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FINANCIAL SERVICES

INVESTING IN THE FUTURE

NEW ZEALAND FUNDS MANAGEMENT INDUSTRY UPDATE 2015

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Foreword

New Zealand's funds management industry has never been more ready for analysis.

By John Kensington
Partner, Head of KPMG New Zealand Financial Services

It is with great pleasure that we launch the KPMG Funds Management Industry Update. This publication will join a stable of thought leadership documents produced by our Financial Services Group – which includes its flagship 'big brother', the *Financial Institution Performance Survey*, and the *General Insurance Update*.

This Update is intended to become a twice-yearly publication, traversing a broad range of topical issues facing the funds management industry. Articles will be sourced from both internal KPMG contributors and external market participants. The document will also include performance tables provided to us by our partner, Morningstar. We are delighted to have Morningstar on board as a partner – our sincere thanks to them and also our valued contributors.

It's exciting to be creating this new piece of thought leadership – and particularly at this time. We believe New Zealand's funds management industry has never been more ready for an in-depth analysis.

The industry has changed significantly over the last 5 -10 years. One of the biggest changes in the landscape, of course, has been the impact of KiwiSaver. Its semi-compulsory nature has seen it become the first truly inclusive investment class that all New Zealanders have an opportunity to be involved in (with the majority taking that opportunity).

Prior to KiwiSaver, the typical New Zealander's investment mandate was the family home and a rental property; often supplemented by the '3 Bs' (the BMW, the boat, and the bach) and topped off with the overseas holiday. Hardly an appropriate risk mix.

The introduction of KiwiSaver has seen an enormous pool of funds grow and develop in a very short period of time. That pool will be ever-increasing for some time yet; until those exiting at retirement age and withdrawing their funds equal those joining and contributing. KiwiSaver has exposed a large number of New Zealanders to what it means to invest, and what a set of investment funds accounts might look like. This drives a general interest in not only their own investment balance but also the related markets into which the investments are made.

As the investment pool in KiwiSaver continues to grow, so will the spin-off effects. These include a more financially-literate and savvy, better-educated New Zealand public; and a steady development of an investment culture that is prevalent in so many other countries. In the period following the introduction of KiwiSaver, the world has experienced and partially recovered from a Global Financial Crisis (GFC). While New Zealand was left comparatively unscathed by the GFC, the effects were undoubtedly felt. One of the more popular asset classes – finance company debentures - saw a disproportionate amount of carnage and losses, particularly those issued by the only recently-established and higher risk property investment companies.

In many cases, once New Zealanders had acquired the aforementioned '3 Bs', and considered themselves to have done well, their unsophisticated investment knowledge led them to deposit excess cash with these entities. The GFC had a significant impact on these entities, particularly the value of the investments within them and the debentures they issued.

This resulted in many New Zealanders reassessing their investment needs, and a flight to quality – to established bank deposits and investment funds/schemes. With quality, comes the cost of regulation. Post-GFC, we have seen a whole new range of regulation implemented; the establishment of the Financial Markets Authority (FMA), rewriting of the Security Legislation, and the passing of the Financial Markets Conduct Act. Much of this regulation has done nothing other than put New Zealand on a level field with the rest of the world.

However, the significant level of change, and the fast timeframe for its introduction, has caused many challenges within the market and a growth in the compliance industry.

We now have a regulator – and it's highly likely that regulator will only become more active as time moves forward. Just as economic cycles change and take the economy with them, so will the focus of regulatory change. We now have a regulator with a focus on protecting the investor, and ensuring there is a clearing of the clutter in financial statements, a focus on conduct risk, and the building of an understandable and transparent investment market. We are starting to see offer documents which use clear and concise (not complex) terminology. In addition, the industry is being asked to be circumspect around performance and fee measurement. Globally, there are many strands to the regulatory improvement process. Two of the most common are around mis-selling of financial products, and the remuneration of those selling them. These two together with a range of other risks are bundled into the often talked about conduct risk category.

The funds management industry isn't immune to the challenges facing the rest of the finance industry. These include disruptive new market entrants, the impact of the digital age, cyber-security issues, and the effect of governance, diversity on sustainability and investing.

This first edition of *Funds Management Industry Update* includes articles from a range of industry leaders, covering diverse and interesting topics. Among others, we explore how advisers are meeting the challenge of providing quality financial advice, look at the impact of ETFs, analyse the market for annuity products, and discover what's next for KiwiSaver. Insights from our own internal business line leaders cover areas such as risk indicators and FATCA.

Looking ahead, there is no doubt that New Zealand's funds management industry will continue to grow; both in terms of the size and range of funds under management, and the issues that it faces.

Developments in products and regulation will be closely linked to the rest of the world; and with the world economic situation as it is, there will undoubtedly be plenty of challenges.

The central story for the New Zealand funds management industry will be continuing the inclusion story started by KiwiSaver. We need to take New Zealanders on a journey that sees them become more financially literate at the basic level, and better educated financially to the point where they are confident and comfortable having a more balanced portfolio. The rewards will be a nation that can provide for itself in its retirement; and has a readily-available source of capital for our New Zealand-owned businesses, both start-ups and more established entities.

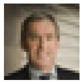
For the New Zealand economy to prosper, it is also critical to have strong banking and insurance industries; to ensure we have the funds available to borrow to build our businesses and personal lives, and the ability to protect those assets from an adverse event. A successful funds management industry will ensure that New Zealanders are able to retire with a degree of certainty. In the future relying on the Government in retirement will be both misguided and disappointing for those who do this. What banking and insurance can achieve for the early phases of a person's life, the funds management industry can achieve for their latter years – delivering security, certainty and confidence.

Lastly I'd like to sincerely thank our external contributors: Benjamin Alpert, Henk Berkman, John Body, David Boyle, Greg Bunkall, Michael Chamberlain, Randall Clement, Jeremy Cooper, Anthony Serhan and Elliot Smith; along with our internal contributors: John Cantin, Darshana Elwela and Annie Zhang.

In particular I would like to thank Donna Berry and Annie Zhang, who together with our Markets team have taken this from an idea through to the finished document and managed the whole process. I would also like to thank our Partners in the publication, Morningstar, for their assistance with the 'league tables' and their articles on Disclosure and KiwiSaver. We are very proud to be releasing this document, and wish to recognise all these people for their input and expertise in bringing it to life.

John Kensington
Partner, Head of Financial Services
KPMG, New Zealand

A matter of trust



John Body
Managing Director
ANZ Wealth, New Zealand

Five years on, the Government is reviewing the Financial Advisers Act to ensure it is delivering for consumers and the industry. John Body, Managing Director of New Zealand's largest funds management firm, ANZ Investments, discusses how we meet the challenge of providing quality financial advice to New Zealanders.

Many times in history, regulation has been delivered following a crisis – and often that regulation has had unintended consequences.

The Financial Advisers Act was designed to restore trust in the advice industry and give New Zealanders access to high quality advice, free of conflicts.

It has been partially successful; and to a large degree, the level of trust has risen. However, the unintended consequence is that the complexity of the legislation has created confusion, with advice being more difficult to get in the form consumers want.

The issues with the Act were brought into stark relief during the recent round of privatisations. New Zealanders were asking for advice on these new issues, but the Act meant advice could only be given on an individual's entire financial position. A similar position has emerged with KiwiSaver, where members find it difficult to get KiwiSaver- only advice.

A joint survey by ANZ and the Council For Financial Capability in 2013 found that only 15% of people had consulted an adviser in the past year. This figure has not really moved since then. If we look at the 2 million-plus members of KiwiSaver, 1.95 million of them haven't used an adviser.

And herein lies our challenge. Research tells us that people who use advisers tend to have confidence in them. Yet people won't use an adviser if they don't trust them. Therefore, they don't have an opportunity to build a higher opinion of them.

It's a classic Catch 22 situation.

The stated purpose of the Financial Advisers Act is "to encourage public confidence in the professionalism and integrity of the advice industry."

We know the system is working when:

» People have confidence in advisers and value their service; and

» They seek advice and are prepared to pay for it.

Clearly, we have a long way to go before we can tick either of these boxes.

The current review of the Act gives us the opportunity to remedy many of the issues with the current legislation. Here are the five things we would like to see:

1. Simplify the way the Act is applied, reducing complexity so it is easier for consumers to understand the different categories of advice and what to look for in an adviser.
2. Create clear standards for the provision of 'product advice' and 'financial advice' and ensure advisers are appropriately trained and qualified to deliver this.
3. Ensure that ethical standards of care, diligence and skill apply to providers of both product advice and financial advice.
4. Future-proof the Act, particularly for emerging digital technologies which will alter the way advice is provided to large numbers of consumers.
5. Ensure that any change is managed carefully, with appropriate transition periods, to enable the industry to adapt.

The question of remuneration can't be ignored.

Currently, 45% of Authorised Financial Advisers in New Zealand receive commissions on the products they sell to clients, while 36% receive a fee for their services. Around 60% of advisers also receive some form of bonus.

The traditional approach has been to ensure that advisers transparently disclose commission arrangements to their clients. Increasingly there is a global trend to ban commissions or at least cap them, as we are currently seeing in Australia following the Trowbridge Report.

The sudden removal of commissions might solve one problem but could have the unintended consequence of creating a new problem – namely, driving advisers out of the industry.

Any new remuneration system for advisers should be phased in over time to give the industry time to adjust and develop new remuneration channels. Advisers – and clients – will need time to adapt.

Looking forward, we need to build public confidence in advisers, but we also need to ensure we have enough quality advisers to meet demand.

Because demand for financial advice will increase.

An estimated 200,000 New Zealanders will turn 65 by 2021. That's a lot of people approaching retirement and a lot of people who frankly need advice on how to manage their finances.

Currently, around 2 million people are saving for their retirement through KiwiSaver.

We're all living longer and our retirement savings need to last longer.

The cold hard reality is that many New Zealanders are not saving enough to deliver the kind of retirements they're looking for.

They need advice – now, and in the future – to get them on track to a comfortable future.

As with many industries, technology is going to disrupt the advice industry especially in the mass market. Many KiwiSaver members are 'digital natives' who will live longer and move towards online or 'robo-advice'. This will be fuelled by the frenetic pace of change in new technology with artificial intelligence at its heart.

Robo-advice is defined by Investopedia as *"an online wealth management service that provides automated, algorithm-based portfolio management advice without the use of human financial planners"*.

In practical terms, these sites have the potential to deliver a degree of personalised advice at a reasonable price to large numbers of people who may not have the need for an investment adviser.

These services can potentially be very helpful for the hundreds of thousands of people who are looking to evaluate whether their saving and investing plans are on track.

However the current legislation limits the introduction of 'robo-advice' because it provides such a broad definition of financial 'advice'.

This review of the Act is a perfect opportunity to look at where we've been, but most importantly, look to the future. We can move from the reactive lens of a crisis to one of optimism, driven by KiwiSaver and recognition that help is on the way for New Zealanders planning their retirement.

"THE CURRENT REVIEW OF THE ACT GIVES US THE OPPORTUNITY TO REMEDY MANY OF THE ISSUES WITH THE CURRENT LEGISLATION."

KiwiSaver through the eyes of Morningstar

Elliot Smith
Analyst, Manager Research
Morningstar

The merits of KiwiSaver are unquestionable. New Zealand has established a sustainable superannuation system that encourages long-term investing, reduces future reliance on the taxpayer to fund retirement, and stimulates local business activity through more accessible capital.

Certainly, debate will continue to surface about the specifics of KiwiSaver. However politicians, investors, and industry players should applaud the evolution of the scheme since its 2007 launch, especially its expectation-beating rate of adoption. In this article, we take a look under the hood of KiwiSaver and provide Morningstar's insight into the scheme's strengths and weaknesses.

KiwiSaver has some very generous incentives - including the Government 'tax credit' of up to $521 per year, the recently removed $1,000 kick-start, first home-buyers withdrawal, and employer contribution. These have attracted a number of players, from the big Australasian banks to the boutique fund managers and diversified financial-services firms. The diversity of providers has meant there is no shortage of choices for investors, with each scheme offering unique characteristics. Figure 1 provides an overview of the KiwiSaver landscape.

The level of diversification at the asset-class level is one of the key differences between KiwiSaver providers, and a key driver of returns. While some schemes are more aggressive than others, the strategic asset allocations are mainly reasonable, exhibiting proper diversification. Generally speaking, most balanced KiwiSaver funds invest in a "vanilla" set of asset classes: cash, fixed interest, equities, and listed property. Some providers, like ASB, invest only in these asset classes; whereas other providers are also exposed to more esoteric asset classes. For instance, Mercer additionally invests in unlisted infrastructure and property, natural resources, and alternatives; while AMP adds unlisted property and commodities to its portfolios. The strong performance of traditional asset classes in recent times has meant that these providers have under performed. Figure 2 shows how allocations have varied for balanced KiwiSaver funds during the past six years.

The level of diversification at the sector level is also a key differentiator across providers. A common approach taken within KiwiSaver funds is to employ a number of active or passive fund managers of varying styles within each asset class i.e. multimanager. This approach is taken by Westpac, AMP, and Mercer. We think this is a sensible approach to KiwiSaver investing. However, we note that excessive manager diversification can limit the opportunity for out performance. In comparison, ANZ, Milford, and Fisher manage most of their investments in-house, employing their specialist single-sector teams to manage each asset class. An external manager will be hired if there is no internal capability. This approach places greater emphasis on the performance of the underlying managers and is a key driver of returns for these providers. ASB exhibits a passive approach in its funds. All investments (except for cash) are in index-tracking strategies. This means that ASB's fees are the cheapest in the universe but performance is somewhat limited to market movements. Although a credible offering, we believe there are other high-quality active managers available that will outperform over the long run.

An under-the-radar strength of KiwiSaver is the access it provides to highly rated local investors through the multimanager structure. For instance, Devon Funds Management and Harbour Asset Management are among our highest-rated equity managers within New Zealand. They do not have KiwiSaver offerings but form part of the domestic-equities exposure within AMP and Mercer KiwiSaver. Across the KiwiSaver providers, the standard of the underlying managers is generally very high, with investors getting access to high-quality investment professionals both locally and abroad.

