But he said it would help advisers with some of their heavy lifting, rather than replace them.

"People go to people to talk to people."

Darren Howlin

By Miriam Bell

Think responsibility

There's a strong appetite for investments that deliver social and environmental impact and that trend is set to grow exponentially, reports Miriam Bell from the frontlines of this year's Responsible Investment Association Australasia conference.

PART OF THE SOLUTION

It seems a contradiction in terms: Z Energy is a fossil fuel company and yet its CEO, Mike Bennetts, says sustainability is at the heart of all they do.

That's because since a company reset back in 2010, which identified and articulated their core values, Z has actively worked to play their part in helping New Zealand transition to a low-carbon future.

Kicking off the speakers at the RIAA conference, Bennetts talked about their efforts – as a company and part of the wider community – to perform well in the environmental, social and governance (ESG) space.

"We have always recognised that we are part of the problem but we want to move to being a part of the solution."

So Z plans to reduce their operational emissions by 2020 and voluntarily offsets what they haven't been able to reduce through investment in permanent forestry, he said.

This means that, as a business, Z is carbon neutral. While this might be challenging, it is not the biggest problem.

"It's how we deal with the emissions from the petrol, diesel and aviation fuels that we sell to our customers which equates to about 9% of New Zealand's total carbon emissions.

"Dealing with that is a different story. But there are things that we can do and we are engaging with New Zealanders around that. We have to collaborate and get some actions going around this stuff."

> **"It is about truly committing to ESG and all the benefits that flow from it rather than just paying lip service to the idea in order to be compliant."**
>
> *Z Energy's Mike Bennetts*

To play its part, Z has invested almost $30 million in building New Zealand's first commercial-scale biodiesel plant, which turns tallow, a by-product of the agricultural industry, into high quality biodiesel.

It has also invested in a majority stake in retail electricity provider Flick Electric and in Mevo, an electric ride-sharing company indicative of the changing nature of how people get from point A to B.

Bennetts said that ESG is not just a fad, rather it's a solid business-call to make: get it right and you will manage risk as well as have better access to debt and equity funding.

Additionally, ESG is something that investors are increasingly keen on.

"Four years ago no-one knew what ESG was. Now it is very much a feature of the conversation with our investors. And it's no longer just about what the compliance people have told them to ask."

At Z, which is a part of the NZ Climate Leaders Coalition, they believe that it's critical to be responsive to community concerns, he said.

"It is about truly committing to ESG and all the benefits that flow from it rather than just paying lip service to the idea in order to be compliant."

While there are challenges for businesses, Bennetts believes it is important for companies to get started on ESG before it becomes compulsory.

"You need to work with your suppliers and reach out to the community as well. Remember listening is good: most things get solved by dialogue, not shouting."

Mike Bennetts

ROADMAP FOR SECTOR

Matt Whineray

Increasing pressure on corporates from investors, regulators and consumers means that there has been a lifting of sustainability expectations – and standards – in the finance sector.

This led to the establishment of the NZ Sustainable Finance Forum earlier this year and it is now hard at work producing a roadmap for the finance sector to help it become more sustainable.

NZ Super Fund CEO Matt Whineray is the co-chair of the forum. Speaking at the RIAA conference, he said the forum's work is not about how to direct capital to sustainable investment.

"It is about the whole financial system, from insurance to banking investment and what can be done to ensure that standards are raised and the sector lives up to them.

"It is no longer enough to just have a policy. There's a very active context and there's lots of conversations about how it is all being managed and how to incorporate the risks."

But such dialogue is necessary, as is the work of the forum, because climate change risk is now actionable and urgent and we have to do something about it, Whineray said.

The forum, which is made up of representatives from a range of "actor groups" and observers from the regulators, is standing on the shoulders of initiatives that have gone before.

"We are breaking the goals down further, questioning why things can't be done now, and linking then to outcomes. But our priority areas are leadership and accountability, data importing, and redirecting and prioritising capital."

Whineray said they were looking at matters from across the spectrum, including how to think about sustainability in the context of advice and fiduciary obligations, and considering how they connected.

By Miriam Bell

"Our interim report, which will have ideas and pathways, is due out at the end of October. Then we'll need engagement and feedback to turn those goals into procedures.

"From this we can work out what you need to do to improve and change the behaviour of actors in the financial sector. But I think we all need to engage proactively, not just react."

> **"Locally, there has been a shift away from excuses for not doing ESG to a focus on how we are integrating ESG and making a difference."**
>
> *Habour Asset Management's Jorge Waayman*

ACTIVE OWNERSHIP

Shareholders have also started to take a much more active role in ensuring the companies they invest in are operating responsibly and more sustainably.

This is known as active ownership and, much like impact investing itself, it is a rapidly growing trend.

One of the key aspects of active ownership is engagement, according to a panel session which explored active ownership at the RIAA conference.

Devon Funds Management portfolio manager Nick Dravitzki said that, on behalf of their investors, they carry out both informal and formal engagement over ESG issues with companies they work with, like Fletchers and Air New Zealand.

"It is a constant process for us as an active investor. Collaborative engagement is often a part of this as it can be more effective than indirect engagement."

"One example of this is Climate Action 100+ which is an investor initiative that tries to influence companies to make positive changes to their climate impact. It is striking how much impact it has and how much time companies spend trying to respond."

BMO Global Asset Management's Alan Fitzpatrick agreed that there is a role for collaborative engagement and that there has been a big uptick in the number of such initiatives being used.

But he noted that most of this engagement is behind doors. "Increasing ownership in companies and using voter rights is also a way to engage with them to a great degree.

"It's an efficient model to engage with companies – especially as with some companies it is very difficult to engage with people who can enact effective change, not just a gatekeeper."

Shareholder resolutions are another avenue that can be used to advance ESG causes in companies and to enact change.

Australasian Centre for Corporate Responsibility executive director Brynn O'Brien said there are differences between New Zealand and Australia in this regard.

In New Zealand an individual can do a shareholder resolution but, in Australia, 100 shareholders need to do it together.

> **"Let's not make excuses [around ESG]: we will end up in an incremental spiral if we do."**
>
> *Australasian Centre for Corporate Responsibility's Brynn O'Brien*

O'Brien said to deal with this they make use of a double-barrelled resolution method where an amendment to the original resolution takes place and then other ESG resolutions are proposed as part of that.

"We use shareholder resolutions to protect company interests from ESG risks and for broader political purposes to break through for political change in areas where there has been a political vacuum."

The balance of how these issues are considered needs to be changed, O'Brien said.

"There is a lot of excuse making from the financial sector about why they can't do anything. We need to flip the bias in favour of the urgency of ESG issues. Let's not make excuses: we will end up in an incremental spiral if we do."

Other forms of active ownership employed by companies representing investors include offering advice, pushing for more explicit disclosure of ESG policies, and working with government on policies and the environment they sit in.

ESG TREND WATCHING

There's been a widespread shift in thinking about ESG: no longer is it merely something nice for businesses to have, it's now something clients want and look for.

At the RIAA conference panel on ESG trends and insights, this change in thinking about ESG generally was one of the key themes to emerge.

Habour Asset Management investment analyst Jorge Waayman said that responsible investing policies are big news around the world.

"Locally, there has been a shift away from excuses for not doing ESG to a focus on how we are integrating ESG and making a difference.

"There are big issues – both environmental and social – that we need to lean into and unpick. So we need to think about how we manage ESG programmes and where do we need to progress to with them."

But while growing numbers of companies try to incorporate ESG into all that they do, pick up of the concept varies widely between countries.

Across the Asia Pacific region there are very different levels of investor engagement and knowledge in different countries, Refinitiv's performance director Asia, Jamie Coombs, said.

"New Zealand and Australia are fairly advanced, with people really starting to take ESG into account. But South East Asia is a very different story. Some of our clients are looking at putting ESG funds together – but there's zero regulation or compliance and little interest."

Another common issue pointed out by the panel is the way companies disclose on ESG and the related potential for "greenwashing", which can make a company appear more environmentally friendly than it actually is.

MFS Investment Management senior managing director Marian Poirier said there is a lack of consistency in disclosure which makes it difficult to compare ESG credentials. Further, sometimes people are doing it, even if they don't have the right terminology.

To deal with this, it's necessary to have multiple data sources and to analyse it yourself, she said. "As corporate reporting improves it lifts the sector and gives you the opportunity to select what is best for you. But don't just take one example, get more, and challenge people."

"New Zealand and Australia are fairly advanced, with people really starting to take ESG into account."

Refinitiv's Jamie Coombs

The inconsistent disclosure trend appears to be pronounced in New Zealand, according to a big analysis of disclosure and offset practices in New Zealand's investment market carried out by Harbour.

Waayman said they found that less than half of companies in their sample disclosed their emissions.

"Because a lot of the data is self-reported we looked at how many of the companies had externally verified their data. Only seven out of the 25 companies had done so. So New Zealand is lagging behind the global scene and needs to pick up the pace there."

That's because the new reality is that ESG has become mainstream and needs to be integrated into all aspects of investing.

Poirier said while the risks do need to be managed, it is a big opportunity. "Passive management is not the best way to integrate ESG – but active management means it is necessary to do the research and to really engage."

Jorge Waayman

Spotlight on ESG trends

Responsible Investing (RI) is a term we are hearing more in the media. It's used to loosely describe a range of investing strategies that include, but are not limited to, environmental, social and governance (ESG) integration and socially responsible investing (SRI).

Both terms share the same goal: to move money away from the "bad" guys and towards business that is "good" for society.

Move money from the bad guys and towards business that is good for society.

The desire to invest responsibly by organisations and individuals depends on various values or ethical motivating factors. It is these differences that make the definition and approach to RI so difficult. The challenge is that values and ethics are hard to define and thus very subjective, something the investment community finds hard to conceptualise.

How should a money manager decide on the shared values of all the underlying investors?

RI initially began in a religious context, based on the principles of "love thy neighbour". Ideas promoted included divestment from alcohol, tobacco, weapons and gambling – the original "sin" stocks. Over time, RI developed with the addition of civil rights, international politics and environmental sustainability into the mix.

Integrating ESG factors into investment research is comparatively new and can include issues such as climate change, employee rights, modern slavery and diversity. The purpose is to consider the ESG footprint of a company and how these non-financial issues can contribute to the bottom line of a company.

Investors want to know how investment professionals are considering ESG in their portfolios.

Some commentators believe that the trend in investor demand for ESG solutions is disrupting the status quo of the asset management industry. Where once RI consisted of naïve investment screens and only analysed equities, new datasets and approaches are now used to implement sophisticated ESG strategies for a range of financial securities. Issues of transparency and information disclosure are becoming more prevalent; investors want to know how their money is invested. The increased availability of quantitative data now allows investors to both strategise and measure their portfolio characteristics.

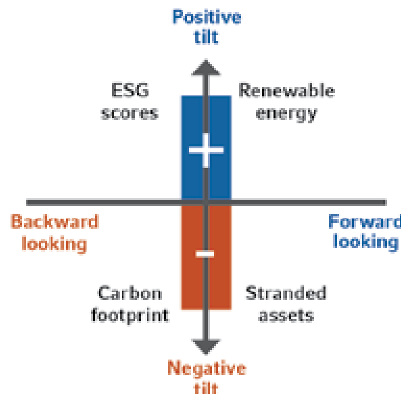
In 2015, we developed a product for a client that would track a benchmark whilst reducing the overall carbon exposure of the portfolio and simultaneously minimising active risk and trading costs. The strategy ultimately evolved into our Low Carbon Fund, a low cost global equity offering that can be used by investors to reduce their carbon footprint.