FIGURE 1: OVERVIEW OF THE MORNINGSTAR KIWISAVER DATABASE

				AUM[1], JUNE 2015			2014-15 FEES	
	Business Structure	Morningstar Analyst Rating*	# of funds	$M	Market Share %	Rank	TER[2] (%)	Annual Member Fee ($)
AMP	Divers. Financial	Silver	11	3687.3	13.1	(3)	0.41 - 1.29	23.4
ANZ/OneAnswer	Bank (ANZ)	Silver	25	7167.7	25.4	(1)	0.42 - 1.55	24.0
AON	Divers. Financial	-	13	329.5	1.2	(11)	0.85 - 1.55	50.0
ASB	Bank (CBA)	Neutral	5	5210.5	18.5	(2)	0.34 - 0.64	30.0
BNZ	Bank (NAB)	-	5	588.9	2.1	(9)	0.29 - 1.06	24.0
Fisher Funds/Fisher TWO	Divers. Asset Manager	Neutral/Neutral	8	2660.0	9.4	(5)	0.56 - 1.40	36.0/28.3
Forsyth Barr	Broker/Divers. Financial	-	2	25.9	0.1	(16)	1.50 - 1.58	36.0
Generate	Investment Boutique	-	3	70.6	0.3	(13)	1.20 - 1.90	36.0
Grosvenor	Divers. Asset Manager	Negative	15	893.3	3.2	(8)	0.26 - 2.85	36.0
Kiwi Wealth	Bank (KiwiBank)	-	6	2269.5	8.1	(6)	0.85 - 1.19	40.0 - 50.0
Mercer	Divers. Financial	Bronze	7	1273.0	4.5	(7)	0.38 - 0.91	30.0
Milford	Divers. Asset Manager	Neutral/Bronze	3	451.9	1.6	(10)	1.02 - 1.49	36.0
NZ Funds	Divers. Asset Manager	-	3	108.1	0.4	(12)	1.15 - 4.41	36.0
Smartshares	NZX-owned	-	3	39.3	0.1	(15)	0.76 -0.79	0.0 - 30.0
Staples Rodway	Divers. Financial	-	3	56.5	0.2	(14)	0.99 - 1.46	40.0
Westpac	Bank (Westpac)	Silver	11	3348.8	11.9	(4)	0.45 - 1.58	27.0

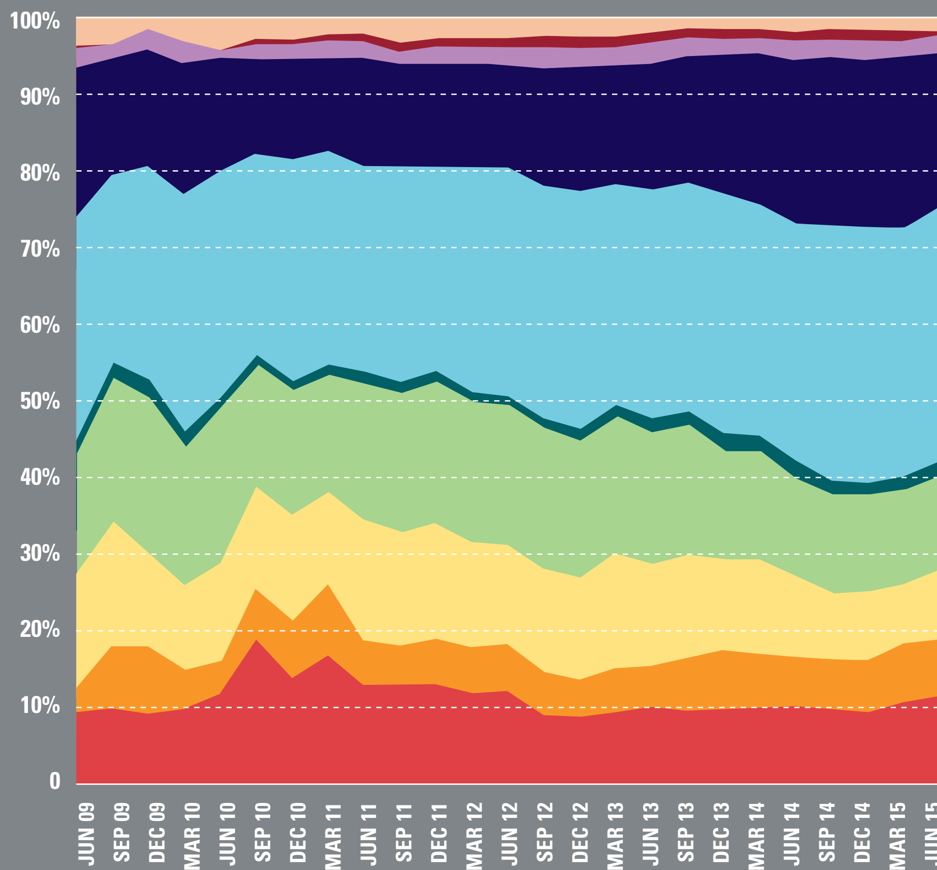
* MORNINGSTAR ANALYST RATING APPLIES TO MULTISECTOR FUNDS WITHIN SCHEME

[1] AUM = ASSETS UNDER MANAGEMENT

[2] TER = TOTAL EXPENSE RATIO

SOURCE: MORNINGSTAR DIRECT℠

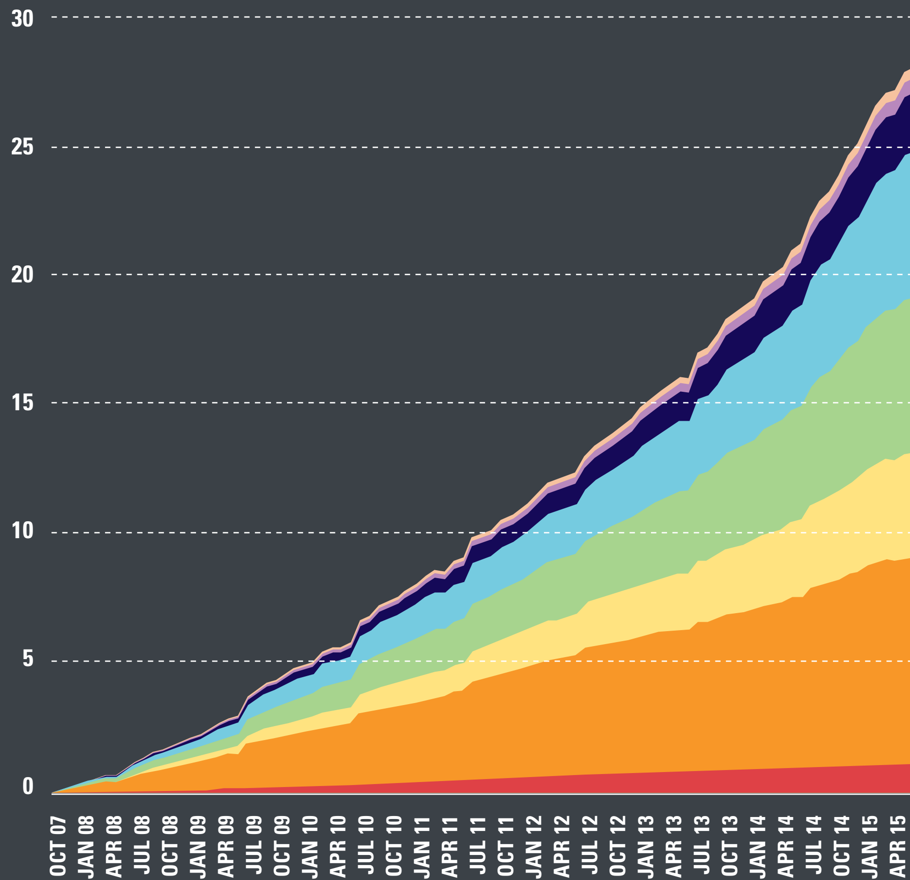
FIGURE 2. AVERAGE ASSET ALLOCATION OF BALANCED KIWISAVER FUNDS, JUNE 2009-JUNE 2015



- UNLISTED PROPERTY
- OTHER
- INTERNATIONAL LISTED PROPERTY
- INTERNATIONAL FIXED INTEREST
- INTERNATIONAL EQUITY
- NZ LISTED PROPERTY
- NZ FIXED INTEREST
- NZ EQUITY
- AUSTRALIAN EQUITY
- CASH

SOURCE: MORNINGSTAR DIRECT℠

FIGURE 3. HISTORICAL GROWTH IN THE MORNINGSTAR KIWISAVER CATEGORIES, $BILLION



- OTHER
- SINGLE SECTOR
- AGGRESSIVE
- GROWTH
- BALANCED
- MODERATE
- CONSERVATIVE
- CASH

SOURCE: MORNINGSTAR DIRECT℠

A key pillar of Morningstar's process, when assessing KiwiSaver providers, is the evaluation of the investment decision-makers. Overall, the standard of the investment teams managing New Zealanders' retirement nest eggs is comforting. The majority of teams are well-tenured with suitable levels of experience and resources. Providers such as ANZ, AMP and Westpac benefit from the insights of Australian and global-based colleagues; a significant competitive advantage given the global perspective required to manage a multisector strategy. Local investment boutiques, such as Fisher and Milford, benefit from teams of portfolio managers and analysts who are specialised in a specific part of their investment universe. While these teams are high-quality, they are lean by global standards, so we expect them to grow with funds under management.

Although KiwiSaver has not had any major hiccups in its relatively short eight-year life, there are still some areas of concern. While the investment processes on offer are generally robust, KiwiSaver has largely existed while investment markets have been strong – so we could see a wave of changes after the portfolios are significantly tested. This was the case, for example, with target-date funds in the United States, which received heavy criticism after the global financial crisis. There have been some casualties along the way. Grosvenor's ultra-conservative approach to asset allocation after the global financial crisis led to significant under performance. As a result, Grosvenor significantly adjusted its approach in 2013, opting to align its asset allocation with peers. Investors in AMP Wealth KiwiSaver have also had to deal with significant change: the 2011 acquisition of AXA that brought in a new team and a new strategic asset-allocation process. There have also been several closures and mergers of KiwiSaver providers, and we expect this to continue as the industry consolidates. Though this is a natural evolution, it does engender uncertainty among investors. We strongly believe that stability in the investment process, and the team executing it, is crucial for strong fund performance over the long term. This is reflected in the Morningstar Analyst Ratings for the KiwiSaver schemes.

The expected growth in KiwiSaver will likely pose capacity and liquidity issues for providers. As KiwiSaver funds expand, it will become more difficult for portfolio managers to manoeuvre their portfolios, and they will have to adapt accordingly. How well they will adapt is a relative unknown, as most haven't managed bigger pools of assets before. The small size of the New Zealand equity and debt markets will also be highlighted when providers reach their capacity to efficiently manage domestic portfolios. We will be keeping a keen eye on fund managers and assessing how they address these issues as KiwiSaver matures and balances grow. Possible solutions include diversifying the domestic portfolios further through more managers or more holdings – this could inhibit future excess return potential – or looking to more offshore exposure.

The concentration of KiwiSaver investment within conservative funds is also a concern. Figure 3 shows the growth of the various risk profile categories since inception in 2007. As at 30 June 2015, 32.3% of KiwiSaver money on the Morningstar database sat in conservative or cash funds. This high proportion is not representative of the demographics of KiwiSavers. A key reason for this is the assignment of default members into conservative funds. We believe this is a major flaw. In Australia, most default funds are in the growth or aggressive Morningstar categories, which is far better aligned with the long time horizon of investing for retirement. We applaud the efforts of KiwiSaver providers that are actively trying to get members, especially those in default options, to determine their appropriate risk profile. The two largest KiwiSaver providers, ANZ and ASB, have differing views on the importance of this issue. This is evident in the fund flow data: 46% of ANZ's KiwiSaver money was in conservative or cash funds three years ago, now it sits at 26%; whereas ASB over the same period has seen their proportion drop from 66% to 57%.

Fees will always be a contentious issue within investment management. We pay a great deal of attention to fees at Morningstar for a very simple reason: fees are the one constant in future performance results that fund managers can control. Higher fees erode performance outcomes, which is why we spend considerable time and effort attempting to understand fee structures and judging whether they are appropriate. It is pleasing to see that providers have started giving more consideration to fees, and they are falling across the industry. As KiwiSaver matures and balances grow, we hope KiwiSaver providers continue to appropriately pass on those advantages of scale.

KiwiSaver has developed very quickly and will forever form a significant part of New Zealand's investment management industry. We applaud the industry for, by and large, offering New Zealanders solid investment options for their savings. Far from resting on its laurels, however, we hope that KiwiSaver will continue striving to generate the best possible investment outcomes.

Full copies of our research reports, as always, are available in the Morningstar Adviser Research Centre™ and Morningstar Direct℠.

See Morningstar data on page 34: PIE fund returns, after fees, before tax

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Research snapshot: KiwiSaver risk indicators need changing

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Randall Clement
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Salt Funds Management

Henk Berkman
Professor of Finance
University of Auckland

The following article provides a brief snapshot of the study 'KiwiSaver Risk Indicators' by Randall Clement, Professor Henk Berkman and Dr Annie Zhang. The study was published this year in the Journal of New Zealand Economic Papers.

Research snapshot

Just how hot is hot when you're ordering a curry? Currently, consumers are faced with an analogous dilemma when deciding which KiwiSaver fund to invest in. KiwiSaver has become a household product; it's even been discussed on Shortland Street. However, as our research shows, there are discrepancies between risk classification guidelines.

According to our study, there is significant variation in how fund risk is classified by several of the parties involved in the KiwiSaver enterprise – KiwiSaver providers, regulators and industry stakeholders. Our study also finds that differences in fund categories could cause a lot of confusion when investors are trying to answer the question, how much risk am I taking? Depending on the source of information investors' rely on, a Conservative fund could 'taste' somewhere between medium, mild or chilli or wasabi hot.

Risk Categories, a cause for confusion?

The table below, taken from our research, shows various KiwiSaver risk classifications employed by the FMA, Sorted and Morningstar. What should be evident is that there are substantial differences in how these three organisations define risk. The most obvious discrepancy in classification can be seen in the Conservative fund. The FMA classifies Conservative funds as having an exposure to Growth Assets of between 30%-50%; whereas Sorted and Morningstar provide a guideline range of exposure to Growth Assets from 10%-34.9% and 0%-20%, respectively.

The table below shows KiwiSaver Risk Categories defined by their exposure to Growth.

Category	FMA[1]	Sorted.org.nz[2]	Morningstar[3]
Conservative	30-50	10-34.9	0-20
Moderate	--	--	21-40
Balanced	50-70	35-62.9	41-60
Growth	70-90	63-89.9	61-80
Aggressive	--	90-100	80-100

1 Adapted from http://www.fma.govt.nz/help-me-invest/investing-basics/goals-and-risk-tolerance/

2 Adapted from http://fundfinder.sorted.org.nz/must-knows-of-KiwiSaver/#fund-types

3 Adapted from the Morningstar NZ Category Definitions document for multisector funds.

"JUST HOW HOT IS HOT WHEN YOU'RE ORDERING A CURRY? CURRENTLY, CONSUMERS ARE FACED WITH AN ANALOGOUS DILEMMA WHEN DECIDING WHICH KIWISAVER FUND TO INVEST IN."

Comparison of Risk Indicators

We conducted a horse-race between six potential risk indicators for 120 KiwiSaver funds. The study investigated which risk indicator best predicts fund volatility.

THE SIX RISK INDICATORS ARE:

1 KiwiSaver Provider Self-Reported

2 Morningstar

3 Sorted.org

4 Historic Volatility

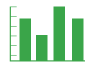
5 Synthetic Risk and Reward Indicator (SRRI)

6 Dynamic Risk Indicator (DRI)

The 'winning horse' in their race was the risk indicator that resulted in the highest correlation between risk indicator and post-GFC period volatility.

KEY FINDINGS

KiwiSaver providers generally indicate the risk category of their funds correctly. However, there are some important exceptions. Several funds are riskier than what their existing classifications suggest. For example, some funds within the Moderate-Balanced and Balanced clusters (referred to as 'peer groups' within the paper) exhibit volatility similar or greater than the average volatility of Growth funds.



Historical volatility is the best measure when it comes to explaining the variation in volatility across the KiwiSaver funds. In view of this, we formulate a DRI as an easy-to-use alternative.