Interestingly, our decarbonisation research shows that many companies with large carbon footprints also have large investments in renewable energy. The original carbon strategy would exclude these securities by ignoring climate-proactiveness metrics of the underlying firms. In 2016, Russell Investments added clean energy and ESG tilts to the strategy; both of which are directly related to the overall low carbon tilt and allow for a more sophisticated investment strategy.

Research into responsible investment at Russell Investments has been a case of ongoing enhancement. Recent research includes a study on the relevance of material ESG scores that are weighted based on the exposure of the company to the specific type of ESG risk. Furthermore, Russell Investments has also begun to engage in water research, identifying opportunities around integrating water-sustainability metrics into portfolios.

We believe that implementing RI and ESG-specific solutions for our investors' portfolios

RUSSELL INVESTMENTS DECARBONISATION STRATEGY



requires innovation. Markets are rapidly evolving, along with investor needs.

Gone are the days where simple (and naïve) exclusions of securities sufficed, or where strategies were not backed by robust market analysis. At Russell Investments, we are confident that creativity, transparency and a research-based approach are required in order to proactively meet market demands and generate solutions that ultimately benefit investors.

Successful ESG strategies require creativity, transparency and a research-based approach.

Russell Investments became a signatory of the United Nations governed Principles of Responsible Investment (PRI) in 2009, and subsequently joined the ESG discussion with world leading proponents of RI. In our 2019 UNPRI assessment we scored A or A+ ratings in the 10 categories in which we are assessed.

Russell Investments Low Carbon Global Shares Fund

The Russell Investments Low Carbon Global Shares Fund provides investors with a sustainable investment solution that supports the management of climate change risk and the transition to a low carbon economy.

For more information about our responsible investing solutions please contact:

Matthew Arnold
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e: marnold@russellinvestments.com
w: russellinvestments.co.nz

For more information on the funds and solutions available to you and your clients, please visit russellinvestments.co.nz. This publication provides general information only and should not be relied upon in making an investment decision. In particular, you should seek independent financial advice and read the relevant Product Disclosure Statements available by contacting Russell Investment Group Limited on 09 357 6633 or 0800 357 6633 or at russellinvestments.co.nz.

By Miriam Bell

Back to *the future*

Delegates at this year's Financial Services Council conference were told that success for the sector, in a rapidly changing environment, will require getting a lot of the basics right for customers. They also considered ways that financial services could enhance New Zealand's wellbeing and nurture diversity and leadership. Miriam Bell was among them as they discussed a roadmap for growth for advice, advisers and the wider population.

THE AGE of wellbeing

Business needs to face up to the fact that the world has transformed: these days ensuring the wellbeing of employees and customers is the best way to embrace change and boost productivity.

That was one of the key messages to emerge from a wide-ranging panel session on wellbeing on the first morning of the Financial Services Council's annual conference.

Prompted by the current focus on wellbeing, which is exemplified by the Government's Wellbeing Budget, the theme of the conference is "Towards Wellbeing".

In line with this, the panel session explored multiple issues relevant to wellbeing, including mental health, digital technology and social media, the changing world of work, productivity and environmental considerations.

But perhaps, not surprisingly, the central wellbeing issue of the panel session was financial wellbeing.

ANZ's managing director of wealth Craig Mulholland said their research around wellbeing revealed that people feel good when they have an active savings programme and don't have to borrow for everyday needs.

This was not dependent on income per se, he said. "You could have a high-income earner with lots of debt and no savings and they weren't as happy as a lower income earner with no debt and some savings.

"It's about having control of your destiny, knowing what you want to achieve and how you want to achieve it. Financial wellbeing comes down to being able to save and pay your bills without getting into debt."

BNZ CEO Angela Mentis agreed that savings, along with wealth, does contribute to wellbeing. She said their wellbeing index provided some interesting insights into this.

"There was a wide spread of financial hardship and distress in New Zealand and it was particularly pronounced in 18-29-year olds, in women and in single income earners.

"But 60% of those involved didn't think they would have saved enough for retirement and one of the big anxieties was around not having enough for emergencies. It was clear that lifting financial productivity and savings was a key ingredient of wellbeing."

A critical aspect of doing so is financial literacy. On average, New Zealanders' financial literacy is not good, particularly in comparison to similar countries like Australia.

Mulholland said to improve this a consistency of approach is required. "There needs to be a focus on KiwiSaver to help build financial literacy. The work of the Commission for Financial Capability needs to be supported."

While the work towards building financial literacy is starting, New Zealand has a long way to go, he said. "We need to start with children and think about how we educate them on money and finances? It's an intergenerational thing. Those in the know need to help those who are not."

> **"It's not about working harder, it's about working smarter. That will help to boost productivity."**
>
> *MinterEllisonRuddWatts' Christine Brotherton*

For Mantis, the financial literacy of lower income groups is a concern. She said BNZ works with community financial programmes aimed at such groups to provide help around budgeting plans, managing debt and making use of KiwiSaver.

"There does need to be more education for children and in schools too. To improve the financial wellbeing of New Zealanders, we need to start thinking about it and helping more people to get educated on it."

When it comes to the financial sector itself, the panel session highlighted that there are important conversations to be had about better business practices which will benefit employees and customers and support their wellbeing.

Resilience expert Kathryn Jackson said it's critical for companies to equip employees to deal with stress and pressure and to build resilience.

And MinterEllisonRuddWatts HR director Christine Brotherton, whose company has embraced a four-day working week, said it is about trying new things because the old ones are not working.

"People are under pressure and productivity is not good. For better customer outcomes think about changing focus from what employees are doing to achieving the outcome you want. It's not about working harder, it's about working smarter. That will help to boost productivity."

Seize the opportunity

Think that major workplace changes – like mergers and economic crises – spell career doom? Think again because they can present career building opportunities for advisers.

At day one's session on building your career in financial services, a trio of industry heavyweights shared their professional stories. The common theme: seizing the, sometimes unlikely, opportunities presented by change is key to success.

AIA NZ chief customer officer Sharon Bottica has been through many company mergers and acquisitions over the course of her career.

She said they have taught her valuable lessons in stepping up to responsibility and thinking strategically about what the changes might offer. They have also functioned to better develop her career.

"Careers aren't just about going up or down. They can go sideways too. So go with the changes, be flexible, and seize the opportunities presented.

"It is important, though, to understand what your purpose is and how your work goes with that. Always strive for something of great value."

Westpac head of investments and insurance Nigel Jackson agrees. The company he was working for at the time of the GFC was hit hard and he ended up being part of the collateral damage.

However, the experience led him to stumble into insurance which he developed a passion for. It also taught him about great leadership and the need to face challenges.

These lessons can now be applied to today's challenges – from regulatory change; to conduct and culture; to diversity, he said.

"Things evolve quickly and you need to be able to respond quickly. If you can't you'll be caught out. But it is, ultimately, always about customers, not compliance and I think that's what always needs to be at the forefront of an adviser's mind."

For AA Finance Ltd general manager Ana-Marie Lockyer, workplace changes have always led to interesting career developments.

But it was a five-month time-out period, during which she went to Harvard Business School, which has defined the current stage of her career which is portfolio-based.

"It was a great opportunity to learn and to just focus on myself and my views. As opposed to fulfilling the expectations of a company or toeing the party line. It was critical for my development. You have to seize all opportunities."

By Miriam Bell

Opening the doors to talent

New Zealand workplaces have made progress on the diversity front – but not enough and much more needs to be done to ensure genuine inclusion of all demographic groups.

That was the consensus of the diversity, leadership and change panel on day two of the FSC's annual conference.

While the gender pay gap has narrowed, equal opportunities are enshrined in legislation and there are many initiatives at play to boost the inclusion of different demographic groups in the workplace, problems remain.

The country is making slow progress in increasing the number of women on company boards, for example. Women directors on listed company boards increased from 19.7% in 2017 to just 22% in 2018.

On another front, only half of the 21% of disabled people who make up the working age population in New Zealand are actually in paid employment.

Partners Life CEO Naomi Ballantyne said one major reason for this goes back to recruitment policies.

"Companies tend to recruit based on candidates' 'cultural' fit with an organisation and experience. But that needs to stop as the 'culture' tends to be one where everyone is the same.

"Instead we need to recruit people with drive, commitment and energy and that means actively including people who are different to the prevailing 'culture'. This works and delivers outstanding results."

Nobody on the panel directly advocated for the introduction of quotas to boost the numbers of women, or Maori or Pacific, or disabled people in the workforce and into certain roles, including senior ones.

But AMP Life NZ executive general manager Therese Singleton made the point that numbers do breed more numbers.

"Organisations with more female leaders will see more female leaders coming up through the pipeline. And the same principle applies across the board.

"So we need to think about that going forwards because as demographics continue to change we need to reflect that in business."

The panel agreed that there are many things that can be done to assist this.

These include measuring and publishing targets for inclusion; addressing recruitment and promotion policies; mentoring for diversity programmes; offering flexible working structures and workplace cultural initiatives.

Acting to develop genuinely inclusive businesses, which reflect the changing face of New Zealand, is simply good business sense, the panel said.

Institute of Directors chief executive Kirsten Patterson said diversity is actually about tapping into the talent in New Zealand.

"Diversity is about inclusion. We don't want to lose talent. It's an 'and' conversation not an 'or' conversation. It is about including everyone. We want to open things up to get all the best talent and maximise it."

Using behavioural science to grow

New Zealand is underinsured but behavioural science insights could help to understand why – and assist growth in the market.

There's a swathe of research showing that New Zealand is underinsured and, although the figures tend to over-estimate consumer spend, there's room in the market for growth in numbers and value.

That's according to Chatswood Consulting's Russell Hutchinson at the insurance workstream on day two of the conference, which explored whether insurance is still relevant in New Zealand.

Current population growth means the marketplace is growing and profit is up yet there are a diminishing number of policies, he says.

"We are making little from our opportunities. We are not good at finding new people and getting them into our marketplace. But even as our lives have lengthened the amount of loss suffered has risen."

So who has responsibility for the underinsurance gap?

Hutchinson says it's probably the "fault" of the industry. "Because if the customer is not buying, then we need to look at what we are doing."

But the session's second speaker PwC NZ director Lee McCauley says that applying behavioural science to the issue of under insurance provides useful insights.

Going by behavioural science, there are three reasons why people are under insured.

They are optimism-bias where people think "it won't happen to me"; availability-bias where people base their judgments on disasters rather than smaller incidents; and present-bias where people put off decisions until a later date.

McCauley says that, additionally, confusion puts people off – especially those who are constrained financially.

"Insurance policies tend to have long and complex terms and conditions. How do people read, understand and then comprehend one policy – let alone other comparative polices. It is confusing for people."

It leaves the insurance industry with a challenge, he says.

"Can we use behavioural science to increase well-being in New Zealand by designing products that work with the grain of human behaviour?"

"It also raises questions about how people are comparing products and working out what is best for them."

Hutchinson agrees. He says that whether offering products through an advisers' channel or not, advisers have a responsibility to tell consumers what they know about them, good or bad.

"We are good at doing it with risk but we are not doing it genuinely enough – because it is not reaching enough people and this shows up in things like trust.

"The industry needs to think about how it can get people to think about risk and what it means, as well as how it can get insurance literacy into places for people, be it schools or workplaces."

Helping Advisers navigate the pathway to success

Wealthpoint is a national network with a local focus.

With more than 50 Adviser Businesses and close to 200 Financial Advisers spanning the length of New Zealand, Wealthpoint helps Adviser Businesses achieve their goals in a changing regulatory landscape.

Talk to us to find out how we can help your business.

Shifting tides:

Take-aways for the upcoming year

A summary and narrative from our latest Harbour Seminar Series by Shannon Murphy, Investment Specialist.

Last month Ian Harnett, managing director and chief investment strategist from Absolute Strategy Research (ASR) hit the road with some of the Harbour team and presented to advisers in Auckland, Christchurch and Wellington.

As the MC, I heard Ian's presentation a few times and thought the insights and opinions were too valuable not to share.

When we first received Ian's presentation, to be frank, I was a bit concerned. It came wrapped in a label of "Recession: 2020". Now there's a cheery title to spin to an audience. Before diving into the material, I expected that the message would be stay away, run. However, it was the opposite.

That is why I wanted to bring the seminar to you in a "CliffsNotes" version. To start with, Ian explained that since the global financial crisis (GFC), we have seen a "New Normal" emerge characterised by muted economic cycles extended by loose monetary

> **"With low interest rates, we have seen a huge swing into yield-bearing stocks because people are not able to gain yield many other places."**

conditions and low interest rates.

According to ASR, there are five main excesses of the New Normal that may be set to unwind.

1. Excess reliance on monetary policy over fiscal. Politicians have relied on central banks to sustain the cycle, while international central banks have had a bias to ease – to avoid being the fall-guy for any recession.

2. Excessively low interest rates. "Financial repression" kept rates artificially low, thereby encouraging refinancing rather than reform and discouraging reduction in debt levels. This led to repression of the financial sector limiting the potential for new credit cycles to emerge.

3. Excess debt in USD. Debt levels remain high and the global rise of debt issued in USD has led to increased importance of US Federal Reserve policy judgments. This puts global growth at risk due to US policy.

4. Finely tuned corporate business models. Business models assumed frictionless trade, globally portable capital and neutral information technology. The trading system is focused on China and the financial system focused on the USD – now in conflict with Hong Kong as its fulcrum.

5. Companies sustained excess profit shares. Recession will challenge profit shares established in the New Normal era. There has already been more stress with EBIT (earnings before interest and taxes) margins falling, challenging the imagination of analysts. This may also bring a cashflow crisis that might then impact credit.

From ASR's research, Ian concluded that global sovereign bonds and real assets may do well over the next year. While global equities may do poorly, the exception might be US equities as they have tended to outperform in recessions. Ian noted that New Zealand seems to be currently in a better position than Australia as our retail sales have slowed less than those of our neighbours, and our debt has fallen since the GFC while Australia has seen theirs continue to climb.

Putting this all together, although Ian concludes there might be an impending recession, he still thinks that investing with a growth bias may be a good place to be. Over the course of previous recessions, it has been shown that equities bounce back – but this only tends to happen late in the event.

We can take this one step further. With low interest rates that seem to keep getting lower, we have seen a huge swing into yield-bearing stocks because people are not able to gain yield many other places. This has seen these stocks skyrocketing on share price but with no commensurate increase in profit or margin. This may have run its course. When it does, then investors might be looking for a new place to invest and, with historically low interest rates, one place to do this may be in quality growth stocks that are relatively cheap (or "on sale").

Growth stocks that Harbour invests in are chosen through a process that has been used through multiple market cycles. Our portfolio managers thoroughly research companies and include factors such as our long-running Corporate Behaviour Survey, the scale of each company's addressable market and their ability to flex with the changing consumer environment.

Following ASR's research, two of Harbour's Australasian equity portfolio managers, Andrew Bascand and Shane Solly, took us through how and why lower interest rates are driving equity returns with their "School of Stocks".

Interest rates are at their lowest level in 5,000 years. Since the Mesopotamians issued debt at 20% back in 3000 BC, the only other time interest rates were as low as they are now was during the 1930s and 1940s depression and war years.

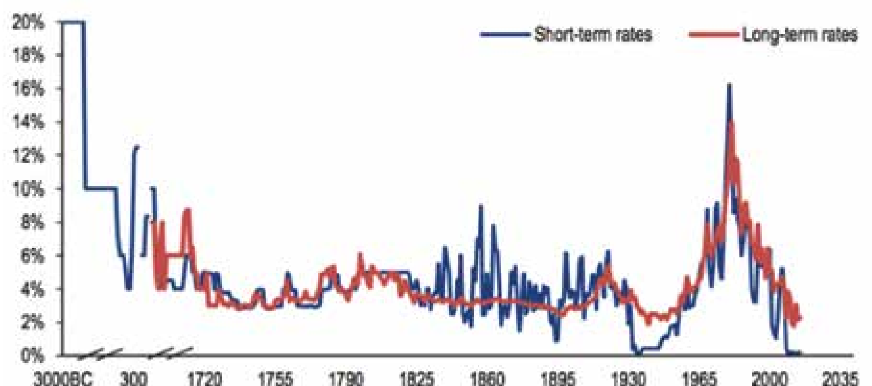
And when we factor these ultra-low interest rates into the dividend discount model (DDM) for valuing shares, it's fairly simple maths to show why high-yielding stocks' share prices have risen so strongly in the past year. The problem is that the DDM assumes that the risk-free rate and the equity risk premium are constant. For that to be true, companies would have sustainable growth and pricing power in perpetuity, which of course they don't. Ultimately, companies that can keep growing through a slower economy have better long-term growth prospects and that outer year compound growth is even more valuable when discounted by lower interest rates, again due to simple maths.

> **"The only other time interest rates were as low as they are now was during the 1930s and 1940s depression and war years."**

So, for patient investors who can ride out share price volatility in the short term, look out for those stocks that have unique products and services led by research, development and innovation and that can grow due to having a large and growing addressable market for their products, a scalable business and pricing power. And as market pressures keep their prices relatively cheap, you can buy them on sale!

This does not constitute advice to any person. www.harbourasset.co.nz/disclaimer

INTEREST RATES AT THEIR LOWEST LEVEL IN 5,000 YEARS



Source: Bank of America Merrill Lynch, Bank of England, Global Financial Data, Homer & Sylla 'A History of Interest Rates'. Note: The intervals on the x-axis change through time up to 1700. From 1700 they are annual intervals.

By Susan Edmunds

Taking a *different tack*

Adviser had mid-career stint in journalism before returning to investments.

Auckland-based Neville Glaser is a bit of an anomaly in the financial advice world.

When he agrees to be profiled by ASSET magazine, he asks whether it would be okay to supply a few points in writing – "I am better writing than talking".

That's unusual in an industry where many people have carved out a successful business thanks to their ability to strike up a conversation with anyone and to be a relentless "people person".

But it turns out that a different style is working well for South African-born Glaser.

He started his career as an accountant, before taking on a role as a financial chief in a listed South African firm.

"Our share price plunged and at a management meeting a director wanted to know from me why it fell so hard," he recalls.

"My answer was 'I haven't a clue because we are the same company we were last month.

"They were unimpressed that the financial chief couldn't explain why $50 million had been knocked off the value of our group. I was humiliated and puzzled that after five years at university studying finance I couldn't answer this simple question. So I started studying investment, starting with Benjamin Graham's great book, and never stopped."

He was then offered a job editing the *Financial Mail* in Johannesburg, and, on the strength of that, took up a role as business editor of the *NBR* for a couple of years when he migrated to New Zealand.

But it wasn't long before the call to get back into financial services was too strong to ignore – "I'm an accountant after all" – and Glaser and David McEwen set up Investment Research Group, working out of Ponsonby.

They were bought out after eight years. Glaser still cites this as a career highlight.

"We were such a niche that several people wanted to buy us, Morningstar, NZX ... suddenly everyone was pitching for the company. I thought that was great, an indication of eight years of work."

Glaser stayed on contract for a couple of years before joining Foundry Asset Management as its head of research. Then, last decade, he qualified as an AFA and set up Glaser Portfolio Indicators, a one-man operation providing specialised investment planning.

"I see clients, draft plans and execute trades, charging by the hour in the way most professionals do. I do not take control of money, or transfer it into custodial companies, or move money around to managed funds or intermediaries. All securities have to be registered in the client's name. I only charge for advice."

Glaser says not taking commission is something he feels particularly strongly about. "The hidden commission model was transferred from the insurance industry where it was a disaster in itself. It's transferred into wealth management where it's become an even bigger disaster. I totally avoid the hidden commission system. I won't go near it."

> **"If I were to retire a younger version of me is going to get years of interviews, strategies, and they will know exactly what to do."**

He also focuses on finding investors the lowest-fee opportunities he can. "That can only be done directly. Fees are capped and charged six-monthly in arrears. But I must be accountable and so my disclosure documents state I have to suspend fees in any period that I have not met the benchmark equivalent of ETFs that represent the client's portfolio."

He says his model wouldn't work for everyone. "I wouldn't just do the regular financial plan and so on."

Lately he's been meeting younger clients, he says, because he offers a service where an initial meeting is free. He then does an audit and provides a report on what he thinks

people should do.

"They're not clients at that stage, and millennials, they just want everything for nothing, that's how they're brought up. Two have become paying clients … but I like the millennials they're a very motivated generation."

He says advisers tend to fall into one of two camps – they are either very good at the client side, or are better at the behind-the-scenes operations. "I'm more of a grunt, a number cruncher."

Despite that, he puts a lot of effort into client relationships – including travelling from central Auckland to the North Shore to help a 78-year-old client with his taxes. "It's not time effective but because of that relationship I have got with the client I do it."

His journalism experience also helps his written communications with clients, he says. "Most advisers won't write the kind of reports I write."

He says operating as a solo adviser presents challenges.

"The first is the compliance burden, which is exceptionally heavy and expensive for a small business like my own. This month I face my third AML audit. After that I have to decide how to deal with the new licensing regime. But having said that, I am an ardent supporter of the Financial Markets Authority because I remember what it was like before them.

"The second issue that some clients have brought up concerns the matter of continuity. To put it bluntly, I am not young and as one client, who is 78, put it to me 'it seems to me when I am ready to die you will be ready to retire. So who will look after my wife's portfolio?"

He says he answers by telling them that he has some of the most detailed client files of anyone. In the same way a neurosurgeon might write detailed notes and hand them over to another specialist, another investment adviser could pick up Glaser's work.

"If I were to retire a younger version of me is going to get years of interviews, strategies, and they will know exactly what to do. That does seem to work."

He also calls on strong networks across the industry and the financial world more generally to discuss ideas and share expertise.

Glaser plans to apply for a financial advice licence for his business, although he says a couple of bigger operations have tried to tempt him to come under theirs. The business model is too different, he says.

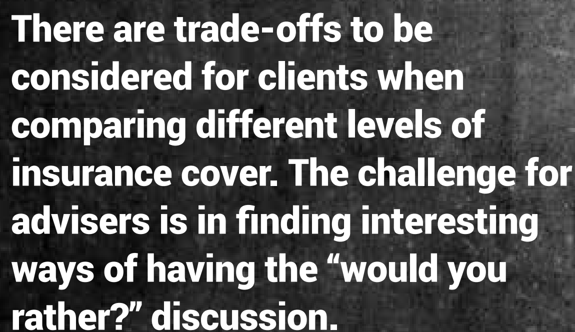
"I am getting more referrals than I can easily handle and I have to decide what to do about that. Along with everyone else, I complain a lot about how the industry has evolved into a nightmare of paperwork. But this is exactly what had to happen after the turmoil of the past, where every man and his dog could call themselves advisers. I love the challenge of the work and the ever-changing challenge of investment cycles."