The DRI has a higher correlation with the actual volatility of KiwiSaver funds in the post-GFC period than the SRRI groups. The study claims that fund grouping based on ranks (rather than fixed volatility ranges) allow for a more sensible allocation of funds into risk groups.

The study finds that the DRI is superior to the European risk indicator, SRRI. It has a higher correlation with future fund volatility, and the use of flexible cut-offs to determine fund volatility groups leads to more stable fund risk indicators during periods of systemic market movement. To illustrate the rigidness of the SRRI volatility intervals, the study shows that the SRRI risk indicator sees 74% of the KiwiSaver funds in the sample reclassified when the study's period moves from the GFC to the post-GFC period. The proportion of reclassified funds under the DRI is only 40%. These results suggest that the SRRI tends to misclassify funds in the case of systemic events when transient changes in market-wide volatility move a large portion of funds away from their long-term risk indicator.

Implications

Our study recognised that historical volatility may be difficult to understand for the layperson and therefore might be of limited use. The authors propose an alternative measure that uses historical volatility that sorts funds into empirically determined volatility groups. We call this risk indicator the Dynamic Risk Indicator (DRI). Similar to the European risk indicator, the DRI method ranks funds from low to high historical volatility and then divides the sample into seven equal sized groups from 1 to 7. The major difference with the European risk indicator is that the DRI is based on flexible cut-offs that change through time depending on the actual level of volatility of the sample funds.

Solution: Dynamic Risk Indicator (DRI)

» Ranks funds on volatility

» Create 7 equal sized groups

» Better indicator of future risk than the SRRI

» 74% of funds reclassified to new SRRI

» 40% of funds reclassified to new DRI

"SIMILAR TO THE EUROPEAN RISK INDICATOR, THE DRI METHOD RANKS FUNDS FROM LOW TO HIGH HISTORICAL VOLATILITY AND THEN DIVIDES THE SAMPLE INTO SEVEN EQUAL SIZED GROUPS FROM 1 TO 7."

For the full paper please visit:

The Journal of New Zealand Economic Papers, May 2015.
http://www.tandfonline.com/doi/full/10.1080/00779954.2015.1035670

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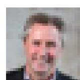
KiwiSaver: What next? Ideas to further improve New Zealanders' financial wellbeing



David Boyle
General Manager
Investor Education, Commission for Financial Capability

More than 2.5 million New Zealanders have amassed some $30 billion in funds since KiwiSaver's introduction, through their own savings plus employer and government contributions. I genuinely believe that many New Zealanders in KiwiSaver today would not have achieved the savings they have now without it.

Yet there is much to do in the area of education about long-term savings and how Kiwis can get the most out of this voluntary, work-based savings scheme, as it continues to evolve and grow in New Zealanders' savings psyche. As someone who has been involved in providing a range of KiwiSaver solutions since its inception, I think the time is right to get key messages and initiatives out to KiwiSaver members that will genuinely improve their financial wellbeing.

This is immensely important because we are all living longer, and need to make sure our incomes will live as long as we do. Without providing New Zealanders with the tools to help them understand the issues of longevity, risk and return, and inflation, we could be headed for some quite significant challenges. These could impact on our future social services, Government expenditure and, most importantly, New Zealanders' living standards and lifestyle options in retirement.

If it ain't broke...

KiwiSaver appears to be working well, but it's what's really happening below the surface that we need to address. One of the most important things the Government can do to ensure the future success of KiwiSaver is to give New Zealanders certainty, so they can get on with the business of saving for their futures. Without this foundation in place, the growth of national savings via KiwiSaver remains under a cloud.

Case in point: the recent removal of the $1,000 kick-start. Will it stop New Zealanders signing up? Will members think twice about contributing further? We need to watch carefully over the coming months as to just how this change affects application numbers. The kick-start may need a re-think, especially if we see fewer enrolments from people over 18.

If a kick-start is ever reintroduced, it could be credited when someone starts their first job or reaches the age of 18. This would mitigate the upfront cost of children joining and make it easier to budget for.

Advantage: KiwiSaver

KiwiSaver, in my opinion, is still the best way for most New Zealanders to save for their retirement. There is no other product that allows Kiwis to save via the workplace and generally have matching contributions from their employer and the Government. There are also some excellent benefits for those who are looking to get into their first home via the new HomeStart package.

Compared to most other retail managed funds, KiwiSaver management fees are generally lower and should reduce even further as total funds grow under management. Despite rising compliance costs, I expect fees to decrease over the next five years.

KiwiSaver members can switch providers at any time, which is a real positive. Yet I wonder if many are doing so without the proper support or advice to make an informed decision. Especially as fund balances grow, this really matters. In the early years, and even today, the risk of switching and the effect it has on people's savings has been lower because the average balances are still low. But it is the future effect of that decision to switch I am worried about, and I would like to see more providers helping their members pick the right fund.

A market correction, however, could see members panic and move out of growth or balanced funds into more conservative options. This hasn't been an issue to date, since balances have been small and market losses don't seem that apparent when members are making regular contributions and receiving employer and government money. My fear is that when – not if – a correction occurs, members will cement in their losses by switching, and it will take a much longer time for balances to recover.

This is a very hard concept for call centre teams to explain and printed material to convey, but somehow these messages must start getting through. If nothing else, the risk of switching needs to be explained.

What we need to roll out

So what are other messages and initiatives that could lift the overall outcomes for KiwiSaver members?

Making sure a member is in the right fund is paramount. Not the right provider – the right fund. Default members will be in a conservative fund, which means that over the long term they will generally experience a lower average return.

A cynic might say that KiwiSaver providers are intentionally trying to get members to move over to more growth-orientated funds so they can charge more. Yet as I mentioned above, managers should end up reducing their fees over time. Members who have a long-term horizon and are not going to be using their KiwiSaver balance for their first home, need to have more funds allocated more to growth-type options.

Before a member can make their fund decision, though, they need to understand risk and return, and how their own personal circumstances relate to this. At a minimum, providers need to encourage their current KiwiSaver members to complete a risk-return questionnaire.

Another key point to get across is to contribute a little regularly over a long period. In other words: keep making contributions. There is a significant long-term cost and impact of putting off saving. I would like to see the maximum time for a contribution holiday being changed from five years to one year, so at the very least it is a reminder to members to revaluate their circumstances and restart their savings habit as soon as possible.

Then there is the 'contribute more' message. Contribution rates of 3% will be insufficient for most to enjoy their retirement years. Of course, additional saving doesn't have to be through KiwiSaver, but it can be as simple as ticking 4% or 8% via their employer. Then the effect of what has been called the 'eighth wonder of the world' – compound interest – will lead to larger balances. Our Sorted website has a number of calculators that show how these decisions make an immense difference.

The next thing we have to do as an industry is continue the theme of building a lump sum, but also describe what that lump sum could mean in the future by way of a regular income. What do members' balances equate to in terms of future income? Members should be able to see whether they are on track based on the income they are wanting for retirement, and if not, make adjustments via a lump sum or increasing their contributions so they get back on track to their original goal.

Good advice is hard to find

Fees will come more and more into the spotlight as balances grow, and they will be questioned further when market returns become negative. The key here is not to look at fees in isolation. From a member's perspective, the most important return to look at is what they are getting after fees. Without getting into the old classic debate about passive versus active management styles, this is where getting some advice could be the most important investment a KiwiSaver member makes.

Access to personalised advice is challenging here in New Zealand, and it is timely that the Financial Advisers Act is currently being reviewed. A small investment in financial advice (or at least access to a process that could help them understand the points raised here) could help members optimise their KiwiSaver accounts and improve their overall financial wellbeing.

Advice will also need to take into account 'decumulation'. While it isn't an issue today, it will be a problem in the future. If we don't prepare a framework to give New Zealanders (and particularly KiwiSaver members) options that offer some certainty of income in the future, there is a real risk that their income may not live as long as they do.

I will watch with interest the advent of 'robo-advice', as well as how providers will help members by building on these key messages. In the meantime, the Commission will continue to raise awareness of these issues alongside the entire industry.

ETFs – the changing face of funds management solutions

Michael Chamberlain
Director at SuperLife
NZX

When an investor looks to invest, it is important they adopt an investment strategy that is right for their circumstances, then implement that investment strategy efficiently and minimise their total management and other costs. To help investors achieve this efficiently, there needs to be market driven solutions that are investor focused. An exchange traded fund (ETF) is just one more option.

WHAT IS AN ETF?

An ETF is a pooled investment vehicle that is listed on a stock exchange and whose shares or units can be bought and sold throughout the day at a market-determined price.

The securities within an ETF can be passively or actively managed. Many passive ETFs are index ETFs designed to track the performance of a particular market index.

In addition to the advantages of being listed, because of the choice, they are increasingly becoming the low cost solution for portfolio construction.

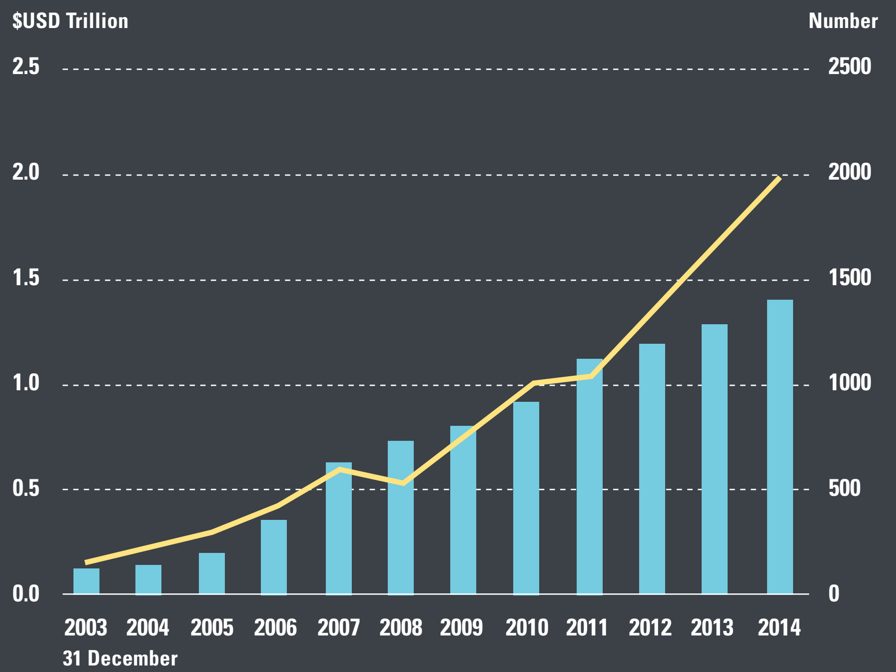
Traditionally, for the average investor, the better solutions were managed funds. Managed funds let the investment manager pool their investors' capital and gain greater efficiencies of scale. More recently, and increasingly, the vehicle of choice is becoming ETFs. The development of ETFs is seeing the investment solution landscape change, and we can expect to see ETFs become key building blocks for investors. While ETFs will be the vehicle of choice, administration and advisory services that can help an investor build and manage their portfolio of ETFs, will also become more important and more automated.

An ETF is similar to a traditional managed fund. Through the purchase of a single share or unit, the capital is spread across multiple investments, and achieves diversity and also benefits from the economies of scale. The important difference is that the ETF is listed on a stock exchange and is bought and sold like any other listed security. An ETF therefore gives an investor instant diversification with the purchase of a single security, greater price transparency, increased liquidity and convenience; and importantly, it can often do this at a lower cost than a traditional actively managed fund. For an investment manager, it can widen the distribution channel.

There are a number of reasons why ETFs have become increasingly popular. They provide an easy and low cost way to gain diversification and liquidity and they are very easy to buy and sell. ETFs combine the benefits of investing in a pooled fund and the advantages of being listed. As a listed security, the price and therefore the value of an ETF is known throughout the day. They are visible and able to be bought and sold through a traditional broker, an online broker and an administration platform. ETFs also provide simple but quality solutions for advisors to build client portfolios.

We can observe the rise of ETFs over the last 20 years, both in terms of the numbers of ETFs and the level of assets within them. Globally, the growth has been exponential. See Figure 4.

FIGURE 4:
GROWTH IN ETFs IN THE US



NUMBER (RHS)

ASSETS (LHS)

SOURCE: 2015 INVESTMENT COMPANY FACT BOOK

"WE CAN OBSERVE THE RISE OF ETFs OVER THE LAST 20 YEARS, BOTH IN TERMS OF THE NUMBERS OF ETFS AND THE LEVEL OF ASSETS WITHIN THEM.

GLOBALLY, THE GROWTH HAS BEEN EXPONENTIAL."

In contrast, the growth of the ETF market in New Zealand has been modest. With ETFs having become an optimal investment solution for overseas investors, logic suggests that the same will ultimately apply for New Zealand investors. It is anticipated that ETFs will also become an increasingly important part of the New Zealand investment landscape.

Until December 2014, there were just five New Zealand listed ETFs and local investors wanting to build a portfolio of ETFs had no choice but to buy in overseas markets and incur the costs and inconvenience of dealing in foreign currencies, and having to manage custody of foreign investments. This is about to change. Since December 2014, Smartshares Limited, a wholly owned subsidiary of NZX, has launched 14 new ETFs bringing the total to 19, and has plans to launch additional ETFs. It now has in excess of $1 billion invested under ETFs. Consequently, it is now possible to structure investment portfolios by using NZX listed ETFs.

Globally, and also in New Zealand, most ETFs are index funds. They tend to track a defined share market index and therefore give the investor exposure to the portfolio of securities that make up the index. The index may be the broad market index, like the S&P 500 in the US market, or a subset of the market, like the finance sector in the Australian market. Index based ETFs therefore give the investor the building blocks to efficiently construct and tailor a portfolio to their individual requirements, in terms of returns, sectors, style and risk. This also allows advisors to focus on the important decision of the overall investment strategy, rather than be concerned about the expensive and high risk activity of security selection.

Not all ETFs are index funds and an increasing number are actively managed. Whether index, passive or active; the attraction is the benefits that naturally flow from being a listed investment vehicle.

ETFs are also not limited to shares. ETFs cover the full spectrum of the traditional asset classes (cash, bonds, property and shares), as well as non-traditional investments such as currencies, futures, gold and commodities. This provides significant flexibility.

The rise in the number and use of ETFs is driven by the demand of investors, and has been made possible with the evolution of technology, and the efficiency and security of regulated capital markets. Globally, in addition to the cost advantages, there are also tax advantages related to the low turnover of passive ETFs. It is also no coincidence that the rise in ETFs over the last 20 years is correlated to the change in demographics. This has been a period when baby boomers have increasingly focused on saving for retirement, which has resulted in an increasing pool of capital to be invested. Individuals typically start to focus seriously on retirement savings from around age 50, once they have met the costs of their children's education and the children have left home. The baby boomers started to enter this phase of their lives in 1996, and 2029 is when the last of them will leave this phase.

The last 20 years have therefore seen an unprecedented level of new savings and a resulting increase in demand for effective investment solutions. As the level of an investor's savings increase, they start to focus on their returns; which naturally puts the spotlight on investment efficiency, fees, and the skill of the investment manager. Rising savings levels - and the shift from saving for retirement to spending in retirement – also go hand in hand with the need for flexibility, liquidity and lower costs. It logically follows that this would see a rise in the number of managed funds and lower-cost index-funds in particular, and the need for liquidity. It is also a natural development, with the increasing availability of technology, that index funds and other managed funds would look to take advantage of the benefits of being listed on a stock exchange.