Glaser says he feels positive about the future because of the stricter regime coming in – and it would take more than a bit more paperwork to force him out. Ⓐ

Neville Glaser

By Russell Hutchinson

Would you rat



There are trade-offs to be considered for clients when comparing different levels of insurance cover. The challenge for advisers is in finding interesting ways of having the "would you rather?" discussion.

If you haven't spent a few happy hours browsing at either.io, I recommend it. Questions like "would you rather witness a volcano erupt, or a meteor strike the earth?" and even "would you rather discover a cure for cancer or be the first to contact an alien race?" are probably more intriguing than pondering questions about insurance planning.

Except that with insurance planning the question is real, and the choices can have significant consequences.

All the time I come across advisers with a plan. They have a definite view on how things should be done. Some prefer loss of earnings, others agreed value. Some believe income protection should be the foundation, some life cover, and a few start with medical insurance. Whatever the different approaches are the one I hear less about is the question of whether to choose the fully-featured version of cover – or the more limited versions.

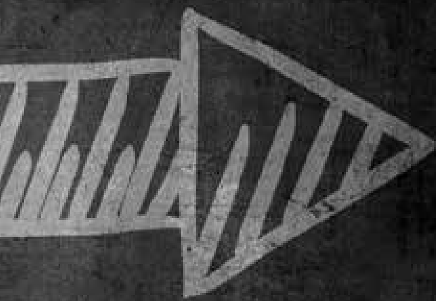
Gen Re, no less, were particularly concerned about this development. With most of their attention on the Australian market, they see a trend for product to become ever-more-generous. In preparation for their annual conference they have been asking the industry whether they feel that research companies or compliance people are driving the push to extend insurance benefits further. As I own half of Quotemonster, you can imagine that caught my eye. That was a disclosure of interest, by the way.

> **"Can consumers safely buy insurance that isn't 'the best'? Yes, of course they can."**

There is a risk. If research isn't weighted to the real value of a benefit, then it can overstate the importance of a new feature. If compliance folk are constantly raising the spectre of investigations or complaints because you "should" have sold this or that product, then it could be pushing product solutions to the "top end".

But when I reflect on other choices I make in life, I rarely go straight to the top. I eat at

ther?



local restaurants much, much, more often than those with Michelin stars. I rarely stay in a six-star hotel – can you remember when five was considered the maximum? I drive a Toyota.

Can consumers safely buy insurance that isn't "the best"? Yes, of course they can, and much the same reasons will be in play: the trade-off between value and quality that we make with purchase decisions all the time.

There are risks to acknowledge here too. One is that what we promise and what we deliver must line up. If we want to help people buy the best, and tell them that, then advice must follow. There are brand considerations too. We don't want people confused about what we offer them. Lastly, there is a compliance risk. Insurance is known to be a low-involvement purchase. Clients can forget exactly what it is that was discussed when it comes to claim time – hope for a payment may overwhelm a more critical recall of the meeting. "We did buy that income protection didn't we?" can be answered in the affirmative and disappointment can turn into a complaint when it turns out – they didn't. But so long as these risks are all addressed, then it should be possible.

"The two most common Income Protection considerations are the interaction between wait period and price, and benefit period and price."

So, to our own game of "would you rather?".

In this game – to keep things generic and accessible I won't zoom in down to the level of detail applicable to a specific insurer. I will try to stay at a conceptual level by talking about common features and trade-offs.

Take health insurance first. In one example (a female life, age 35, non-smoker) you can buy health insurance with a nil excess and no specialists-and-tests cover for about the same price as a package including specialists and tests and a $1,000 excess. Some companies make the excess for specialists and tests the same as the base plan, and others have different rules – say a fixed excess of $250 for the add-on. Assume it's the latter. Which would you rather?

Clearly the budget situation of the client is a factor. Imagine they are locked into the choice though – it comes down to this. If they can fund the $1,000 excess, I'm personally leaning that way. But I don't count. Their own capability and preference counts. I'm interested in how the choice is expressed. I feel that in this case the scope of cover is greater with specialists and tests, versus the amount of repayment in the lower-excess option. Another way to present it is to ask which would annoy the client more – not getting any payment for a $900 event, or not getting covered when referred to a specialist?

Income protection offers so many dimensions to play with in this game, and we simply cannot tackle them all. But the two most common to consider are the interaction between wait period and price, and benefit period and price.

Would you rather buy $3,000 a month of coverage with a four-week wait period to age 65 or would you prefer $6,000 a month on a 13-week wait period to age 65. Some clients would be pretty grumpy about being off work for, say, two months and being unable to claim. But I suspect most clients with the resources to be seeking your advice could scrape through such a period – while a prolonged disability on the low sum insured could ruin them. I am a number guy so I might be moved by a spreadsheet or decent model of the scenario.

But to make it harder still, let's throw in a third option: have $6,000 a month cover, at an eight-week wait, and 20% off the premium – but the catch is the benefit period is just five years. I know – also from Gen Re, coincidentally, that most claims (better than 90%) will be done in that period. It is not a bad compromise. Yet it is a compromise rarely seen. We know from lots of sources (FSC, Horizon data, Massey surveys and insurers) that far more clients have no IP cover at all than opt for shorter benefit periods. That is a bit curious. To me it is the equivalent of checking the price for the SO/ hotel and then announcing "screw it, I'll sleep rough". Instead of being so extreme, why not entertain some other options? Adding two-year benefit period cover with an eight or even 13-week wait at least creates a level of protection. Or consider adding coverage for 30% of income, or 40%, or 50% and so on – tuning the level of cover to budget.

It is with trauma cover that you can, arguably, get some of the most surprising choices on offer. Which would you rather: $500,000 life cover, plus future insurability, plus $100,000 trauma standalone, plus trauma buyback, plus TPD add-on … OR: $1 million life cover, plus $350,000 of trauma accelerated, but with no add-ons? Another curiosity of the client-adviser negotiation is that sums insured over a million for life cover remain rare. Is there something about the word "million" that scares clients? But sums insured for trauma seem remarkably "sticky" at $100,000. Insurers are busy pushing options that will make this choice even more interesting with progressive trauma having been joined by serious conditions, major trauma, continuous trauma, and trauma multi to complicate the choices further.

More than ever, clients need you to help them navigate the questions of "would you rather?". Overall, the strategy is about finding interesting ways to help the client make meaningful, informed choices about which types of cover they would rather have. Illustrating that, and documenting it, makes it clearer for everyone.

Russell Hutchinson is director of Chatswood Consulting and Quality Product Research, which operates Quotemonster.

INVESTMENT COMMENTARY

By David van Schaardenburg

OCR cuts: death of future returns?

In this three-part series we look at the strategic and material changes occurring to investment returns and the implications for investors, investment advice and the businesses of investment advisers and fund managers.

ANOTHER RATE CUT

The recent announcement by the RBNZ that their Official Cash Rate was reducing from 1.5% to 1.0% to me was just another nail in the coffin marked "FUTURE RETURNS".

Either way, New Zealand investors and their financial advisers are in territory none will have experienced in our clients' investing or our own professional lives. It is however familiar territory for other countries like Japan, Europe, UK and the US that have been in a low interest rate, low inflation environment for a decade or more.

I'm hoping its not like the late '60s, as this was followed by a decade plus of "stagflation" and insipid returns.

Since 1985, New Zealand has seen a seemingly relentless decline in inflation, interest rates and investment yields. The initial fall in inflation and interest rates in the 1980s and 1990s was very necessary. But over the course of the 21st century this trend has continued globally and in New Zealand. Stability of inflation at lower levels is typically an important precursor to sustainability of economic growth.

TAKING STOCK SINCE 2009

To better understand the future implications for investors and their advisers let's take a start point of mid-2009 just after the worst of the GFC had passed.

In the 10 years since that time, NZ corporate bonds have delivered an annual average return to investors of 6.0% pre-tax, NZ shares have returned 14.7% pre-tax and international shares have returned 10.6% pre-tax per annum (to August 30, 2019).

Over this period 10 year New Zealand Government bond yields have declined from 5.5% to only 1.0%.

At the same time the Reserve Bank's OCR (Official Cash Rate), which heavily influences the rate of return investors get on bank deposits, has declined from 5.5% to 1.0%.

> **"It is fair to say that the years of the golden returns weather for investors, especially for lower risk assets, could well be behind us."**

And the New Zealand sharemarket valuation is, outside the bubble period of 1986/87, at a post financial deregulation high with a projected PER of 24x for the S&P/NZX 50 Index.

Having done a quick tour of the current yield or valuation of the mainstream financial markets asset classes, it would seem that investors in the future are guaranteed to achieve below average and, in many instances, pitiful returns, relative to the past decade.

And for those looking for salvation in residential property investment just be aware that New Zealand's average house price to income multiple has expanded from 3.5 times to 6.3 times between 2003 and 2019. (Nine times plus in Auckland.)

So, it is fair to say that the years of the golden returns weather for investors, especially for lower risk assets, could well be behind us.

In contrast to the decent returns in the last decade, future real returns on low risk assets (ie after tax and inflation) appear likely to be close to nil which is hugely lower than what has occurred over the past 30 and 15 years.

Where is this unpleasant financial future most pronounced or most likely to materially impact investors?

Using KiwiSaver funds as an indicator:

1. The $2-3 billion invested in "defensive" KiwiSaver funds. This fund group has 90-100% of their investments in cash and bonds. The average return in this fund sector for calendar year 2018 (post fees and tax) was 1.22%. The yield on these assets pre-tax and fees is c.1.5%.

2. The $15-18 billion invested in "conservative" KiwiSaver funds including default funds. Their average return in calendar year 2018 (post fees and tax) equalled only 0.46%.

Over the same period CPI inflation index for 2018 rose 1.9%.

With these rates of returns, such KiwiSaver funds are reducing their members' future spending power not increasing it.

Which is the antithesis of why people should save and invest – that is to achieve a return above the rate of inflation and in doing so increase their future purchasing power.

With interest rates falling even further in 2019, I expect returns from defensive assets like cash and bonds plus defensive and conservative funds (read investment strategies), to be materially lower on average in the future than they have been in recent times.

IS THERE 'LIFE' AFTER THE DEATH OF FUTURE RETURNS?

Yes there is life, but its clear low risk doesn't equal no risk.

To avoid the death (long-term demise) of portfolio returns requires a material change in investment thinking … clients hopefully being led by their adviser.

To help avoid the unpleasant financial fate of their investment portfolio returning below the rate of inflation for an extended period-of-time, investors will have to:

1. consider accepting more investment risk
2. consider accepting greater variation in capital values/short-term returns
3. better understand how to mitigate the negative impact of intermediary costs like brokerage, advice fees, investment fees, etc on their future returns.

Painful as it might be, a progressive shift to higher yielding and riskier assets be it:

- at an asset allocation level such as a shift to a higher weighting in shares from cash and bonds plus
- at a security level such as switching to corporate bonds from Government bonds appears absolutely necessary.

That's not an easy discussion for an adviser to have with retired or conservative clients. I expect a fair bit of handholding will be required for many such clients who will be fearful of the increased propensity for capital loss albeit of a temporary nature.

To avoid an advice "car crash", crafting a well thought through, rational and understandable case for change is a start point.

> **"To avoid an advice 'car crash', crafting a well thought through, rational and understandable case for change is a start point."**

My approach is to take clients through the rationale, my recommended changes in their strategy, and the potential consequences of this though still providing them with options.

These options should include a "no change" scenario as clients may still prefer capital stability over higher returns. The consequence of such an option will likely be a lower return, less accumulation of retirement wealth and quicker dissipation of their financial assets when in drawdown.

Less desirable to many but likely acceptable to some.

Next in this series is the challenge that a lower future returns world creates for the financial advice business and whether fund managers can survive the inevitable crunch in their management fee levels.

Asset class return sources:

NZ Corporate bonds = S&P NZ Investment Grade Corporate Bond Index.

NZ shares = S&P/NZX 50 gross with Imputation Credits.

International shares = MSCI World Developed Markets Gross (local currency).

S&P/NZX 50 projected PER – source S&P, August 30, 2019.

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For more information call 0800 888 361

Name	Latest Transaction Exit Price	1 Yr Return %	3 Yr Return	5 Yr Return	Size $M	Morningstar Rating Overall
NZ Insurance Cash						
AMP KiwiSaver Cash Fund	1.5434	1.49	1.54	1.98	80.25	--
AMP NZRT Cash Fund	1.53541	0.49	0.54	0.97	92.49	--
AMP Prem PSS OnePath NZ Cash	1.63129	1.62	1.80	2.18	3.19	--
AMP PSS Select Cash	1.53095	1.42	1.60	1.98	0.76	--
ANZ Default KiwiSaver Scheme-Cash	1.4762	2.26	2.26	2.56	9.68	--
Aon KiwiSaver ANZ Cash	15.73176	1.78	1.83	2.13	4.65	--
Aon KiwiSaver Nikko AM Cash	14.78576	2.01	2.10	2.47	1.83	--
ASB KiwiSaver Scheme's NZ Cash	1.5052	1.88	2.00	2.44	464.03	--
BNZ KiwiSaver Cash Fund	1.1928	2.26	2.37	2.55	167.87	--
Booster KiwiSaver Enhanced Income	1.5496	1.75	1.85	2.24	18.64	--
Fidelity Life Super-Super Cash Portfolio	2.8344	1.17	1.28	1.43	5.58	--
Fisher TWO KiwiSaver Scheme-Presv	2979.3743	2.24	2.29	2.57	27.82	--
Kiwi Wealth KiwiSaver Scheme Cash	--	2.52	2.66	2.94	219.72	--
Mercer KiwiSaver Cash	--	1.93	2.00	2.42	17.87	--
NZ Defence Force KiwiSaver Cash	--	1.73	1.82	--	1.01	--
OneAnswer KiwiSaver-Cash Fund	1.4249	2.17	2.15	2.47	45.39	--
SIL 60s + Sup Cash Fund	2.2748	2.13	2.15	2.31	1.38	--
Westpac KiwiSaver-Cash Fund	1.4353	2.04	2.14	2.51	367.19	--
Westpac KiwiSaver-Cash Fund	1.4335	2.07	2.17	2.55	366.91	--
NZ Insurance Equity Region Australasia						
Booster KiwiSaver Trans-Tasman Share	1.8832	12.97	12.84	10.99	9.06	3
OneAnswer KiwiSaver-Australasian	2.3779	13.17	12.57	13.89	38.22	3
NZ Insurance Equity Region Australia						
AMP KiwiSaver Australasian Shares	1.4144	12.39	12.55	--	3.76	5
NZ Insurance Equity Region NZ						
AMP Prem PSS ACI NZ Shares	3.36171	13.46	12.42	14.35	8.12	3
AMP Prem PSS ACI NZ Shares Index	3.12614	16.91	14.30	16.21	7.86	4
Fidelity Life NZ Shares Portfolio	8.4346	6.48	12.07	12.36	1.34	1
Fidelity Life Super-Super NZ Share	--	12.50	12.23	12.81	9.46	--
NZ Insurance Equity Region World						
AMP Prem PSS ACI Global Shares Index	2.62973	6.23	15.34	11.34	8.73	3
AMP Prem PSS FD Intl Share Fund	1.524	4.04	12.34	8.79	10.69	2
Mercer KiwiSaver Shares	--	4.99	11.81	--	27.17	3
NZ Defence Force KiwiSaver Shares	--	4.79	11.60	--	11.54	2
OneAnswer KiwiSaver-Intl Share	2.2626	9.77	16.40	13.15	54.21	4
OneAnswer KiwiSaver-Sustainable	2.1219	7.80	14.33	10.39	9.25	3
SIL 60s + Sup International Share Fund	4.3116	9.86	16.47	12.97	16.41	4
NZ Insurance Equity Region World - Hedged						
AMP KiwiSaver International Shares	1.3615	0.94	11.18	--	4.20	3
AMP KiwiSaver Passive International	1.4011	3.49	12.29	--	4.24	4
AMP Prem PSS ACI Global Shares	2.44982	-0.81	9.13	7.76	9.00	2
Booster KiwiSaver International Share	2.1654	3.54	11.61	9.38	14.67	4
FANZ Lifestages KiwiSaver High Growth	1.42959	7.97	11.61	--	156.50	4
Fidelity Life Aggressive	4.0504	0.17	8.59	8.35	0.48	2
Fidelity Life International	2.8498	2.77	11.10	7.59	0.45	2
Fidelity Life Super-Sup Intl	--	3.11	11.62	8.42	23.15	--
Fidelity Life Super-Super Aggressive	--	5.05	9.85	9.72	24.27	--
Fisher FuturePlan - Intl Coms	3.563	5.60	12.10	7.92	25.62	3
Fisher TWO KiwiSaver Scheme-Eq	5314.4029	9.08	12.75	10.95	147.60	5
NZ Insurance Equity Sector Global - Real Estate						
AMP KiwiSaver Property	1.3024	21.25	10.03	--	4.85	5
OneAnswer KiwiSaver-Intl Property	1.6311	15.28	6.28	8.77	9.46	4
NZ Insurance Equity Sector NZ - Real Estate						
MFL Property Fund	4.9637	12.80	7.89	10.87	523.11	1
OneAnswer KiwiSaver-Australasian Prpty	2.5703	28.10	13.34	15.15	30.11	4
NZ Insurance Global Bond						
AMP KiwiSaver International Fxd Intr	1.1002	8.33	2.51	--	0.72	2
AMP Prem PSS PIMCO Global Fixed	2.53516	8.25	3.30	4.53	3.62	5
AMP Prem PSS SSgA Global Fixed	2.13523	8.74	2.29	4.19	6.98	2
OneAnswer KiwiSaver-Intl Fxd Int	1.852	9.67	2.78	4.42	2.51	3
NZ Insurance Miscellaneous						
Booster KiwiSaver Capital Guaranteed	1.1454	2.44	2.57	2.65	56.03	--
Kiwi Wealth KiwiSaver Scheme CashPlus	--	4.08	3.03	3.33	136.99	--
NZ Funds KiwiSaver Growth Strategy	1.828	-4.18	6.30	5.79	181.04	--
NZ Funds KiwiSaver Income Strategy	1.4568	7.45	3.74	4.15	34.01	--
NZ Funds KiwiSaver Inflation Strategy	1.5505	4.79	5.14	4.25	52.25	--
Westpac KiwiSaver-Capital Protect Plan 2	2.56268	5.84	11.44	10.74	10.30	--
Westpac KiwiSaver-Capital Protect Plan 3	2.4272	5.82	11.42	10.73	16.07	--
Westpac KiwiSaver-Capital Protect Plan 4	2.5078	5.85	11.44	10.74	23.08	--
Westpac KiwiSaver-Capital Protect Plan 5	2.1803	5.85	11.44	10.75	18.85	--
NZ Insurance Multisector - Aggressive						
AMP KiwiSaver LS Aggressive Fund	1.795	6.51	10.43	8.25	341.57	4
AMP NZRT AMP Aggressive	3.68551	5.58	9.43	7.27	287.52	2
AMP PSS Select Growth	2.05196	5.82	9.78	7.70	39.61	3
Booster KiwiSaver Asset Class Growth	9.4799	3.01	9.32	7.86	76.72	2