Markets, like stock exchanges, are an efficient distribution channel linking new capital to investments (in the wealth build-up phase), and facilitate the conversion of assets to cash (in the decumulation phase). ETFs may increasingly become the cornerstone vehicle for investors to invest their savings, and could dominate the investment landscape for the next generation.

Copies of the investment statements for the Smartshares ETFs are available at **www.smartshares.co.nz.**

Units in the Smartshares ETFs have been accepted for quotation on the NZX Main Board by the Special Division of the NZ Markets Disciplinary Tribunal that regulates Smartshares and will be quoted upon completion of allotment procedures. The NZX Main Board is a licensed market operated by NZX, a licensed market operator regulated under the Financial Markets Conduct Act 2013. However, the Special Division accepts no responsibility for any statement in this advertisement.

The annuities market: lessons from across the ditch

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This article explores how the market for annuities in Australia and New Zealand has been affected by various changes, how it has recently been rejuvenated in Australia, and the lessons to be gleaned by the New Zealand retirement industry.

A primer: retirement income streams

The majority of retirement income streams in Australia and New Zealand are generally liquid, individual accounts invested in managed funds or similar products. In Australia, these are labelled as 'account-based pensions'. Because they are a product for the retirement phase, they allow for systematic withdrawals to fund retirement. They are the most popular type of retirement income product; however do not provide any inflation, market or longevity risk solutions. These risks are consequently borne by retirees.

These risks can be managed or removed entirely by an annuity. In very simple terms, an annuity is a promise from a life insurance company, supported by shareholder capital and prudential supervision. There are fixed rate term annuities, which are much like a term bank deposit; lifetime annuities that last for the policyholder's lifetime, and variable annuities that are market linked, but typically involve a guarantee of a minimum level of income.

Changes to the annuities market in New Zealand

Until relatively recently, superannuation schemes in New Zealand commonly required retiring members to annuitise. The market peaked in 1993, with in force annuities of NZ$ 39.6 million spread across 5,521 policies. Like Australia and many other jurisdictions, New Zealand moved away from the defined benefit model towards the defined contribution scheme. Defined contribution schemes tend not to involve a decumulation or drawdown structure such as annuitisation. This is reflected in KiwiSaver, which does not have any retirement phase structure[1].

In 2008, the Organisation for Economic Co-operation and Development (OECD) produced a report comparing annuities markets across its membership base. The OECD report concluded that New Zealand had a very small annuities market, primarily due to the very low levels of private pension savings resulting from its comprehensive social security and absence of tax incentives. Even today, income from annuities in New Zealand is taxed at the corporate rate of 28% and not on a Portfolio Investment Entity (PIE) basis, making traditional life company annuities generally unattractive from a tax perspective. Many New Zealand retirees would have a prescribed investor rate of 17.5% or less and so favour PIE products.

1 Although this has been proposed: see 'Kiwispend' – Retirement Policy and Research Centre, Auckland Business School (2014).

The Retirement Policy and Research Centre at the University of Auckland produced a comprehensive report in 2009 summarising the New Zealand annuities market. It concluded that in order to make annuitisation of KiwiSaver lump sums attractive, considerable regulatory intervention would be required. The Retirement Commissioner has observed that many of the barriers to annuity supply and demand stem from two inescapable issues: longevity risk that cannot be adequately pooled and diversified away, and the small size of the New Zealand market. In effect, there is currently no market for annuities in New Zealand, although there is a variable annuity product understood to be close to release.

The Australian experience

An important point to remember about the Australian retirement system is that its Age Pension (i.e. the equivalent of NZ Super) is means-tested. In 1998, the Australian Government decided to encourage the purchase of long term annuities and so made them wholly exempt from the Age Pension means tests. This meant that people could buy such products and not lose their Age Pension entitlements.

In 2004, this was reduced to a 50% exemption, and then in 2007 it was removed altogether.

These changes had a very severe impact on the lifetime annuities market in Australia. In the early 2000s, there were approximately 10 annuity providers. Following the 2007 policy change, this fell to only three and very few policies were sold. The situation was close to the current state of the New Zealand annuities market.

What retirees really wanted

Nonetheless, Challenger believed that annuities had a worthwhile role to play in retiree portfolios and decided in the late 2000s to specialise in annuities and related retirement solutions. Retiree research (such as surveys conducted by National Seniors Australia (NSA) in 2012) confirmed that retirees valued capital preservation, were very risk averse, and feared not having money in retirement when they needed it. See Figure 5.

The flexible, market-based pensions provided liquidity to retirees; however they were not meeting the needs of people who were clearly displaying a risk-averse mindset to funding their retirement. This was a strong signal that the Australian market was ready for annuities to form part of people's retirement portfolios.

> **"…MANY OF THE BARRIERS TO ANNUITY SUPPLY AND DEMAND STEM FROM TWO INESCAPABLE ISSUES: LONGEVITY RISK THAT CANNOT BE ADEQUATELY POOLED AND DIVERSIFIED AWAY, AND THE SMALL SIZE OF THE NEW ZEALAND MARKET."**

**FIGURE 5.
NSA 2012 SURVEY RESULTS ON THE MOST IMPORTANT RETIREE NEEDS**

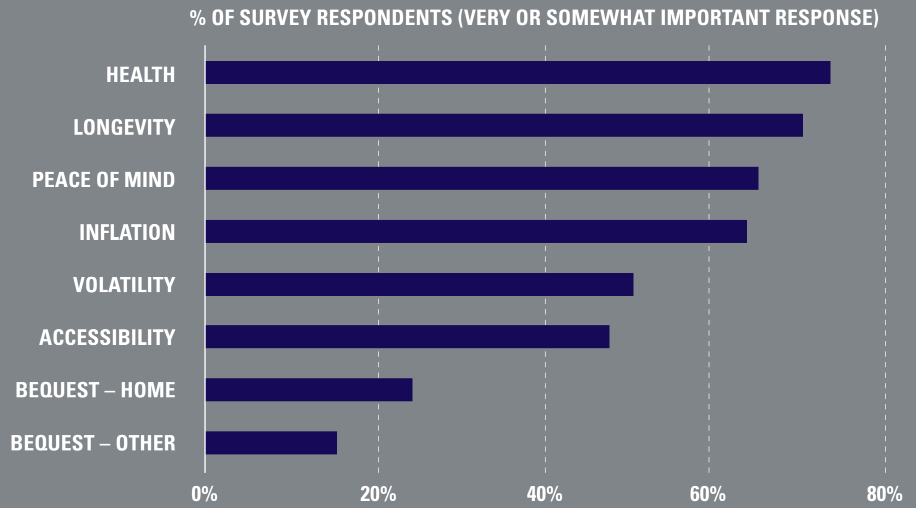


**FIGURE 6.
AUSTRALIAN LIFETIME ANNUITY SALES**

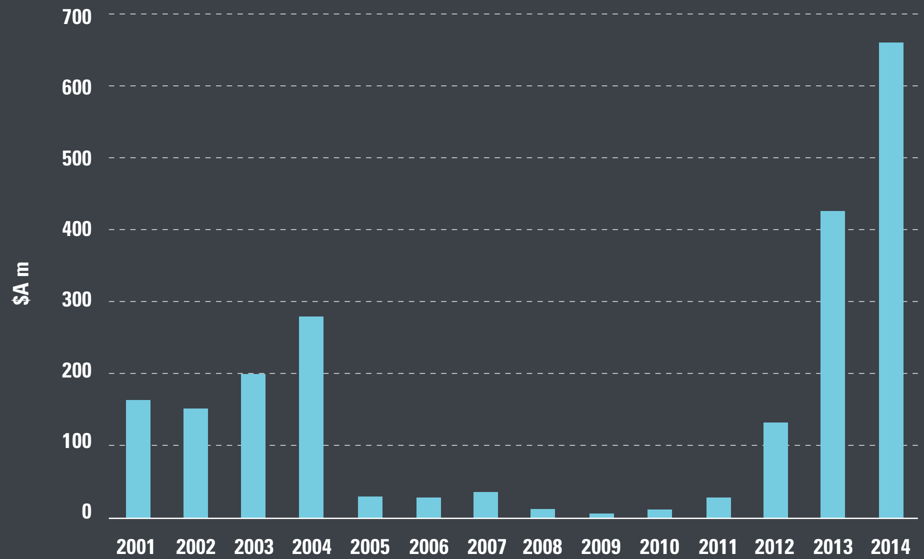
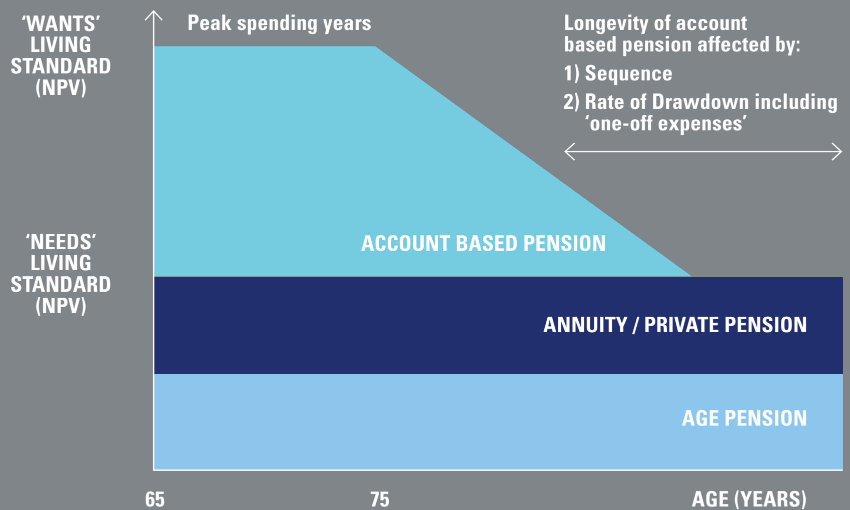


**FIGURE 7.
INCOME LAYERING CHART**



Creative ways to access capital and liquidity

In 2011, Challenger embarked on a campaign of re-educating advisers about the benefits of annuities. This included launching national TV, radio and print advertisements highlighting that retirees were exposed to a lot of risk in the popular account-based pension. Challenger had created the Liquid Lifetime annuity, which offers up to 100% capital repayment in the first 15 years. See Figure 6.

In 2014, Challenger sold more lifetime annuities than were sold by the entire market in any previous year.

Why the resurgence in Australia?

The resurgence in lifetime annuity sales in Australia can be explained by:

- The unease created from the 2008/09 global financial crisis
- Increasing retirement balances of retirees as the compulsory superannuation system matures
- The baby boomer generation starting to retire
- Increased demand for longevity protection due to increasing life expectancies
- Increased duties imposed on advisers to act in the best interest of clients
- Greater awareness that retirement is different.

Partial annuitisation: income layering

Market players such as Challenger have pioneered portfolio construction concepts for retirement incomes, by positioning the lifetime annuity as a layer that underpins the retiree's more liquid and market-linked assets. This layer can be used to meet essential needs in retirement; leaving other products, such as account-based pensions, to provide liquidity, growth and flexibility. See Figure 7.

The idea of portraying the lifetime annuity as a layer of private pension sitting above the Age Pension has proved popular with advisers and customers alike. This could easily resonate in New Zealand where retirees could overlay their New Zealand Superannuation with a lifetime annuity in the same way. The two income streams would then last them for life. In this analogy, any remaining investment in KiwiSaver would be the equivalent of an account-based pension in Australian parlance.

2013-14 Australian Financial System Inquiry

In late 2013, the Australian Government commissioned a broad inquiry into the financial system, in order to lay out a blueprint and direction for the system's future.

A year later, the Inquiry's Final Report was released. One of the main areas of the report comprises recommendations surrounding the need to strengthen the superannuation system in Australia, and retirement income measures in particular.

Specifically, the Inquiry recommended that all large superannuation funds be required to pre-select a 'comprehensive income product for retirement' (CIPR) that had the following features:

- a regular and stable income stream;
- longevity risk management; and
- flexibility.

The report cited a range of examples of products that could meet these requirements, including annuities, deferred lifetime annuities, and other products that shared investment and (idiosyncratic) longevity risk through pooling.

The Government has not yet responded to the Inquiry's findings and there is not a lot of detail around what the CIPR might actually look like. Nonetheless, it sets a clear direction for a system that was previously almost entirely using defined contribution solutions in retirement that do not address market risk, inflation risk and longevity risk. CIPRs will be a positive step for Australian retirees.

Conclusion

There is no 'silver bullet' retirement income solution; as one that strikes the balance between longevity risk management, high investment returns, flexibility and stable income – although the CIPR idea might be the closest thing yet. Modern, more flexible lifetime annuities have also played their part in widening the options for retirees to get peace of mind in retirement. It shows that products that are weakened by abrupt changes in Government policy can be brought back to life.

In New Zealand, the question for industry leaders and policy-makers is whether a similar soft-default retirement income regime would add value to Kiwi retirees who currently do not have the same risk management options available to them. Many New Zealand retirees will leave KiwiSaver and find safety in real estate and bank deposits, potentially missing out on the benefits of a wider range of retirement income solutions.

Fund firms embrace portfolio holdings disclosure

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A buzzword in the financial services industry since the financial crisis is 'disclosure'. Regulators around the world are instituting new rules to increase the transparency of managed funds.

Portfolio holdings disclosure, also known as PHD, is one of the positive developments to come from this regulatory wave in many markets. Beyond regulatory mandates, we're also seeing a rise in voluntary disclosure by asset managers across the globe, pointing to good stewardship factors beyond pure regulation.

The stewardship of a fund company is an important factor for investors to consider when they select a fund. For a retail investor, the idea of stewardship is often tied up in the brand of the company. Vanguard, for example, is an impeccable brand in the eyes of most individual investors. For professional investors and advisors, transparency is an important dimension of stewardship. Easy access to information is a signal of good stewardship for funds.

This is particularly true for PHD. Regular public disclosure allows investors to determine if managers are staying within their mandates and helps provide real insight on how returns are being earned. For example, in recent years, the Nordic and Australian markets have used active-share analysis to determine the degree of active risk being taken in portfolios and how this aligns with the fees being charged by managers.

The basics

Before proceeding, it is worth getting on the same page about some basic definitions. Portfolio holdings disclosure is where the underlying securities of a managed fund, together with their value and portfolio weight, are made available to investors. The disclosure of top 10 or material holdings does not qualify as PHD. Instead, it is the disclosure of all long positions and, in most markets, includes derivatives and short positions. Disclosure does not mean that firms are mailing paper statements to unit holders with the full listing of holdings (although some do); it just means that the portfolio information is available electronically either from the manager or some other central area (such as regulators and fund associations). Lastly, PHD does not mean portfolios are disclosed in real time but rather with some lag time, such as 60 days after period end.

Portfolio holdings disclosure is not a new phenomenon – it has been part of the US fund market since the 1940s. Like most things in our industry, disclosure is evolving and is being affected by technology. Technology is bringing down the cost of disclosure for asset managers, and is increasing the analytics and reporting that can be driven from portfolio information. The introduction of the Morningstar Style Box in 1992 is an early example of using PHD technology and analysis to make holdings-based style analysis, previously the domain of the institutional market, available to everyone.