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Booster KiwiSaver Geared Growth	2.5116	7.21	13.83	11.89	62.94	5
Booster KiwiSaver High Growth	1.7676	5.59	10.30	9.26	366.67	3
Booster KiwiSaver Socially Rsp Inv Gr	2.0583	7.10	10.94	10.14	69.97	4
Fisher FuturePlan - Growth	3.45972	8.00	9.30	8.58	80.19	3
Generate KiwiSaver Focused Growth	1.8896	8.07	12.80	11.52	757.91	5
Mercer KiwiSaver High Growth	--	5.67	10.26	9.84	195.59	5
NZ Defence Force KiwiSaver High Growth	--	5.50	10.04	--	24.15	3
NZ Defence Force KiwiSaver High Growth	--	4.24	9.50	--	22.93	3
NZ Insurance Multisector - Balanced						
AMP KiwiSaver AMP Global Multi-Asset	1.1297	1.86	3.53	--	13.65	1
AMP KiwiSaver AMP Income Generator	1.2414	11.56	7.15	--	3.59	3
AMP KiwiSaver AMP Responsible	1.2429	6.51	7.50	--	10.50	3
AMP KiwiSaver ASB Balanced	1.2663	7.47	7.89	--	20.12	3
AMP KiwiSaver LS Balanced Fund	1.9	6.76	7.89	6.73	991.60	3
AMP KiwiSaver LS Moderate Balanced	1.8573	6.72	6.92	6.15	721.95	2
AMP KiwiSaver Mercer Balanced	2.0397	5.66	7.09	7.51	50.27	3
AMP NZRT AMP Balanced Fund	3.35752	5.59	6.83	5.72	900.87	2
AMP NZRT AMP Global Multi-Asset	1.12671	2.33	4.07	--	3.92	1
AMP NZRT AMP Income Generator	1.24552	12.40	7.61	--	2.50	3
AMP NZRT AMP Moderate Balanced	2.43865	5.71	5.90	5.15	309.36	1
AMP NZRT ASB Balanced Fund	2.37421	6.60	7.07	7.19	94.08	3
AMP NZRT Mercer Balanced	2.74394	4.68	6.06	6.49	157.06	2
AMP NZRT Nikko AM Balanced	3.03517	4.12	6.61	7.59	176.22	3
AMP NZRT Responsible Investment Bal	1.24977	7.19	8.08	--	4.47	4
AMP PSS Lifesteps Consolidation	2.00418	5.90	6.16	5.55	6.28	1
AMP PSS Lifesteps Progression	2.13657	5.91	7.15	6.02	2.22	2
AMP PSS Select Balanced	2.05666	6.00	7.19	6.10	49.64	2
ANZ Default KiwiSaver Scheme-	1.9458	7.94	7.41	7.71	161.86	4
ANZ KiwiSaver-Balanced	2.0319	7.95	7.44	7.74	2500.94	4
Aon KiwiSaver ANZ Balanced	28.00982	7.83	7.48	7.80	32.01	4
Aon KiwiSaver Russell Lifepoints 2025	10.11329	7.77	7.01	7.72	22.27	--
Aon KiwiSaver Russell Lifepoints 2035	10.21414	7.44	8.76	9.04	22.23	--
Aon KiwiSaver Russell Lifepoints Bal	10.5683	7.53	9.03	9.22	178.21	5
ASB KiwiSaver Scheme's Balanced	2.1158	8.15	8.64	8.79	1938.40	5
BNZ KiwiSaver Balanced Fund	1.6505	7.73	8.45	8.27	446.49	4
Booster KiwiSaver Balanced	1.9668	7.03	7.79	7.60	510.94	3
Booster KiwiSaver Socially Rsp Inv Bal	1.5157	7.96	8.01	8.15	60.08	4
Fidelity Life Balanced	5.1841	6.82	7.90	7.08	3.97	3
Fidelity Life Super-Super Balanced	--	6.52	7.58	--	279.96	--
Fisher FuturePlan - Balanced	4.62428	7.76	7.43	7.27	126.79	3
Fisher TWO KiwiSaver Scheme-Bal	5663.7694	8.95	8.49	8.19	861.05	4
Kiwi Wealth KiwiSaver Scheme Balanced	--	4.85	8.29	7.01	1716.71	3
Mercer KiwiSaver Balanced	--	6.38	7.48	7.66	412.81	4
Milford KiwiSaver Balanced Fund	2.4519	8.65	9.48	9.89	364.46	5
NZ Defence Force KiwiSaver Balanced	--	6.16	7.27	--	56.10	3
OneAnswer KiwiSaver-Balanced	2.0604	7.96	7.46	7.82	591.92	4
Westpac KiwiSaver-Balanced Fund	1.9857	7.03	8.06	8.01	1628.80	4
Westpac Retirement Plan - Balanced Port	4.0351	5.84	6.88	6.85	96.59	3
NZ Insurance Multisector - Conservative						
AMP KiwiSaver ANZ Conservative	1.1544	6.95	4.44	--	7.52	2
AMP KiwiSaver Default (Default)	1.7781	5.12	4.99	5.09	1366.71	2
AMP PSS Select Income	1.91236	5.52	2.89	3.73	1.10	1
ANZ Default KiwiSaver Scheme	1.8844	7.49	5.00	5.72	1141.15	4
Aon KiwiSaver Russell Lifepoints 2015	10.17452	8.20	5.49	6.55	5.07	--
Aon KiwiSaver Russell Lifepoints Cnsrv	10.65005	8.20	5.49	6.52	76.46	5
ASB KiwiSaver Scheme's Cnsrv (Default)	1.9326	7.25	5.34	5.87	3911.63	4
BNZ KiwiSaver Conservative (Default)	1.4043	5.86	5.14	5.53	736.77	3
BNZ KiwiSaver First Home Buyer Fund	1.182	4.20	4.22	--	155.36	2
Booster KiwiSaver Default Saver	1.3345	6.71	5.04	5.67	85.04	3
FANZ Lifestages KiwiSaver Income	1.13586	6.06	2.61	--	89.10	1
Fisher FuturePlan - Capital Prot	1.25387	1.51	1.50	1.50	17.51	1
Fisher TWO KiwiSaver Cash	1.8916	6.87	5.18	5.81	673.18	4
Kiwi Wealth KiwiSaver Scheme Cnsrv	--	6.26	5.49	5.38	791.43	3
Kiwi Wealth KiwiSaver Scheme Default	--	5.50	5.67	5.43	251.10	3
Mercer KiwiSaver Conservative (Default)	--	6.72	5.17	5.82	1129.84	4
Milford KiwiSaver Conservative Fund	1.8405	7.68	6.50	7.46	124.35	5
NZ Defence Force KiwiSaver	--	6.27	4.84	--	4.74	3
OneAnswer KiwiSaver-Conservative	1.8475	7.43	4.64	5.48	460.96	3
Westpac KiwiSaver Default	1.3193	6.38	5.04	5.51	244.38	3
NZ Insurance Multisector - Growth						
AMP KiwiSaver ANZ Balanced Plus	2.3213	7.35	8.51	8.46	274.30	3
AMP KiwiSaver ANZ Growth	1.305	6.88	9.57	--	18.62	3
AMP KiwiSaver ASB Growth	1.3226	7.35	9.60	--	16.80	3
AMP KiwiSaver LS Growth Fund	1.831	6.66	9.65	7.74	773.16	2
AMP KiwiSaver Nikko AM Balanced	2.073	5.12	7.58	8.58	77.37	2
AMP KiwiSaver Nikko AM Growth	1.2976	4.14	8.68	--	17.43	2

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AMP NZRT AMP Growth	2.58014	5.61	8.61	6.76	247.33	1
AMP NZRT ANZ Balanced Plus	2.92733	6.31	7.49	7.44	298.28	2
AMP NZRT ANZ Growth	1.30504	7.54	10.17	--	9.55	4
AMP NZRT ASB Growth	1.30783	7.76	10.09	--	11.72	4
AMP NZRT Nikko AM Growth	1.28751	4.52	9.30	--	13.43	3
AMP PSS Lifesteps Growth	2.12268	5.77	8.71	7.00	0.27	2
ANZ Default KiwiSaver Scheme-	1.9885	8.03	8.90	8.84	174.57	3
ANZ Default KiwiSaver Scheme-Growth	2.0119	7.83	10.16	9.79	156.59	4
ANZ KiwiSaver-Balanced Growth	2.1101	8.03	8.87	8.86	2185.96	4
Aon KiwiSaver Milford	3.93242	8.31	10.65	11.49	157.01	5
Aon KiwiSaver Nikko AM Balanced	20.82368	5.16	7.73	8.66	10.19	3
Aon KiwiSaver Russell Lifepoints 2045	10.09615	7.17	10.18	10.06	19.56	--
Aon KiwiSaver Russell Lifepoints Growth	10.65797	7.26	10.35	10.16	46.68	4
ASB KiwiSaver Scheme's Growth	2.1465	8.14	10.30	10.15	2927.91	4
BNZ KiwiSaver Growth Fund	1.7886	7.77	10.38	9.62	585.00	4
Booster KiwiSaver Balanced Growth	1.9783	7.14	9.53	8.85	326.79	3
Fidelity Life Growth	5.1684	6.67	10.39	8.59	2.21	2
Fidelity Life Super-Super Growth	--	6.66	9.29	8.25	132.66	--
Fisher Funds Growth KiwiSaver Fund	2.3877	8.92	10.77	10.12	2012.21	5
Fisher TWO KiwiSaver Scheme-Gr	2.0133	7.31	9.61	9.05	488.27	3
Generate KiwiSaver Growth Fund	1.8344	10.24	11.36	11.25	591.01	5
Kiwi Wealth KiwiSaver Scheme Growth	--	3.43	10.94	8.40	1534.32	2
Mercer KiwiSaver Growth	--	5.92	9.03	--	111.52	3
Milford KiwiSaver Active Growth Fund	3.9651	8.39	10.71	11.57	1491.19	5
NZ Defence Force KiwiSaver Growth	--	5.65	8.79	--	23.99	2
OneAnswer KiwiSaver-Balanced Growth	2.1411	8.05	8.90	8.89	514.84	4
OneAnswer KiwiSaver-Growth Fund	2.1894	7.85	10.20	9.91	426.51	5
SIL 60s + Sup Balanced Fund	4.8892	8.16	9.06	8.75	96.70	3
Westpac KiwiSaver-Growth Fund	2.0784	7.44	9.49	9.25	1509.91	3
Westpac Retirement Plan - Dynamic Port	4.6588	6.32	8.37	8.15	112.11	3
NZ Insurance Multisector - Moderate						
AMP KiwiSaver ASB Moderate	1.2057	7.08	6.10	--	12.26	4
AMP KiwiSaver LS Conservative Fund	1.9199	6.61	4.94	4.83	383.80	3
AMP KiwiSaver LS Moderate Fund	1.8753	6.60	6.06	5.54	537.47	3
AMP KiwiSaver Nikko AM Conservative	1.1983	6.69	5.57	--	21.76	3
AMP NZRT AMP Capital Assured Fund	2.71696	2.87	3.48	3.85	112.57	1
AMP NZRT AMP Conservative	3.06029	5.57	3.92	3.82	327.69	1
AMP NZRT AMP Moderate	2.38769	5.54	5.01	4.51	168.82	2
AMP NZRT ASB Moderate	1.21356	7.59	6.82	--	13.48	5
AMP NZRT Nikko AM Conservative	1.19285	7.28	5.96	--	12.90	3
AMP PSS Lifesteps Maturity	1.85482	5.60	3.91	3.95	3.02	2
AMP PSS Lifesteps Stability	1.99113	5.58	5.23	4.75	5.86	3
AMP PSS Select Conservative	1.94316	5.73	4.13	4.06	9.15	2
ANZ Default KiwiSaver Scheme-	1.9047	7.69	5.99	6.58	57.08	4
ANZ KiwiSaver-Conservative Balanced	1.9374	7.69	6.01	6.60	1196.74	5
Aon KiwiSaver Russell Lifepoints Mod	10.7783	7.99	7.27	7.91	26.23	5
ASB KiwiSaver Scheme's Moderate	2.043	7.85	6.74	7.30	1897.02	5
BNZ KiwiSaver Moderate Fund	1.5385	7.47	7.05	7.13	495.83	4
Booster KiwiSaver Asset Class Cnsrv	3.8697	4.79	4.60	5.26	21.27	3
Booster KiwiSaver Moderate	1.872	7.02	5.72	6.07	178.25	3
Fisher Funds Conservative KiwiSaver	1.751	7.92	5.33	6.04	823.28	3
Fisher TWO KiwiSaver Scheme-Cnsrv	1.9852	7.67	5.72	6.13	156.19	4
Generate KiwiSaver Conservative Fund	1.4863	9.06	6.26	7.53	264.03	5
Mercer KiwiSaver Moderate	--	6.22	5.85	--	129.84	3
NZ Defence Force KiwiSaver Moderate	--	5.98	5.63	--	4.81	3
OneAnswer KiwiSaver-Conservative Bal	1.9566	7.70	6.02	6.59	201.95	5
Westpac KiwiSaver - Moderate	1.3875	7.11	6.37	6.58	520.02	4
Westpac KiwiSaver-Conservative Fund	1.8304	6.77	5.28	5.73	2661.84	3
NZ Insurance NZ Bonds						
AMP KiwiSaver NZ Fixed Interest	1.158	8.14	4.32	--	3.30	3
AMP Prem PSS ACI NZ Fixed Interest	2.32997	8.29	4.31	5.47	11.32	4
Fidelity Life NZ Fixed Interest	4.3862	5.56	3.23	3.75	0.18	2
Fidelity Life Super-Super Fixed Int	--	5.68	3.33	3.84	1.24	--
OneAnswer KiwiSaver-NZ Fixed Interest	1.9012	9.13	4.47	5.74	8.21	5
SIL 60s + Sup NZ Fixed Interest	3.3379	9.06	4.32	5.37	6.20	3
Westpac Retirement Plan - Accum Port	3.4338	3.83	1.72	2.37	15.49	1
NZ OE Cash						
AMP AIT NZ Cash - UT35	1.14834	1.61	1.76	2.21	6.33	--
AMP ARS-Cash	2.02447	1.81	1.83	2.33	8.53	--
AMP Capital NZ Cash Fund	1.64484	2.04	2.13	2.56	3590.24	--
AMP Capital Term Advantage	--	--	--	--	--	--
AMP PUT Select Cash	1.37374	1.47	1.52	1.89	2.61	--
ASB Cash Fund	--	0.36	0.48	1.18	207.89	--
BT Enhanced Cash Fund	2.1848	2.11	2.20	2.55	18.07	--
Fisher Cashplus Fund	1.3671	2.13	2.15	2.38	73.27	--