Across the globe, we've seen more and more developments built off of PHD flow downstream to retail investors, including portfolio tools and attribution analysis. Portfolio disclosure has let investors build more diversified portfolios by making it easier for them to identify overlapping holdings between investments and identifying how individual stock holdings interact with funds.

We believe PHD is a key ingredient in protecting, informing, and educating investors – which, in turn, lifts confidence and attracts assets to the financial system.

PHD around the world

The Morningstar Global Fund Investor Experience Report assesses managed fund investor experiences in 25 countries across North America, Europe, Asia, and Africa. As it did in 2013, the recently released biannual report once again takes a close look at portfolio disclosure practices, including PHD. In 2015, we find that all but one market has some form of required PHD.

Disclosure intervals for countries with regulated PHD

Interval	Number of Countries	%
Monthly	2	8%
Quarterly	5	20%
Semi-annually	17	68%
Annually	0	0%
None	1	4%
Total	**25**	**100%**

The most common form of regulated disclosure is semiannual. Since our 2013 study, we have seen regulators in New Zealand introduce semiannual PHD, and Thailand will be moving from semiannual to quarterly disclosure during the third quarter of this year.

In our research, we also wanted to capture actual practices of asset managers around PHD. We used portfolios provided to Morningstar as a proxy for this analysis. Globally, Morningstar collects and processes more than 800,000 portfolios a year across a range of security types.

The table above gives an indication of how often portfolios are actually provided to Morningstar across 29 countries for open-ended funds.

Only 8% of markets have regulated monthly disclosure of portfolios, but in more than 52% of the markets surveyed, monthly portfolios is the most dominant reporting frequency by asset managers. This number grows to 72% if quarterly and monthly portfolios are combined. Clearly, asset managers are providing portfolios more often than required by regulation.

Leading the way in the provision of monthly portfolios are a number of emerging markets, headed by India, but also including Brazil and South Korea. The Nordic countries of Denmark, Finland, and Norway also figure prominently. The United States, the largest fund market and one with a long history in PHD, has a regulated requirement of quarterly disclosure, but a little more than half of funds choose to disclose monthly. Refer to figure 8.

At the other end of the spectrum are Australia and New Zealand, the only two markets not to have some form of mandated PHD in our 2013 study. New Zealand recently introduced PHD requirements, and the 47% of funds currently not providing portfolios should start to do so over the next two years.

Australia introduced legislation on PHD in 2013, but the regulations are still to be finalised. The earliest implementation will be 1 July, 2016. Despite a lack of regulation, Morningstar has been collecting portfolios from fund managers in Australia since 2004. We receive portfolios from just less than half of the managed funds. Unlike in other markets, though, these portfolios are not displayed in full and used mainly for fund and portfolio analytics.

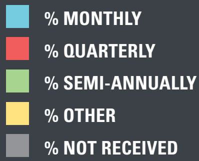
The figures provided in this article are based on the country of domicile of a fund and not on the funds available for sale in a market. An investor in a market where cross-border funds are actively sold (for example, Europe, Hong Kong, and Singapore) will experience something different to the figures displayed just for the local market. Cross-border funds domiciled in Luxembourg and Ireland typically provide monthly portfolios, which should serve to lift the experience of investors in markets such as Hong Kong and France.

"WE BELIEVE PHD IS A KEY INGREDIENT IN PROTECTING, INFORMING, AND EDUCATING INVESTORS – WHICH, IN TURN, LIFTS CONFIDENCE AND ATTRACTS ASSETS TO THE FINANCIAL SYSTEM."

FIGURE 8. FREQUENT DISCLOSURE: MONTHLY REPORTING OF PORTFOLIOS IS QUICKLY BECOMING THE GLOBAL STANDARD

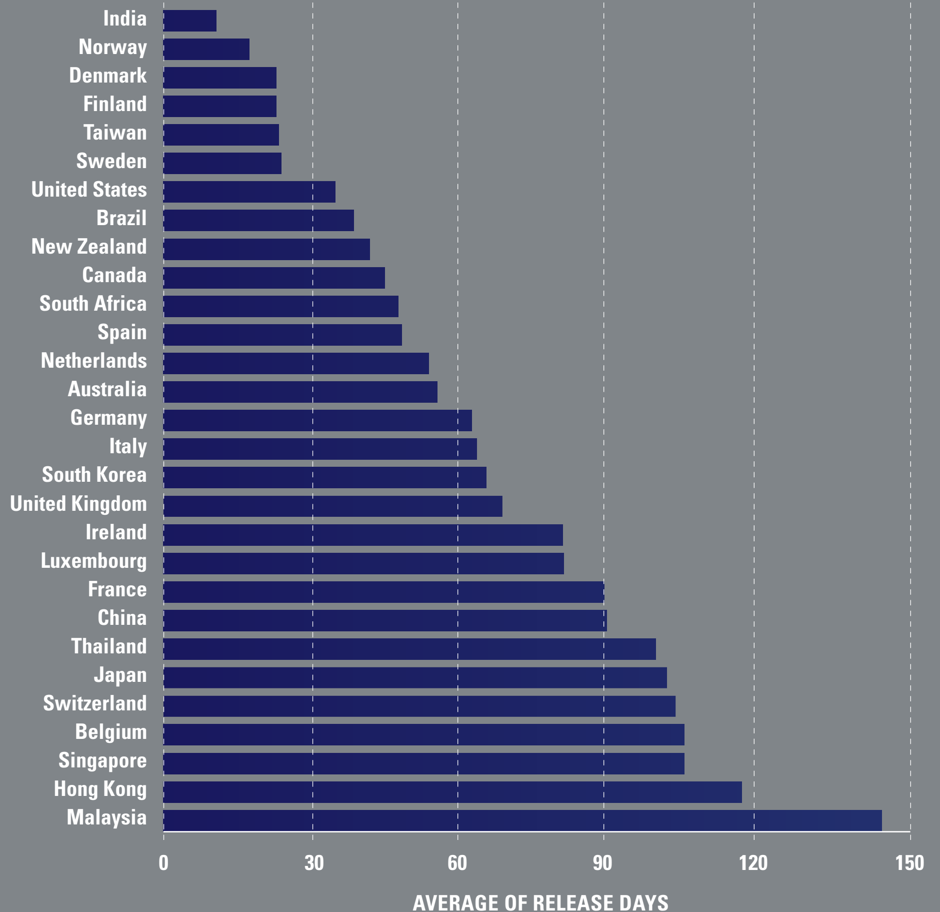
India
Brazil
Denmark
South Korea
Finland
Norway
United Kingdom
Canada
Spain
Netherlands
Switzerland
Luxembourg
Sweden
Italy
United States
France
Ireland
Germany
New Zealand
Belgium
Australia
Taiwan
Hong Kong
South Africa
Malaysia
Japan
Singapore
China
Thailand

0% 20% 40% 60% 80% 100%



SOURCE: MORNINGSTAR DIRECT℠

FIGURE 9. QUICK RELEASE: MANAGERS ARE ABLE TO PROVIDE PORTFOLIOS PROMPTLY, IF THEY WANT TO



SOURCE: MORNINGSTAR DIRECT℠

Disclosure lag time

Getting portfolios is one thing. How old they are when we receive them is another. PHD is not about real-time portfolios. The question of appropriate lag time is often debated, and so it should be. The reality is that an appropriate lag will vary depending on the type of portfolio, style of management, and amount of money being run in the strategy. Regulators when setting maximum lag periods need to take this into account. 60 or 90 days are common.

Our experience is that most managers can physically provide a portfolio electronically within 10 business days of period end, and they are increasingly being required to for regulatory reporting (EMIR and EIOPA Solvency II in Europe, Dodd-Frank in the United States). Figure 9 shows the number of days after period end that we typically release a portfolio into our databases for viewing and analytics. A fund that delivers a portfolio to Morningstar on day 10, but requests the portfolio to be suppressed from release until day 60 is recorded as 60 days for this analysis.

Once again, we can observe many markets where the average manager is releasing portfolios well in advance of the regulated maximum. For example, the United States carries a maximum 60-day lag requirement (45 days for quarterly portfolios), but the average manager is providing portfolios in a little more than half this time.

Another factor influencing this data is whether the portfolio is being provided in some readable electronic format or as a hard-copy document. The latter is true of many Asian markets, contributing to the slower response times. Once an electronic reporting system is established, the cost and system time required to produce the report are reduced.

As we mentioned, Thailand will move from semiannual to quarterly portfolio requirements during 2015. By the end of the third quarter, new requirements will have been fully in place, which will cause the typical lag decreasing from more than 90 days to 60 days. Significantly, the industry is also moving towards electronically supplying portfolios.

Overall, funds are quickly moving from semiannual or quarterly disclosure with a six- to 10-week lag to monthly disclosure with a two- to five-week lag. This increased frequency of disclosure is being driven by a number of factors in different regions.

Regulators looking at systematic risks are demanding aggregated holdings data in real time. This includes insurance regulators who require that the underlying holdings of collective investments be included in calculations of capital charges within 15 business days. With regulations in many countries requiring equal treatment of all investors in a single product, individual investors and their advisors receive the benefit of the demands of institutional investors.

A benefit for all

It is important to remember that PHD is not just about giving portfolio statements to investors. It involves more investor benefits that stem from the disclosure being used by intermediaries who serve the needs of investors.

For example, financial literacy is an important topic. One component of literacy is engagement. Our experience in the United States has shown us that stronger disclosure leads to better research, tools, and media commentary – which in turn leads to higher levels of investor engagement.

Fund companies have long known the benefits of education and helping investors better understand and chose funds, and they have invested heavily in tools to help their clients achieve better results. Many of these tools are built around PHD, and as the self-directed segment grows and advisors move to expand and improve their offerings to clients, the demand for regular and timely information will only increase.

Another growing practice evolving around PHD is the classification of funds. While firms such as Morningstar have long used portfolio disclosure to firm up the categorisation of a fund or strategy, central bodies such as fund associations have used the same approach to monitor fund categories to ensure meaningful peer-group return comparisons for investors. The United Kingdom has had this practice in place for many years, and recently, South Africa and Thailand have adopted similar models. It's our experience that markets with these sorts of systems in place also have stronger PHD practices.

While there remain significant differences around the implementation of PHD in many markets, there is an obvious trend toward greater disclosure in terms of coverage, regularity, and lags.

At its best, portfolio disclosure is more than just a regulatory requirement. It improves the industry. A whole ecosystem evolves around the process that is greater than the direct relationship between an investor and fund company. It encapsulates a large pool of research analysts, information sites, intermediaries, and the media. An investor will not necessarily have read every public document before buying a fund, but he or she will benefit from professionals reviewing these documents and surfacing the important points through various channels.

Portfolio disclosure, and the scrutiny that comes with it, underpins the efficacy of the market, lifting investor confidence and helping attract capital from investors.

FATCA, CRS, AEOI: acronyms for 'unpaid tax police'

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Darshana Elwela
Director, Tax
KPMG, New Zealand

The Foreign Account Tax Compliance Act, or FATCA, imposes significant additional 'know your customer' obligations on New Zealand Financial Institutions. With the first phase completed, it's timely to reflect on the rules, their implementation and future requirements. FATCA is only the tip of the iceberg with moves underway to extend the principles of FATCA globally, through the Automatic Exchange of Information (AEOI) using a Common Reporting Standard (CRS).

In the beginning

The US Treasury has estimated that more than US$100 billion in tax, annually, is not being paid by US persons (e.g. US citizens and residents and US entities) holding foreign accounts. The Foreign Account Tax Compliance Act was enacted in 2010 to help the US Internal Revenue Service (IRS) identify US persons who are not disclosing, and therefore not paying US tax on, their foreign income.

FATCA requires non-US Financial Institutions to report US persons to the IRS. A failure to do so means that any US sourced payments to the foreign Financial Institution attract a 30% withholding tax. This penalty has created a powerful incentive for foreign Financial Institutions to comply.

How FATCA applies in New Zealand

From 1 July 2014, most New Zealand Financial Institutions are required to register with the IRS, identify any US account holders and disclose any reportable accounts.

Technically, this is achieved through the combination of an Inter-Governmental Agreement (IGA) on FATCA, between New Zealand and the United States, and domestic tax law changes which establishes obligations for New Zealand Financial Institutions while removing some impediments to complying.
This has made non-compliance with FATCA a New Zealand regulatory issue.

Definition of Financial Institution under FATCA

A Financial Institution is widely defined in the IGA. There are four main categories: Depositary Institutions, Custodial Institutions, Investment Entities and Specified Insurance Companies.
This captures banks and non-bank deposit takers, professional custodians and nominees, investment trusts, and managed funds and insurance companies that offer 'Financial Accounts'. A Financial Account includes depositary and custodial accounts, equity and debt interests in investment entities (e.g. units in a unit trust or capital notes/debentures) and certain insurance contracts with a cash value on surrender.

There are exemptions from FATCA obligations for Governmental entities and most KiwiSaver Funds (these are exempt as 'treaty qualified retirement funds' under the IGA). Other exemptions modify or transfer the FATCA obligations depending on the particular circumstances.

FATCA reporting requirements

FATCA reporting is to Inland Revenue, not directly to the IRS. The information to be disclosed and its format have been prescribed by the IRS so that Inland Revenue can readily transfer the information to the IRS.

The first FATCA reporting period ended on 31 March 2015. New Zealand Financial Institutions were required to report US account information to Inland Revenue by 30 June 2015, for exchange with IRS by 30 September of this year.

1,346

NEW ZEALAND ENTITIES HAVE REGISTERED AS FOREIGN FINANCIAL INSTITUTIONS FOR FATCA.

THERE WILL BE MORE ENTITIES AFFECTED AS SOME WILL BE SPONSORED ENTITIES WHOSE FATCA OBLIGATIONS ARE MET BY ANOTHER REGISTERED ENTITY.

What are the sticking points?

The FATCA rules, and their implementation, are not straightforward. There remain difficulties with both.

› Who is a Financial Institution?

For most, this should be a straightforward question for their core business entities (but see the next question). The difficulties tend to arise for their peripheral entities and in determining the status of their clients.

This is particularly the case for an Investment Entity, which is widely defined in the IGA. That definition captures direct investment funds as well as externally managed funds. The existence of a professional manager and/or trustee may be sufficient to qualify. The US Treasury Regulations on FATCA have their own slightly different definition, and categories, of a Financial Institution. It may be more beneficial to use this definition to exclude certain funds from being Financial Institutions.

These complications can be worked through when deciding your own position. They are more difficult to resolve when trying to confirm the position of an account holder.

A particular area of difficulty is the treatment of trusts. Inland Revenue has released some draft guidance on trusts, which is helpful, but there remains a number of outstanding issues. Further, this guidance is yet to be finalised.

A key business decision remains whether a New Zealand Financial Institution should attempt to determine the position itself or have the account holder take on that responsibility. That decision will depend on the number of accounts involved, the ability to handle customer inquiries and the risk that the Financial Institution may incorrectly classify an account and, therefore, either 'under' or 'over'-report account holders.

› Are the FATCA exemptions worth the trouble?

Some of the exemptions from registering and reporting under FATCA impose strict monitoring requirements. For example, an exemption for New Zealand Financial Institutions with a local client base only applies if at least 98% of accounts by value are held by New Zealand or Australian tax residents. This threshold must be met at all times, otherwise the full FATCA registration and due diligence obligations apply. It may be easier to register and comply with the full FATCA obligations from the outset. The benefits and costs of relying on the various FATCA exemptions in the IGA should therefore be carefully weighed-up.

› How robust is your customer on-boarding process?

New Zealand Financial Institutions must ensure that new investors confirm their FATCA status. Ideally, this should be done at the time of customer on-boarding – along with other "know your customer" requirements, such as compliance with Anti-Money Laundering regulations – to minimise disruption for the business and your clients. The practicalities of real time operations and systems can cause difficulties which will need to be managed.

› No 'nil' disclosure or over reporting.

Where there are no reportable accounts, there is no ability to file a 'nil' FATCA disclosure with Inland Revenue. This does not excuse a New Zealand Financial Institution from the due diligence requirements however. It is important that the process of identifying US account holders, and the result, is documented in case of subsequent audit by Inland Revenue or the IRS.

New Zealand Financial Institutions cannot report an account whose balance is below a prescribed level (see table below). If these accounts are reported, penalties under New Zealand tax legislation for over reporting may apply. Importantly, the Financial Institution may also be in breach of its New Zealand privacy obligations in relation to those investors.

REPORTABLE ACCOUNTS FOR INVESTMENT ENTITIES

	Pre-existing accounts (opened pre 1 July 2014)	New accounts opened on or after 1 July 2014)
Individual	US indicia[1] and more than US$50,000 account balance	Certified US or no certification
Entity	US indicia[2] and more than US$250,000 account balance	Certified US or no certification

1 This includes proof of US citizenship, such as a passport or birth certificate, or US address or contact details

2 This includes US incorporation, establishment or organisation or that the entity is controlled by US persons

Has it been worth it?

Anecdotally, we understand that the more than one thousand New Zealand Financial Institutions that have registered under FATCA have reported very few account holders – more likely to be in the hundreds than thousands in total. This was expected for the first reporting period, as the due diligence requirements have yet to fully apply to accounts opened prior to 1 July 2014 ('pre-existing accounts'). In the main, reported accounts will be new accounts opened since.

The cost of implementing FATCA to date, per reportable account, is therefore likely to be significant. The short answer: it is likely that the pain is not yet worth it.

The IGA also imposes an obligation on US Financial Institutions to identify and report on their New Zealand account holders. However, the information US Financial Institutions are required to collect and report in relation to New Zealand account holders is somewhat narrower than the obligation on New Zealand Financial Institutions.

Gearing up for 2016 FATCA reporting

With the 2015 FATCA reporting cycle completed, New Zealand Financial Institutions should be focused on completing their due diligence obligations for pre-existing accounts and looking at whether their systems and processes are still suitable for 2016 FATCA reporting. In particular, additional reporting requirements apply for the 2016 FATCA period, such as the need to report income as well as the balances of reportable accounts.

But wait, there's more… the evolution of GATCA

New Zealand Financial Institutions should also have an eye to the future, as FATCA is just the tip of the iceberg. The OECD has released a proposal, the Common Reporting Standard (CRS) for the Automatic Exchange of Information (AEOI). This will require each participating country to report accounts held by tax residents of other participating countries – i.e. a Global version of FATCA or GATCA. New Zealand is one of more than 50 countries to have signalled support for the CRS. This means that a New Zealand Financial Institution will potentially have more than 50 reports to complete under the CRS.

The CRS is different to FATCA. Financial Institutions are likely to find that further changes are required to their on-boarding, due diligence and reporting processes to implement the CRS.

A key difference is that the CRS is to be based on the tax residence of an account holder rather than US citizenship under FATCA. If you have any experience with trying to apply New Zealand's tax residence rules, you will be aware of how complicated that can be. Simplified rules will therefore be needed to make the CRS workable. Further, any FATCA obligations are likely to be unchanged, meaning there could be dual requirements under FATCA and the CRS.

Based on current timetables, New Zealand Financial Institutions will need to commence account holder due diligence for AEOI from 1 January 2018, for reporting in early 2019. Enabling legislation is expected next year.

The challenge

The difficulty for Financial Institutions' change programmes has been the multiple moving targets – FATCA has followed closely behind Anti-Money Laundering regulations, with CRS still to come. Each has different rules for essentially the same objective, proof of identity with confirmed tax status. Designing a single process to meet all three is therefore difficult. The degree of overlap is compounded by existing withholding tax and Approved Issuer Levy processes overlapping with FATCA and CRS.

In our view, for New Zealand Financial Institutions to be compensated for their time and cost, serious consideration needs to be given to the rationalisation and integration of these regulations. This should result in the removal of unnecessary duplication and provide comfort to Financial Institutions that the positions they take are defendable.

The hope, if any, is that this will be given serious consideration through Inland Revenue's Business Transformation programme.

Morningstar Data – PIE fund returns, after fees, before tax

Morningstar tracks over 1000 individual investment instruments domiciled in New Zealand. These include stocks, investment trusts, superannuation (including KiwiSaver), separate accounts, listed investment companies and ETF's. In the following tables Morningstar has provided the return/size and star ratings for Portfolio Investment Entity (PIE) Funds.

PIE Funds have quickly become the vehicle of choice for mainstream fund investment in New Zealand, owing to their simple and effective tax setup; accounting for around 90% of assets now invested in New Zealand managed fund vehicles.

Cash

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Capital Cash Advantage Fund	—	242.5	3.50	3.52
AMP Capital NZ Cash Fund	—	4127.6	3.84	3.50
AMP KiwiSaver Cash Fund	—	67.9	3.34	3.01
AMP NZRT Cash Fund	—	86.2	2.37	2.00
AMP Prem PSS OnePath NZ Cash	—	4.4	3.54	3.13
AMP Prem PUT OnePath NZ Cash	—	3.4	3.51	3.05
AMP PSS Select Cash	—	1.5	3.34	2.85
AMP PUT Select Cash	—	3.6	3.31	2.80
ANZ Default KiwiSaver Scheme–Cash	—	2.4	3.77	3.19
ANZ KiwiSaver–Cash	—	211.9	3.87	3.16
Aon KiwiSaver ANZ Cash	—	3.4	3.20	2.78
Aon KiwiSaver Nikko AM Cash	—	1.4	3.64	3.35
ASB Cash Fund	—	380.0	3.35	3.25
ASB KiwiSaver Scheme's NZ Cash	—	314.9	3.74	2.94
Asteron Rtrmnt Savings Plan Deposit	—	3.5	3.97	3.45
Asteron Super Yield Deposit Fund	—	4.3	3.97	3.45
Asteron Superplan 2000 Capital Fund	—	3.5	3.71	3.47
Asteron Superplan Capital Fund	—	23.7	3.15	2.93
BNZ KiwiSaver Cash Fund	—	70.8	3.22	—
BT Enhanced Cash Fund	—	126.1	3.63	3.16
Fisher Cashplus Fund	—	23.8	3.20	2.67
Fisher TWO KiwiSaver Scheme–Presv	—	24.1	3.64	3.26
Grosvenor KiwiSaver Enhanced Income Fund	—	18.1	3.68	3.40
Kiwi Wealth KiwiSaver Scheme Cash Fund	—	61.0	3.90	—
Mercer KiwiSaver Cash	—	9.9	3.75	3.38
Nikko AM NZ Cash	—	61.5	4.14	—
NZ Funds Core Cash	—	40.5	3.58	2.78
OneAnswer KiwiSaver–Cash Fund	—	23.8	3.73	3.02
SIL 60s + Sup Cash Fund	—	0.9	3.19	2.63
SIL Cash Plus	—	1.3	3.19	2.63
Staples Rodway KiwiSaver Conservative	—	22.5	3.42	3.12
Westpac KiwiSaver–Cash Fund	—	243.8	3.61	3.03
Bmark: ANZ NZ Call Rate GR NZD			3.53	2.83

NZ Bonds

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Capital NZ Fixed Interest Fund	★★★★	1751.7	8.75	5.97
AMP Capital NZ Short Duration	★★	187.6	6.23	4.34
AMP NZ Bond–UT60	★★	10.7	8.13	4.94
AMP NZRT NZ Fixed Interest	—	5.9	9.12	—
AMP Prem PSS ACI NZ Fixed Int Index	★★★	9.3	7.77	5.13

NZ Bonds (Continued)

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Prem PSS ACI NZ Fixed Interest	★★★★	2.7	8.59	5.78
AMP Prem PSS OnePath NZ Fixed Interest	★★★	2.3	7.79	5.52
AMP Prem PUT ACI NZ Fixed Int Index	★★★	4.3	7.73	5.04
AMP Prem PUT ACI NZ Fixed Interest	★★★★	4.7	8.54	5.82
AMP Prem PUT OnePath NZ Fixed Interest	★★★	1.8	7.79	5.45
Asteron Rtrmnt Savings Plan NZ Fixed Int	★★★★	1.4	8.43	6.37
Asteron Superplan 2000 NZ Bond Fund	★★★	1.3	7.76	5.95
Asteron Superplan NZ Bond Fund	★★★	6.9	7.79	5.98
BT Corporate Bond Fund	★★★★	81.9	6.82	5.70
BT PS NZ Diversified Bond	★★★★	249.8	7.83	—
Fisher New Zealand Fixed Inc Trust	★★	52.5	7.25	—
Forsyth Barr NZ Fixed Interest	★★★	8.8	8.26	5.57
Forsyth Barr Premium Yield	★★★	22.6	7.98	5.68
Harbour NZ Core Fixed Interest	★★★	83.8	7.20	—
Harbour NZ Corporate Bond	★★★	210.4	7.07	5.49
Nikko AM NZ Bond	★★★★	22.6	8.22	—
Nikko AM NZ Corporate Bond	★★★★★	103.2	8.60	6.67
NZ Funds Core Income	★★★	106.0	5.31	5.18
OneAnswer KiwiSaver–NZ Fixed Interest	★★★	5.1	8.31	5.71
OneAnswer SAC NZ Fixed Interest	★★	8.0	8.09	5.22
Russell Investments NZ Fixed Interest	—	81.9	7.85	—
SIL 60s + Sup NZ Fixed Interest	★★	3.2	7.54	5.16
SIL NZ Fixed Interest	★★	6.2	7.54	5.16
Westpac Active Income Strategies Trust	★★	19.2	4.05	—
Westpac Retirement Plan–Accum Port	★	19.0	3.78	3.04
Bmark: ANZ NZ Composite Invest Grade			8.42	5.78

International Bonds

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Capital Global Short Duration	★★	176.9	4.20	—
AMP Capital Hdgd Gbl Fixed Intrst Fund	★★★	139.8	5.91	5.62
AMP Global Bond–UT13	★★	20.0	4.75	5.22
AMP NZRT International Fixed Interest	—	1.3	5.22	—
AMP Prem PSS Blackrock Global Fixed Int	★★★	2.3	4.83	5.32
AMP Prem PSS PIMCO Global Fixed Interest	★★★★	2.4	5.94	7.53
AMP Prem PSS SSgA Global Fixed Int Index	★★★	8.9	6.14	5.42
AMP Prem PUT Blackrock Global Fixed Int	★★	1.2	4.35	5.13
AMP Prem PUT PIMCO Global Fixed Interest	★★★★★	2.8	5.76	7.54
AMP Prem PUT SSgA Global Fixed Int Index	★★★★	4.2	6.08	5.39
ASB EasyFund World Fixed Interest Trust	★	0.0	3.66	—

Morningstar Rating™ Based only on the past performance of a fund over three-, five-, and 10-year periods, the Morningstar Rating is performance-assessed against strict peer groups. Using Morningstar Risk-Adjusted Returns which reward consistency and penalise downside risk, the Rating is recalculated with each monthly performance release.

Represented on a one- to five-star scale, the Rating is distributed widely through third-party financial planning software, the media, and various websites. For a more detailed explanation of the Morningstar Analyst Rating and Morningstar Rating, please contact Morningstar Client Services by emailing helpdesk.au@morningstar.com

International Bonds (Continued)

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
Asteron Rtrmnt Savings Plan Intl Fx Int	★★★	1.3	5.00	5.63
Asteron Superplan 2000 Global Bond Fund	★★	1.1	4.22	5.29
Asteron Superplan Global Bond Fund	★★	1.6	4.23	5.28
BT PS International Diversified Bond	★★	374.8	4.70	5.48
Fisher BondPlus Fund	★★★★	128.0	5.04	7.38
Fisher Funds High Income	★★★	44.7	6.46	—
Nikko AM Global Bond	—	39.4	4.55	—
NZ Funds Global Income	★	91.9	1.09	3.99
OneAnswer KiwiSaver–Intl Fxd Int	★★	2.3	6.25	5.22
OneAnswer SAC International Fixed Intrst	—	2.2	6.02	—
Russell Investments Global Fixed Int	★★★★★	594.3	6.89	—
Bmark: Barclays Global Agg TR Hdg			6.86	6.65

NZ Equity

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Capital NZ Shares Fund	★★★	504.2	14.34	15.15
AMP Capital RIL NZ Shares	—	9.0	14.09	—
AMP Capital Strategic NZ Shares Fund	★★★	163.4	16.22	14.77
AMP Prem PSS ACI NZ Shares	★★★★	4.8	14.11	15.09
AMP Prem PSS ACI NZ Shares Index	★★★	7.8	12.34	14.35
AMP Prem PUT ACI NZ Shares	★★★★	1.7	13.98	14.99
AMP Prem PUT ACI NZ Shares Index	★★	3.5	12.23	14.30
Asteron Rtrmnt Savings Plan NZ Equity	★★★	1.6	15.60	14.32
BT Dividend Share Fund	★★★★	22.3	18.52	16.11
Fisher Funds NZ Growth Fund	★★★★	127.0	5.56	16.43
Fisher Funds Premium New Zealand Fund	★★★★	54.3	6.16	16.73
Fisher Trans Tasman Equity Trust	★★	46.0	7.85	12.42
Forsyth Barr New Zealand Equities	★★	10.3	16.97	13.62
Harbour NZ Equity Advanced Beta Fund	—	14.9	—	—
Nikko AM Core Equity	★★★	19.9	15.89	14.54
NZ Funds Dividend and Growth	★	54.0	15.41	7.13
OneAnswer SAC NZ Share	★★★	91.2	9.11	15.20
Russell Investments NZ Shares	—	93.6	11.48	—
SIL 60s + Sup NZ Share Fund	★★★	2.0	8.71	14.99
SIL NZ Share	★★★	20.7	8.71	14.99
Smartshares NZ Core Equity	—	20.1	—	—
Bmark: S&P/NZX 50 TR NZD			11.39	14.02