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Nikko AM NZ Cash	1.0374	2.51	2.58	2.95	157.29	--
NZ Funds Core Cash	1.38349	1.56	1.73	2.21	37.57	--
NZ OE Equity Region Australasia						
AMP AIT Australasian Shrs-Multi	3.63104	11.30	11.50	10.23	12.88	2
AMP ARS-NZ & Australian (multi-	4.40435	11.91	11.94	10.78	7.99	2
AMP ARS-NZ & Australian (Value)	4.9685	15.12	9.51	11.86	5.47	3
AMP NZRT Australasian Shares	1.71534	13.12	13.13	11.66	11.75	3
BT PS Australasian Diversified Share	2.7817	12.26	12.22	13.75	65.44	4
Castle Point Ranger Fund	1.9699	7.40	15.30	12.54	102.54	4
Devon Alpha Fund	1.845	6.53	7.64	7.86	114.35	2
Devon Dividend Yield	2.0875	15.63	8.12	12.75	36.02	3
Devon Trans-Tasman Fund	4.3243	12.84	10.49	11.28	92.41	3
Forte Equity Trust	1.46749	-7.06	9.56	7.08	21.49	1
Harbour Australasian Equity	3.1143	6.70	13.42	14.21	276.31	4
Harbour Australasian Equity Focus Fund	1.885	1.53	13.92	13.35	14.51	3
Harbour Australasian Equity Income	2.0343	17.14	10.19	11.30	46.65	3
Milford Trans-Tasman Equity	3.0785	13.96	15.47	13.86	420.78	4
Mint Australasian Equity Fd (Retail)	3.5482	14.76	14.59	15.64	245.43	5
Nikko AM Concentrated Equity	2.4075	1.00	11.11	14.36	56.87	3
OneAnswer SAC Equity Selection	2.5108	4.45	4.23	6.95	12.58	2
Pie Australasian Dividend	3.0047	9.07	11.34	12.89	142.77	3
Pie Australasian Emerging Companies	3.9302	12.72	8.75	14.59	105.98	4
Pie Australasian Growth Fund	6.2479	18.59	5.92	11.35	94.30	4
Pie Growth 2 Fund	1.965	15.38	13.29	--	209.85	3
NZ OE Equity Region Australia						
AMP Capital Australian Share Fund	3.04704	11.22	11.21	7.05	298.58	3
Devon Australian	1.5108	5.87	8.79	8.93	14.07	3
Fisher Funds Australian Growth Fund	4.3024	9.74	11.07	10.57	66.39	4
Fisher Funds Premium Australian Fund	1.8958	10.44	11.21	10.73	102.59	4
Milford Dynamic	2.1022	7.66	12.25	12.79	262.67	5
OneAnswer SAC Australian Share	4.1094	-0.10	5.53	3.37	21.66	1
NZ OE Equity Region Emerging Markets						
AMP AIT Emerging Markets - UT65	1.51165	-0.27	8.38	3.64	2.16	--
NZ OE Equity Region NZ						
AMP Capital NZ Shares Fund	3.42302	13.91	12.93	14.79	520.77	3
AMP Capital RIL NZ Shares	2.5399	16.62	13.57	15.45	25.99	3
AMP Prem PUT ACI NZ Shares	3.42887	13.44	12.22	14.14	3.40	3
AMP Prem PUT ACI NZ Shares Index	2.7277	16.74	13.95	15.58	3.74	4
Fisher Funds NZ Growth Fund	10.2564	12.76	13.67	14.59	190.16	4
Fisher Funds Premium New Zealand Fund	2.4375	14.00	14.22	14.93	135.86	4
Fisher Trans Tasman Equity Trust	6.6054	13.56	12.88	13.85	56.55	2
Forsyth Barr New Zealand Equities	3.4741	11.78	14.56	17.30	52.27	5
Harbour NZ Equity Advanced Beta Fund	1.8887	13.77	12.85	--	249.04	3
Nikko AM Core Equity	2.6432	10.22	14.21	16.61	30.65	4
NZ Funds Dividend and Growth	2.1117	8.27	9.22	12.18	126.10	1
OneAnswer SAC NZ Share	5.8518	14.46	12.90	14.16	55.87	3
Russell Investments NZ Shares	2.0233	15.23	13.62	15.28	232.47	3
Smartshares NZ Core Equity Trust	1.6931	11.75	14.00	16.11	82.31	4
NZ OE Equity Region World						
AMP Capital Core Global Shares Fund	1.71417	4.44	13.66	11.10	977.40	3
AMP Capital Emerging Markets Share	1.22829	0.84	10.04	5.64	67.23	1
AMP Prem PUT FD Intl Share Fund	1.58603	4.11	12.16	8.67	4.19	2
AMP Prem PUT SSgA Global Shares	2.26184	6.35	14.63	11.03	3.09	3
Elevation Capital Value Fund	1.5823	-1.32	5.72	5.48	23.53	1
Fisher Funds Property and Infrastructure	3.1264	23.00	16.73	14.40	152.64	5
Nikko AM Global Equity Unhedged	2.2236	6.16	14.19	11.55	121.66	4
OneAnswer SAC International Share	2.571	9.57	16.22	13.41	247.17	5
Pie Global Small Companies Fund	1.6139	-0.43	9.25	8.00	101.08	2
Russell Investments Global Shares	2.0956	5.35	13.99	10.86	79.21	3
T.Rowe Price Global Equity Growth	1.7998	9.10	18.16	--	87.69	5
NZ OE Equity Region World - Hedged						
AMP AIT Global Equities-Multi Mgr-UT28	1.28657	-1.88	8.80	7.38	10.78	2
AMP AIT Global Infrastructure - UT04	3.12839	17.23	9.92	9.03	26.19	4
AMP ARS-International Shares (Growth)	1.82035	9.27	14.14	12.95	6.71	5
AMP ARS-International Shares (Passive)	1.89817	1.13	10.62	8.28	3.21	3
AMP ARS-International Shares (Value)	1.50134	-4.82	8.90	8.12	4.09	2
AMP Capital Core Hedged Global	1.55428	-2.09	7.59	7.56	602.44	3
AMP Capital Global Listed Infrastructure	1.96787	23.06	10.23	8.40	364.11	2
AMP Capital Global Shares Fund	3.10515	1.60	11.05	9.14	62.44	4
AMP Capital Resp Invest Leaders Gl Sh	1.78054	0.27	10.74	6.99	76.21	2
AMP NZRT International Shares	1.64657	1.78	12.10	10.07	9.68	4
AMP NZRT Passive International Shares	1.68521	3.57	13.07	10.05	7.67	4
AMP Prem PUT SSgA Global Shares	2.4687	-0.36	8.02	7.81	4.84	3
ASB World Shares	1.8221	1.38	10.70	9.42	531.86	4

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BT PS International Diversified Share	1.9538	1.14	11.21	8.94	78.49	4
Fisher Funds International Growth Fund	2.3866	9.89	16.04	11.86	55.55	4
Fisher Funds Premium International Fund	2.499	10.74	16.32	12.27	160.81	4
Fisher Global Fund	6.0197	5.89	12.14	8.07	95.19	3
Milford Global Equity	1.6411	6.09	10.69	8.17	563.42	3
Nikko AM Global Equity Hedged	1.8817	0.72	7.97	8.45	46.98	2
NZ Funds Equity Inflation	0.9509	0.61	2.52	3.50	83.70	1
Pathfinder Global Water	2.1598	13.23	9.92	9.74	21.44	3
Pathfinder World Equity Fund	1.8982	2.99	10.45	8.40	16.22	3
Russell Investments Hedged Global	2.0845	-0.02	9.58	8.41	75.82	3
NZ OE Equity Sector Global - Real Estate						
AMP AIT Global Property - UT54	4.04194	20.50	8.90	10.48	1.65	4
AMP ARS-Listed International Property	4.6795	14.95	7.12	8.67	5.33	2
AMP Capital Global Propty Securities Fd	1.77321	15.31	7.28	9.33	219.72	3
NZ Funds Property Inflation	1.8584	15.25	7.26	7.28	91.17	2
OneAnswer SAC International Property	1.6419	15.09	6.04	8.48	249.05	2
NZ OE Equity Sector NZ - Real Estate						
AMP ARS-Listed NZ & Australian	4.72279	29.18	12.54	13.83	4.11	2
AMP Australasian Property Index Fund	3.02636	27.90	13.05	13.12	177.83	3
BT Property Fund	5.5924	23.73	12.09	14.49	45.59	3
Mint Australia NZ Rl Estt Invm (Ret)	2.5455	30.40	13.48	14.56	81.97	3
OneAnswer SAC Property Securities	4.5139	28.04	13.31	15.10	170.06	4
NZ OE Global Bond						
AMP AIT Fixed Interest Income - UT36	1.26336	2.77	2.10	2.73	51.73	1
AMP AIT Global Bonds-Multi Mgr-UT13	1.22225	7.89	1.95	3.19	7.21	1
AMP ARS-International Fixed Interest	2.65938	8.52	2.55	3.85	1.53	3
AMP Capital Global Short Duration	1.09001	2.95	2.16	2.73	187.15	1
AMP Capital Hdgd Gbl Fixed Intrst Fund	2.5629	8.49	3.11	4.21	101.44	4
AMP NZRT International Fixed Interest	1.27192	9.08	3.09	4.19	1.53	3
AMP Prem PUT SSgA Global Fixed	1.96823	8.73	2.19	4.02	3.65	2
ASB World Fixed Interest	1.126	6.72	2.09	2.94	430.23	1
BT PS International Diversified Bond	2.3909	6.87	3.30	3.68	100.91	3
Fisher BondPlus Fund	2.3742	7.89	3.12	4.25	146.43	4
Fisher Funds Income	1.0798	5.88	3.29	4.48	60.97	5
Nikko AM Global Bond	1.2524	10.15	3.61	4.73	29.91	5
NZ Funds Global Income	1.5486	7.92	2.83	3.46	121.04	2
OneAnswer SAC International Fixed Intrst	1.3232	9.52	2.64	4.29	1.48	4
Russell Investments Global Fixed Int	1.2059	8.22	3.52	4.81	607.08	5
NZ OE Miscellaneous						
AMP ARS-UK Cash	0.74336	-1.62	2.42	-1.88	7.35	--
KTAM NZ Australian Long Short Equity	1.59931	--	--	--	19.31	--
Nikko AM Income	1.2003	0.88	2.63	4.83	13.15	--
NZ Funds Core Inflation	1.5364	7.83	5.98	4.17	101.93	--
NZAM Alpha Fund	1.1092	--	--	--	6.23	--
NZAM Global Growth	1.4444	--	--	--	23.33	--
Pathfinder Commodity Plus Fund	0.9407	-12.93	-0.01	0.26	6.21	--
Salt Long Short Fund	1.5222	-2.49	2.66	6.77	113.84	--
NZ OE Multisector - Aggressive						
AMP AIT Aggressive Portfolio - UT31	2.21753	5.43	9.35	7.04	65.23	1
AMP AIT eInvest - Aggressive - MDF7	1.57371	5.97	10.14	8.01	15.42	3
AMP AIT Growth Portfolio - UT03	2.11029	5.71	8.62	6.66	26.39	1
AMP Capital Growth Fund	2.98013	4.87	9.88	7.34	8.16	3
AMP PUT Select Growth	1.95551	5.85	9.66	7.56	18.66	3
NZ OE Multisector - Balanced						
AMP AIT eInvest - Balanced - MDF5	1.44181	6.40	7.65	6.56	50.14	2
AMP AIT Moderate Portfolio - UT01	2.03659	5.82	5.25	4.71	50.70	1
AMP ARS-Balanced	2.37789	6.87	8.07	7.00	143.70	3
AMP Capital Global Multi Asset Fund	1.29003	2.23	4.14	4.46	201.08	1
AMP Capital Income Generator Fund	1.19524	11.79	7.33	8.09	167.26	4
AMP Capital Responsible Inv Leaders Bal	2.11937	6.69	7.79	6.44	56.89	3
AMP PUT Select Balanced	1.96966	5.94	7.04	5.95	39.97	2
ANZ Invmt Fds Balanced	1.973	7.70	7.14	7.42	360.40	3
ASB Balanced	1.8531	7.62	8.07	8.22	333.90	4
Milford Balanced Fund	2.4011	8.43	9.31	9.61	716.33	5
NZ Funds Core Growth	1.3704	-10.66	0.49	0.96	84.69	1
OneAnswer MAC Balanced	1.973	7.70	7.14	7.42	54.34	3
Westpac Active Balanced Trust	2.4553	6.56	7.41	7.32	575.66	3
NZ OE Multisector - Conservative						
AMP PUT Select Income	1.78075	5.56	2.83	3.70	1.94	1
ANZ Invmt Fds Conservative	1.6544	7.18	4.39	5.21	53.70	2
ASB Conservative	1.7497	6.64	4.74	5.26	147.91	3
Milford Conservative	1.1841	7.84	6.63	--	371.23	5
OneAnswer MAC Conservative	1.6544	7.18	4.39	5.21	16.21	2
Westpac Active Conservative Trust	2.0256	5.99	4.39	4.78	358.97	2
NZ OE Multisector - Growth						

Name	Latest Transaction Exit Price	1 Yr Return %	3 Yr Return	5 Yr Return	Size $M	Morningstar Rating Overall
AMP AIT Balanced Portfolio - UT 02	2.16114	5.72	6.96	5.78	78.56	1
AMP AIT eInvest - Growth - MDF6	1.53231	5.92	9.27	7.45	12.66	2
AMP ARS-High Growth	2.18526	6.74	9.71	7.88	52.55	2
ANZ Invmt Fds Balanced Growth	2.1641	7.78	8.58	8.57	247.48	3
ANZ Invmt Fds Growth	2.3163	7.58	9.87	9.53	133.45	4
ASB Growth	1.8507	7.59	9.71	9.54	91.86	3
Fisher Multi Sector Fund	3.6076	7.70	7.26	7.09	11.41	2
Milford Active Growth	3.9179	8.13	10.49	11.34	1132.92	5
NZ Funds Global Equity Growth	1.6572	-3.05	6.79	6.06	77.67	1
OneAnswer MAC Balanced Growth	2.1641	7.78	8.58	8.57	45.41	3
OneAnswer MAC Growth	2.3163	7.58	9.87	9.53	32.85	4
OneAnswer SAC Balanced	3.4444	7.81	8.47	8.47	53.97	3
Westpac Active Growth Trust	2.4401	7.05	8.84	8.54	120.57	3
NZ OE Multisector - Moderate						
AMP AIT eInvest - Conservative - MDF2	1.30661	6.25	4.70	4.56	12.11	2
AMP AIT eInvest - Moderate - MDf3	1.37208	6.36	5.86	5.36	52.34	3
AMP ARS-Conservative	2.47675	6.77	5.11	5.08	41.10	3
AMP Capital Conservative Fund NZ	2.59776	5.97	4.34	4.38	8.03	2
AMP PUT Select Conservative	1.90113	5.71	4.02	3.90	13.00	2
ANZ Invmt Fds Conservative Balanced	1.8087	7.44	5.72	6.30	213.17	4
ASB Conservative Plus	1.7735	7.50	5.61	6.15	832.90	3
ASB Moderate	1.8034	7.32	6.19	6.73	522.61	4
Harbour Income	1.028	8.59	5.71	--	115.08	3
Milford Diversified Income Fund	1.8265	11.71	9.43	10.58	2314.34	5
Mint Diversified Income	1.1	8.11	5.18	6.14	188.25	3
NZ Funds Global Multi-Asset Growth	0.5497	-14.07	-3.39	-6.13	25.29	1
OneAnswer MAC Conservative Balanced	1.8087	7.44	5.72	6.30	18.68	4
Westpac Active Moderate Trust	1.6311	6.64	5.85	6.07	1084.97	3
NZ OE NZ Bonds						
AMP AIT NZ Bond - UT36	1.30685	4.87	3.31	4.51	8.39	2
AMP AIT NZ Fixed Interest - UT60	1.95435	7.87	3.91	5.05	10.78	2
AMP ARS-NZ Fixed Interest	2.80732	8.32	4.33	5.55	5.19	4
AMP Capital NZ Fixed Interest Fund	1.79799	8.57	4.56	5.72	2270.56	4
AMP Capital NZ Short Duration	1.2991	4.66	3.47	4.14	620.93	2
AMP NZRT NZ Fixed Interest	1.39651	8.71	4.73	5.80	10.26	5
BT Corporate Bond Fund	1.7537	5.71	3.89	4.54	149.47	2
Fisher New Zealand Fixed Inc Trust	1.4673	9.97	4.80	5.62	61.09	4
Forsyth Barr NZ Fixed Interest	1.8746	7.07	4.37	5.27	25.56	3
Forsyth Barr Premium Yield	1.9206	7.07	4.56	5.39	157.09	3
Harbour NZ Core Fixed Interest	1.1736	6.98	4.18	5.17	180.99	3
Harbour NZ Corporate Bond	1.1208	6.98	4.37	5.06	420.67	3
Nikko AM NZ Bond	1.1022	9.15	4.83	5.82	84.68	5
Nikko AM NZ Corporate Bond	1.2366	8.43	5.20	5.99	165.86	5
NZ Funds Core Income	1.7253	6.93	4.36	4.49	127.38	2
OneAnswer SAC NZ Fixed Interest	1.8989	8.99	4.34	5.62	13.21	3
Russell Investments NZ Fixed	1.2868	7.97	4.50	5.49	68.50	3
Westpac Active Income Strategies	1.2614	3.22	2.66	2.92	6.95	1

Returns are calculated to **30/9/19**
Returns are calculated **before tax** and **after fees**, except for the non-PIE categories, which are **after tax** and **after fees**. For more information about this table and the methodology behind the data, contact helpdesk.nz@morningstar.com or go to www.morningstar.com.au

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By Michael Lang

Mirror, mirror on the wall,
who has the best lifecycle of them all?

A recent NZ Funds-commissioned survey by MyFiduciary gives interesting insights into the KiwiSaver life-stages options available.

Most advisers know that around 90% of the variation in a KiwiSaver member's returns is due to asset allocation and that younger investors should have a greater exposure to growth assets than older investors.

They also know that KiwiSaver is a scale game, as member balances are too low to adequately compensate financial advisers for providing much more than a cursory financial overview.

It is therefore logical that the legislation is supportive of lower-cost robo alternatives and that the Ministry of Business, Innovation and Employment (MBIE) and the Treasury have announced they will be considering making the default option a life-stages approach.

NZ Funds recently commissioned independent experts MyFiduciary to review the life-stages options available in New Zealand. Here are some selected insights from their report.

LIFE-STAGES MANAGERS

Nine out of 22 managers offer a life-stages option. Of these, four managers – AMP, ANZ, Generate and Lifestages – change allocations infrequently and by a large amount. The other managers – NZ Funds, AON Russell, Fisher Funds and SuperLife – have smoother adjustment paths.

Leaving a member's allocation to growth assets unchanged for five to ten years, then dropping their weight substantially overnight, can be a major problem if the rebalancing date coincides with a bad period for equity markets. A smoother glidepath with, for example, annual rebalancing reduces the chance of de-risking at a bad time.

ALLOCATIONS TO GROWTH

A common theme from academic research into optimal life-stages strategies, and from reviews of actual products in the market, is that current life-stages options are too conservative, with investors being better off if their portfolios did not become less aggressive until much later in their lives.

The glidepaths of managers in New Zealand tend to be very conservative. At age 65 the average allocation (excluding NZ Funds) is 26% growth / 74% fixed income. In contrast, NZ Funds starts the de-risking process at age 55 from a higher growth allocation. Clients have more than half their portfolio in growth assets until they are in their mid-80s.

EXPECTED OUTCOMES

MyFiduciary modelled a person who starts saving at age 25, has an income of $75,000 that grows through time, and saves 4% of their income (plus a 3% employer contribution) in a life-stages strategy across different managers.

The average of all balances at 65 years of age was $426,000. Savers who choose NZ Funds, Fisher Funds or SuperLife achieved a higher level of expected wealth at retirement after fees. For example, a saver who invests in the NZ Funds' LifeCycle strategy would expect to have $459,000 at age 65 (adjusted for inflation, ie measured in today's dollars). In contrast, savers who selected AMP Lifesteps, AON Russell or Generate Stepping Stones had less expected wealth at retirement of between $395,000 and $399,000 – approximately $64,000 or 14% less.

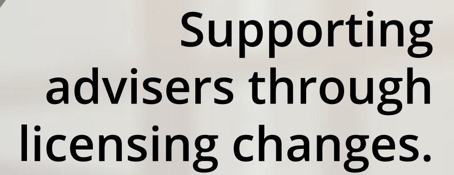
The MBIE and Treasury Discussion Paper notes that if the Government chooses a life-stages option as the default option, the Government would set the investment mandate of each stage and the ages at which each stage would apply. They also note that a conservative final stage would be too conservative for those approaching retirement, given average life expectancy is much higher than the retirement age.

Advisers need not wait for the Government to make a decision. Life-stages options which have high expected retirement value are already available in the market.

Michael Lang is Chief Executive at NZ Funds and a member of the NZ Funds KiwiSaver Scheme. New Zealand Funds Management Limited is the issuer of the NZ Funds KiwiSaver Scheme. A copy of the latest Product Disclosure Statement for the scheme is available on request and at www.nzfunds.co.nz. Michael's comments are of a general nature, and he is not responsible for any loss that any reader may suffer from following them.

KIWISAVER SCHEME	GROWTH ASSETS AT AGE 55	GROWTH ASSETS POST RETIREMENT[1]	ASSET ALLOCATION ADJUSTMENTS	AVERAGE AMOUNT AT AGE 65[2]
AMP Lifesteps	47%	24%	Step down every ten years	$395,000
ANZ	50%	0%	Step down every 5-10 years	$403,000
AON Russell	33%	20%	Annual steps	$399,000
Fisher Funds	61%	36%	Annual steps	$457,000
Generate Stepping Stones	56%	33%	Step down every five years	$398,000
Generate Stepping Stones Growth	73%	33%	Step down every five years	$418,000
Lifestages	39%	23%	Step down every ten years	$424,000
NZ Funds	91%	56%	Annual steps	$459,000
SuperLife Age Steps	65%	32%	Annual steps	$480,000
Average	**57%**	**29%**		**$426,000**

Source: MyFiduciary. 1. Post retirement is the average from age 65 to 80. 2. Terminal wealth is measured in today's dollars, ie adjusted for inflation. Based on a Monte Carlo simulation for a person who starts saving at age 25 with a starting salary of $75,000. Based on 4% contribution rate plus 3% employer contributions. The terminal wealth evaluation includes each scheme's estimated fund charges including performance fee and administration charges. For more information contact NZ Funds.



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