Australasian Equity

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Australasian Equities–UT07	★	32.3	9.29	9.83
AMP NZRT Australasian Shares	—	7.2	9.54	—
AMP Prem PSS OnePath NZ Shares	★★★	4.7	5.69	13.87
AMP Prem PUT OnePath NZ Shares	★★★	2.3	5.69	13.94
Aon KiwiSaver Milford	★★★★	101.8	13.18	14.97
Asteron Superplan 2000 Trans Tasman Fund	★★★	6.2	15.20	14.05
Asteron Superplan Trans Tasman Fund	★★	26.2	14.44	13.32
BT Focus Share Fund	★★★★	3.6	15.33	16.59
BT PS Australasian Diversified Share	★★★★	192.4	14.22	—
Castle Point Ranger Fund	—	5.8	4.62	—
Devon Alpha Fund	★★★	102.0	13.55	12.57
Devon Equity Income	—	30.4	17.28	—
Devon Trans–Tasman Fund	★★★★	109.7	17.65	13.19
Forte Equity Trust	—	0.0	6.40	—
Grosvenor KiwiSaver Socially Rsp Inv Gr	★	14.5	17.05	8.56
Grosvenor KiwiSaver Trs–Tasm Sm Coms Shr	★	4.9	8.89	4.16
Harbour Australasian Equity	★★★	96.8	8.35	13.71
Harbour Australasian Equity Focus Fund	—	3.9	8.35	—
Harbour Australasian Equity Income	★★★	48.9	16.28	—
Milford Active Growth	★★★★	691.2	13.42	15.08
Milford Active Growth KiwiSaver	★★★★	368.8	13.56	15.15
Milford Trans–Tasman	★★★	286.2	10.71	15.00
Mint Australia NZ Active Equity	★★★★	49.8	13.82	18.15
Nikko AM Australasian Small Companies	★★	1.0	17.15	10.99
Nikko AM Concentrated Equity	★★★	1.8	24.85	12.54
OneAnswer KiwiSaver–Australasian Share	★★★★	20.5	9.64	15.18
OneAnswer SAC Equity Selection	★★★	20.2	5.39	13.20
Pie Australasian Dividend	★★★	58.8	7.64	—
Pie Australasian Emerging Companies	—	40.0	20.65	—
Pie Australasian Growth Fund	★★★★★	69.1	23.77	26.35
Smartshares Smartkiwi Growth Fund	—	27.4	18.07	12.08
Bmark: Cat 50% NZX 50 &50% S&P/ASX 200			11.64	11.18

Australian Equity

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Capital Australian Share Fund	★★★	33.3	10.02	7.07
Devon Australian	★★★★	41.5	17.32	—
Fisher Funds Australian Growth Fund	★	61.9	10.46	8.03
Fisher Funds Premium Australian Fund	★★	45.5	10.70	8.36
Milford Dynamic	—	148.1	15.96	—
OneAnswer SAC Australian Share	★★★	40.6	8.08	7.42
Bmark: S&P/ASX 200 TR AUD			11.41	8.00

International Equity

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Capital Core Global Shares Fund	★★★★	1075.1	30.82	12.97
AMP Capital Core Hedged Global Shares Fd	★★★★	658.1	4.19	15.61
AMP Capital Emerging Markets Share	★	105.7	20.98	6.28
AMP Capital Global Listed Infrastructure	—	190.7	10.53	—
AMP Capital Global Shares Fund	★★★★	162.1	16.29	14.08
AMP Capital Resp Invest Leaders Gl Sh	★★★★	49.6	15.51	13.23
AMP Global Equities–UT28	★★	35.3	9.60	9.05
AMP Global Infrastructure–UT04	★★★	16.0	9.52	14.02
AMP NZRT International Shares	—	8.3	16.93	—
AMP NZRT Passive International Shares	—	4.1	15.31	—
AMP Prem PSS ACI Global Shares Index	★★★★	10.6	30.49	13.30
AMP Prem PSS ACI Global Shares Index Hdg	★★★	11.0	4.08	13.91
AMP Prem PSS FD Intl Share Fund 1 Value	★★	6.1	25.96	10.96
AMP Prem PSS FD Intl Share Fund 3 Growth	★★★	6.0	33.60	12.29
AMP Prem PUT FD Intl Share Fund 1 Value	★★	2.5	25.82	10.78
AMP Prem PUT FD Intl Share Fund 3 Growth	★★★	2.2	33.27	12.14
AMP Prem PUT SSgA Global Shares Index	★★★	4.5	27.76	12.33
AMP Prem PUT SSgA Global Shrs IndexHdg	★★★★	5.4	8.85	14.98
ASB EasyFund World Shares Fund	★★★★	193.0	22.54	13.19
Asteron Rtrmnt Savings Plan Intl Eqty	★★★	4.1	25.73	12.33
Asteron Superplan 2000 Aggressive Fund	★★★	0.7	18.88	8.84
Asteron Superplan 2000 Global Fund	★★★	3.5	24.44	11.99
Asteron Superplan Aggressive Fund	★★★	5.5	18.46	8.22
Asteron Superplan Global Fund	★★★	33.2	23.99	11.18
BT PS International Diversified Share	★★★	335.0	21.67	12.43
Elevation Capital Value Fund	★★	17.7	15.28	9.17
Fisher FreedomPlan–Intl Coms	★★	0.0	7.47	9.81
Fisher Funds International Growth Fund	★	26.4	15.45	6.76
Fisher Funds Premium International Fund	★	48.8	16.28	7.21
Fisher FuturePlan–Intl Coms	★★	0.0	7.47	9.81

International Equity (Continued)

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
Fisher Global Fund	★★★	92.6	8.57	9.89
Fisher TWO KiwiSaver Scheme–Eq	★★	56.9	9.61	10.35
Mercer KiwiSaver Shares	—	0.6	—	—
Milford Global Fund	—	235.2	19.62	—
Nikko AM Global Equity Hedged	—	180.1	10.85	—
Nikko AM Global Equity Unhedged	—	133.1	31.16	—
NZ Funds Equity Inflation	★	67.7	9.34	5.97
OneAnswer KiwiSaver–Intl Share	★★★★	32.8	32.73	14.51
OneAnswer KiwiSaver–Sustainable Growth	★★★	3.7	29.51	11.01
OneAnswer SAC International Share	★★★★★	125.4	35.66	16.69
Pathfinder Global Water	★★★	7.2	16.01	10.44
Pie Global Small Companies Fund	—	51.6	11.75	—
Russell Investments Global Shares	—	34.6	33.99	—
Russell Investments Hedged Global Shares	—	41.5	13.83	—
SIL 60s + Sup International Share Fund	★★★★★	0.8	32.01	13.90
SIL International Share	★★★★★	13.1	32.01	13.90
Grosvenor KiwiSaver International Share	★★★	7.0	19.38	10.56
Bmark: MSCI World NR USD			31.31	13.47

NZ Listed Property

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Capital Listed Property Secs Fd	★★★	21.0	18.68	16.02
AMP Capital NZ Property Fund	—	128.7	10.61	6.38
BT Property Fund	★★★	74.8	19.20	16.59
Mint Australia NZ Real Estate Investment	★	41.6	16.55	14.93
OneAnswer SAC Property Securities	★★★	113.2	16.67	16.52
Bmark: S&P/NZX Property TR NZD			19.11	15.09

Global Property

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Capital Global Propty Securities Fd	★★★★	111.7	7.16	16.42
AMP Global Property–UT54	★★★	4.4	12.31	13.76
ASB EasyFund Global Property Fund	★★	86.9	17.53	12.92
NZ Funds Property Inflation	★	66.9	7.35	6.82
OneAnswer SAC International Property	—	3.8	9.09	—
Bmark: FTSE EPRA/NAREIT Dev NR Hdg AUD			14.97	13.31

MultiSector Conservative

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP KiwiSaver Default (Default)	★★	1204.4	6.78	5.60
AMP PSS Select Income	★	2.5	6.16	4.29
AMP PUT Select Income	★★	3.3	6.37	4.31
ANZ Default KiwiSaver Scheme Cnsrv(Dflt)	★★★★	874.9	8.95	7.28
ANZ Invmt Fds Conservative	★★★★	31.7	8.31	6.86
ANZ KiwiSaver–Conservative	★★★★	435.1	8.66	7.11
Aon KiwiSaver Russell Lifepoints Cnsrv	★★★★★	78.3	9.45	8.70
ASB EasyFund Defensive	★★	115.6	7.37	5.66
ASB KiwiSaver Scheme's Cnsrv (Default)	★★★	2664.4	8.02	6.30
BNZ KiwiSaver Conservative (Default)	—	179.8	7.02	—
Fisher FreedomPlan–Capital Prot	★	0.0	1.50	1.50
Fisher Funds Conservative KiwiSaver Fund	★★★	317.2	7.49	6.76
Fisher FuturePlan–Capital Prot	★	0.0	1.50	1.74
Fisher TWO KiwiSaver Cash Enhanced(Dflt)	★★★	578.8	6.85	6.23
Grosvenor KiwiSaver Default Saver Fund	—	8.8	8.38	—
Kiwi Wealth KiwiSaver Conservative	★★★★	339.6	9.62	6.92
Kiwi Wealth KiwiSaver Scheme Default Fd	—	28.8	—	—
Mercer KiwiSaver Conservative (Default)	★★★	910.7	8.01	6.76
OneAnswer KiwiSaver–Conservative	★★★★	334.1	8.61	7.15
OneAnswer MAC Conservative	★★★	36.1	8.31	6.86
Smartshares Smartkiwi Conservative Fund	—	3.8	5.79	5.81
Westpac KiwiSaver Defensive (Default)	—	22.1	7.23	—
Bmark: Morningstar NZ Msec Cons TR			9.47	6.47

MultiSector Moderate

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Capital Conservative Fund NZ	★★★	10.2	6.22	6.05
AMP Capital Income Generator Fund	—	6.8	7.45	—
AMP KiwiSaver LS Conservative Fund	★★★	234.5	6.20	6.15
AMP KiwiSaver LS Moderate Fund	★★★	278.3	6.93	7.04
AMP NZRT AMP Capital Assured Fund	★	95.9	4.31	2.24
AMP NZRT AMP Conservative	★★	270.7	5.32	5.13
AMP NZRT AMP Moderate	★★	96.6	6.03	5.98
AMP PSS DynamicMkts Conservative	★★★	1.0	5.47	5.42
AMP PSS Lifesteps Maturity	★★★	3.0	5.50	5.45
AMP PSS Lifesteps Stability	★★★★	5.5	6.26	6.48
AMP PSS Select Conservative	★★★	10.9	5.49	5.46
AMP PUT DynamicMkts Conservative	★★★	1.9	5.48	5.35
AMP PUT Select Conservative	★★★	15.6	5.46	5.42
ANZ Default KiwiSaver Scheme–Cnsrv Bal	★★★★	17.3	10.61	8.75
ANZ Invmt Fds Conservative Balanced	★★★★	102.8	10.21	8.60

MultiSector Moderate (Continued)

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
ANZ KiwiSaver–Conservative Balanced	★★★★	500.9	10.52	8.96
Aon KiwiSaver Russell Lifepoints 2015	★★★★	5.1	9.69	9.08
Aon KiwiSaver Russell Lifepoints Mod	★★★★★	14.2	11.81	10.07
ASB EasyFund Conservative	★★★	404.1	8.45	6.54
ASB EasyFund Moderate	★★★	169.2	9.84	7.56
ASB KiwiSaver Scheme's Moderate	★★★★	848.2	10.44	8.19
Asteron Rtrmnt Savings Plan Mgd Conserv	★★★★★	2.5	10.95	8.22
Asteron Superplan 2000 Conservative Fund	★★★	2.9	9.97	7.73
Asteron Superplan Conservative Fund	★★★	5.7	9.05	6.84
BNZ KiwiSaver Moderate Fund	—	140.7	8.78	—
Fisher TWO KiwiSaver Scheme–Cnsrv	★★★	99.9	6.96	6.75
Generate KiwiSaver Conservative Fund	—	12.7	9.56	—
Grosvenor KiwiSaver Asset Class Consr	—	7.4	8.46	—
Grosvenor KiwiSaver Conservative Fund	★★★	103.3	8.17	6.14
Mercer KiwiSaver Moderate	—	16.3	—	
Milford Income	★★★★★	1119.2	12.15	12.67
Milford KiwiSaver Conservative Fund	—	15.2	13.22	—
Mint Diversified Income Fund (Retail)	—	12.8	—	—
NZ Funds Global Multi–Asset Growth	★	35.4	–17.23	–7.10
OneAnswer KiwiSaver–Conservative Bal	★★★★★	114.1	10.47	9.01
OneAnswer MAC Conservative Balanced	★★★★	108.6	10.21	8.60
Westpac Active Conservative Trust	★★★	125.4	7.04	6.13
Westpac Active Moderate Trust	★★★★	137.6	9.32	—
Westpac KiwiSaver–Moderate	—	28.8	9.13	—
Westpac KiwiSaver–Conservative Fund	★★★	1615.9	8.04	7.10
Bmark: Morningstar NZ Msec Mod TR			11.58	7.94

MultiSector Balanced

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Balanced Portfolio–UT01	★★	0.0	6.02	6.11
AMP Capital Global Multi Asset Fund	—	88.4	8.57	—
AMP Capital Responsible Inv Leaders Bal	★★★	41.0	9.53	10.08
AMP KiwiSaver Fisher TWO Balanced	★★★	23.2	8.51	8.24
AMP KiwiSaver LS Balanced Fund	★★★	626.3	8.03	8.65
AMP KiwiSaver LS Moderate Balanced Fund	★★	402.7	7.54	7.79
AMP NZRT AMP Balanced Fund	★★	727.0	7.17	7.59
AMP NZRT AMP Moderate Balanced	★★	155.5	6.65	6.71
AMP NZRT ASB Balanced Fund	★★★	59.2	11.89	8.39
AMP NZRT Fisher Balanced	★★	140.8	7.77	7.27
AMP NZRT Nikko AM Balanced	★★	118.9	13.38	8.50
AMP PSS DynamicMkts Balanced	★★★	3.4	7.45	8.17

MultiSector Balanced (Continued)

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP PSS Lifesteps Consolidation	★★	7.6	7.07	7.35
AMP PSS Lifesteps Progression	★★★	3.6	7.49	8.26
AMP PSS Select Balanced	★★★	50.9	7.49	8.26
AMP PUT DynamicMkts Balanced	★★★	4.9	7.48	8.12
AMP PUT Select Balanced	★★★	38.3	7.40	8.16
ANZ Default KiwiSaver Scheme–Balanced	★★★★	49.2	12.66	10.24
ANZ Invmt Fds Balanced	★★★★	123.7	12.07	10.30
ANZ KiwiSaver–Balanced	★★★★	1059.3	12.42	10.65
Aon KiwiSaver ANZ Balanced	★★★★	21.5	11.26	10.78
Aon KiwiSaver Russell Lifepoints 2025	★★★★	12.8	12.17	10.49
Aon KiwiSaver Russell Lifepoints Bal	★★★★★	43.8	14.45	11.47
ASB EasyFund Balanced	★★★	109.4	12.85	9.49
ASB KiwiSaver Scheme's Balanced	★★★	655.3	13.48	10.14
Asteron Rtrmnt Savings Plan Mgd Neutral	★★★★	16.3	14.98	10.29
Asteron Super Yield Managed Fund	★★★★★	20.6	15.03	10.35
Asteron Superplan 2000 Balanced Fund	★★★	10.1	13.90	9.74
Asteron Superplan Balanced Fund	★★	68.5	13.25	8.95
BNZ KiwiSaver Balanced Fund	—	102.6	9.85	—
Fisher FreedomPlan–Balanced Fund	★★★	0.0	7.16	7.67
Fisher FuturePlan–Balanced	★★★	0.0	7.16	7.67
Fisher TWO KiwiSaver Scheme–Bal	★★★	463.0	8.16	8.54
Grosvenor KiwiSaver Balanced Fund	★★	289.9	11.65	7.34
Grosvenor KiwiSaver Socially Rsp Inv Bl	—	15.6	14.65	—
Kiwi Wealth KiwiSaver Balanced	★★★★	978.7	14.96	10.30
Milford Balanced	★★★★★	282.5	15.18	12.43
Milford KiwiSaver Balanced	★★★★★	73.8	15.84	12.72
NZ Funds Core Growth	★★★	121.2	11.91	7.34
OneAnswer KiwiSaver–Balanced	★★★★★	345.5	12.58	10.73
OneAnswer MAC Balanced	★★★★	141.3	12.07	10.30
Smartshares Smartkiwi Balanced Fund	—	8.6	11.89	8.48
Westpac Active Balanced Trust	★★★★	138.0	11.78	9.65
Westpac KiwiSaver–Balanced Fund	★★★★	815.5	12.40	10.23
Westpac Retirement Plan–Balanced Port	★★★	101.1	11.14	8.93
Bmark: Morningstar NZ Msec Bal TR			16.48	9.90

MultiSector Growth

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Growth Portfolio–UT02	★	147.5	6.97	7.00
AMP KiwiSaver ANZ Balanced Plus	★★★	140.7	13.39	11.53
AMP KiwiSaver LS Growth Fund	★★	488.6	8.80	9.63
AMP KiwiSaver Nikko AM Balanced	★★	19.4	14.31	9.49
AMP NZRT AMP Growth	★★	173.6	7.96	8.53
AMP NZRT ANZ Balanced Plus	★★★	249.3	12.59	10.56
AMP PSS Lifesteps Growth	★★★	0.9	8.29	9.44
ANZ Default KiwiSaver Scheme–Bal Gr	★★★★	55.4	14.57	11.73
ANZ Default KiwiSaver Scheme–Growth	★★★★★	48.1	16.27	13.21
ANZ Invmt Fds Balanced Growth	★★★★	109.0	14.04	12.11
ANZ Invmt Fds Growth	★★★★★	45.1	15.70	13.52
ANZ KiwiSaver–Balanced Growth	★★★★	880.3	14.39	12.32
ANZ KiwiSaver–Growth	★★★★★	1536.9	16.19	13.93
Aon KiwiSaver Nikko AM Balanced	★★	5.2	13.97	9.50
Aon KiwiSaver Russell Lifepoints 2035	★★★	10.9	14.68	11.80
Aon KiwiSaver Russell Lifepoints Growth	★★★★	22.5	16.35	12.56
ASB EasyFund Growth	★★★	26.3	15.39	11.05
ASB KiwiSaver Scheme's Growth	★★★	672.3	16.10	11.79
Asteron Rtrmnt Savings Plan Mgd Growth	★★★	29.6	17.53	11.44
Asteron Superplan 2000 Dynamic Fund	★★★	2.6	16.06	10.67
Asteron Superplan Dynamic Fund	★★★	20.7	15.50	10.01
BNZ KiwiSaver Growth Fund	—	75.9	11.07	—
Fisher Multi Sector Fund	★★★	11.4	7.49	8.60
Fisher TWO KiwiSaver Scheme–Gr	★★★	175.7	9.02	10.20
Forsyth Barr KiwiSaver Balanced Port	★	13.3	15.65	7.31
Generate KiwiSaver Growth Fund	—	22.7	19.56	—
Grosvenor KiwiSaver Balanced Growth	★	141.1	13.39	8.13
Mercer KiwiSaver Balanced	★★	90.2	11.27	9.51
Mercer KiwiSaver Growth	—	5.1	—	—
NZ Funds Global Equity Growth	★★	58.5	19.54	7.41
OneAnswer KiwiSaver–Balanced Growth	★★★★	317.2	14.54	12.46
OneAnswer KiwiSaver–Growth Fund	★★★★★	232.5	16.19	14.00
OneAnswer MAC Balanced Growth	★★★★	128.7	14.04	12.11
OneAnswer MAC Growth	★★★★★	56.8	15.70	13.52
OneAnswer SAC Balanced	★★★★	49.1	13.52	11.74
SIL 60s + Sup Balanced Fund	★★★★	19.0	13.34	11.60
SIL Balanced Plus	★★★★	83.1	13.34	11.60
Staples Rodway KiwiSaver Balanced	★★★★	22.7	13.21	12.00
Staples Rodway KiwiSaver Growth	★★★	11.3	13.93	10.84
Westpac Active Growth Trust	★★★	58.2	13.85	11.28
Westpac KiwiSaver–Growth Fund	★★★★	515.4	14.54	11.91
Westpac Retirement Plan–Dynamic Port	★★★	107.3	13.36	10.80
Bmark: Morningstar NZ Msec Growth TR			19.59	11.34

MultiSector Aggressive

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Capital Growth Fund	★★★★	6.6	10.62	10.96
AMP High Growth Portfolio–UT03	★	54.4	7.46	7.62
AMP KiwiSaver LS Aggressive Fund	★★★	217.3	9.30	10.34
AMP NZRT AMP Aggressive	★★	253.2	8.39	9.27
AMP PSS DynamicMkts Growth	★★★	4.1	8.78	10.12
AMP PSS Select Growth	★★★	34.9	8.87	10.23
AMP PUT DynamicMkts Growth	★★★	3.6	8.73	10.06
AMP PUT Select Growth	★★★	14.0	8.77	10.14
Aon KiwiSaver Russell Lifepoints 2045	★★★★	10.6	16.41	12.88
Fisher FreedomPlan–Growth	★★	0.0	8.10	8.82
Fisher Funds Growth KiwiSaver Fund	★★★★	933.1	11.67	10.67
Fisher FuturePlan–Growth	★★	0.0	8.10	8.82
Forsyth Barr KiwiSaver Growth Portfolio	★	11.9	18.07	8.31
Generate KiwiSaver Focused Growth Fund	—	28.4	23.62	—
Grosvenor KiwiSaver Asset Class Gr Fd	—	23.8	12.74	—
Grosvenor KiwiSaver Geared Growth Fund	★★★	5.3	19.75	9.59
Grosvenor KiwiSaver High Growth Fund	★★	131.8	14.85	8.72
Kiwi Wealth KiwiSaver Growth	★★★★★	807.3	20.39	12.99
Mercer KiwiSaver High Growth	★★★★	75.8	15.16	12.05
Bmark: Morningstar NZ Msec Agg TR			22.62	12.17

Miscellaneous

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
21st Century Rena Gold&Metals Unit Trust	—	1.9	–21.50	–15.75
21st Century Renaissance Income Unit Tr	—	0.9	–11.36	–10.79
21st Century Renaissance Performance Unt	—	1.4	–18.86	–16.86
BT PS Alternative Investments	—	99.4	0.87	—
Fisher Funds Property and Infrastructure	—	52.1	12.25	10.57
Grosvenor KiwiSaver Capital Guaranteed	—	40.4	3.36	—
Grosvenor KiwiSaver Options Fund	—	76.3	5.96	—
Hayes Gold	—	3.7	2.60	—
Kiwi Wealth KiwiSaver Scheme CashPlus Fd	—	29.1	4.34	—
KTAM NZ Australian Long Short Equity	—	12.2	—	—
Nikko AM Income	—	4.8	7.41	7.36
Nikko AM Multi–Strategy	—	73.9	6.03	—
NZ Funds Capital Opportunities	—	6.1	5.97	14.97

Miscellaneous (Continued)

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
NZ Funds Core Inflation	—	140.7	4.06	5.21
NZ Funds KiwiSaver Growth Strategy	—	59.1	16.59	—
NZ Funds KiwiSaver Income Strategy	—	11.1	1.52	—
NZ Funds KiwiSaver Inflation Strategy	—	38.5	5.40	—
NZAM Alpha Fund	—	25.0	10.78	—
NZAM Global Growth	—	73.0	11.88	5.40
Pathfinder Commodity Plus Fund	—	56.4	1.35	0.37
Salt Long Short Fund	—	16.0	19.99	—
Westpac KiwiSaver–Capital Protect Plan 1	—	12.0	18.90	13.61
Westpac KiwiSaver–Capital Protect Plan 2	—	10.2	18.90	13.61
Westpac KiwiSaver–Capital Protect Plan 3	—	16.4	18.91	—
Westpac KiwiSaver–Capital Protect Plan 4	—	23.4	18.90	—
Westpac KiwiSaver–Capital Protect Plan 5	—	19.5	18.90	—
Bmark: ANZ NZ Call Rate GR NZD			3.53	2.83

Other

Name	Morningstar Rating	Share Class Size ($Mil)	1-Yr Return to 30/06/15	5Yr Return (p.a) to 30/06/15
AMP Emerging Markets–UT65	—	6.2	8.77	–1.28
AMP NZRT Property Fund	—	7.5	9.96	—
Asteron Rtrmnt Savings Plan NZ Property	—	1.1	—	—
Asteron Superplan 2000 European Fund	—	2.0	22.68	13.27
Asteron Superplan 2000 Nth Amrn Fd	—	1.9	25.30	15.05
Asteron Superplan European Fund	—	16.0	21.97	12.50
Asteron Superplan North American Fund	—	15.7	25.00	14.34
Fisher FreedomPlan–Emerg Mkts	—	0.0	23.00	2.95
Fisher FreedomPlan–Property Fund	—	0.0	7.35	6.17
Fisher FuturePlan–Emerg Mkts	—	0.0	23.00	2.95
Fisher FuturePlan–Property	—	0.0	7.35	6.17
MFL Property Fund	★★	499.8	13.07	15.65
OneAnswer KiwiSaver–Australasian Prpty	★★★★	11.3	16.82	16.75
OneAnswer KiwiSaver–Intl Property	★★★	7.3	9.58	14.83
SIL 60s + Sup Pacific Basin Share	—	0.2	25.48	7.05
SIL P/R Pacific Basin Fund	—	3.4	25.48	7.05
Westpac Home Loan Trust	—	97.2	3.33	2.55
Westpac Mortgage Investment Fund	—	138.1	3.46	2.66
Bmark: ANZ NZ Call Rate GR NZD			3.53	2.83

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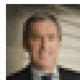
Annie Zhang is a Senior Advisor in the Performance Consulting team within KPMG's Advisory practice. Prior to joining KPMG Annie worked at the University of Auckland. Annie completed her PhD in Finance at Massey University. Her research focus was on KiwiSaver individual investor behaviour.



John Body
Managing Director
ANZ Wealth, New Zealand

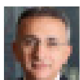
John has been involved in the NZ capital markets for over 30 years covering both financial markets and the wealth management industry including both insurance and funds management. ANZ Investments is New Zealand's largest KiwiSaver manager with over 680,000 members and New Zealand's largest fund manager with circa NZ$22 billion under management.

Elliot Smith
Analyst, Manager Research
Morningstar

Elliot is responsible for conducting qualitative research on New Zealand and Australian fund managers and their funds. He joined Morningstar in New Zealand in 2013. He has a Bachelor's degree with honours in Engineering and a Bachelor of Commerce majoring in Economics and Finance, both from the University of Canterbury. Elliot is a CFA Level 3 Candidate.

Randall Clement
Operations Analyst
Salt Funds Management

Randall Clement is an Operations Analyst at Salt Funds Management. He completed his honours dissertation on KiwiSaver Risk Indicators and won the FMA Prize for his research paper in 2014. Randall also has 10 years' experience as an Engineer.



Anthony Serhan
Managing Director,
Morningstar, Asia-Pacific

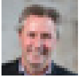
Anthony is responsible for the development of research and commentary about investment themes and trends within the Asia-Pacific region; and representing Morningstar's manager, equity and credit research capabilities. Anthony has more than 25 years of investment and financial services experience in both institutional and retail capacities.

Greg Bunkall,
Portfolio Acquisition Leader
Morningstar, Asia Pacific

Greg leads the data collection strategy in Asia Pacific where it relates to the collection of portfolio holdings for managed funds, and the proprietary analytics Morningstar produces and makes available to its product suite. He joined Morningstar in 2010. He holds a bachelor of Commerce and Administration from Victoria University majoring in Management. Greg is a Level 2 CAIA candidate.

Henk Berkman
Professor of Finance
University of Auckland

Henk Berkman is Professor of Finance in the Department of Accounting and Finance at The University of Auckland Business School. He completed his PhD at Erasmus University Rotterdam and has held positions at Erasmus and Massey University, and the Universities of Kansas, Maastricht and Sydney. Henk has published in leading journals such as the Journal of Financial Economics, the Journal of Financial and Quantitative Analysis, the Journal of Accounting Research and the Journal of Finance.



David Boyle
General Manager, Investor Education,
Commission for Financial Capability

A member of the Commission for Financial Capability's Leadership team, David's focus is one of helping all generations prepare for their retirement years. With a focus on the 50 plus age group, his role has been established to help New Zealanders plan and transition from working income, to investment income and how best to get there. With over 32 years of experience in the financial services industry and a passion for financial capability he brings a wealth of experience to the Commission.

Michael Chamberlain
Director at SuperLife
NZX

Michael joined NZX in 2015 following NZX's acquisition of superannuation manager SuperLife Limited, which he co-founded in 1998. Michael is a Fellow of the New Zealand Society of Actuaries and Institute of Actuaries in London and holds a Bachelor of Science in mathematics from the University of Auckland. Before SuperLife, Michael worked in the actuarial, employee benefits and investment consulting industry, and remains a Principal of MCA NZ Limited.

Jeremy Cooper
Chairman, Retirement Income,
Challenger Limited

Jeremy Cooper is Chairman of Challenger Limited. Jeremy is a lawyer by training with experience across a broad range of financial services issues. In 2009, Jeremy was appointed by the Australian Government to chair a wide-ranging review of Australia's superannuation (pension) system, completed in June 2010. Jeremy was deputy chairman of Australia's corporate, financial services and markets regulator: the Australian Securities and Investments Commission for five years from mid-2004.

John Cantin
Partner, Tax
KPMG, New Zealand

John Cantin is a senior partner with KPMG New Zealand, specialising in financial services and investment taxation issues. John is part of KPMG's FATCA/CRS team and has assisted clients with applying the FATCA rules. He also serves as a member of the Institute of Chartered Accountants' National Tax Advisory Group and KPMG's Tax Policy Tem. He is heavily involved in submissions on proposed changes to NZ's tax system.

Darshana Elwela
Director, Tax
KPMG, New Zealand

Darshana joined KPMG in 2007 and is actively involved in assisting clients with investment taxation and FATCA issues. He was formerly a senior official with Inland Revenue's Tax Policy Division and part of the team responsible for implementing the PIE tax rules. As KPMG New Zealand's National Tax Director, Darshana continues to work closely with Inland Revenue and Government on various tax technical and policy issues.

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Our Financial Services practice provides focused and practical audit, tax and advisory services to the insurance, retail banking, corporate and investment banking, and investment management sectors.

Our professionals have an in-depth understanding of the key issues facing financial institutions.

Our team is led by senior partners with a wealth of client experience and relationships with many of the market players, regulators and leading industry bodies.

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