

# KIWISAVER SURVEY

## Fourth Quarter 2009

This report presents the results of FundSource's KiwiSaver survey. KiwiSaver funds can be classified into five sectors: Diversified Balanced, Diversified Conservative and Diversified Growth, Equity and Other. This paper identifies the similarities and differences in performance, funds flow and asset allocation between the different sectors.

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### **EXECUTIVE SUMMARY**

#### **Fund Performance**

- The performance statistics demonstrate the difference in performance of KiwiSaver providers, over the 2 year period to December 2009.
- 18 out of 24 Conservative funds performed better than the FundSource (FS) Conservative benchmark over the quarter.
- 28 out of 33 Balanced funds performed better than the FS Balanced benchmark, 3 months to 31 December 2009.
- 20 out of 26 Growth funds performed better than the FS Growth benchmark, December 2009 quarter.

#### **Net Funds Flows**

- The funds flow figures do not present a strong relationship with 2 year performance figures suggesting performance has not been a key driver of funds flow.
- Over time the proportion of funds flowing into the Conservative sector is decreasing, primarily due to decreased percentage of fund flows into default providers' funds.
- In the Balanced sector, 4 out of the top 10 funds have experienced funds flow of greater than \$9 million and in the Growth sector, 3 out of top 10 funds have experienced funds flow of greater than \$10 million over the 3 month period to December 2009.

#### **Asset Allocation**

- At the sector level over the December 2009 quarter, on average, a reduced allocation to Cash can be observed.
- On average, greater allocation to Alternative Assets is observed in Conservative, Balanced and Growth sectors compared to the previous quarter

## PERFORMANCE ANALYSIS

### Summary

The performance statistics demonstrate diversity in performances, across different time periods, for KiwiSaver funds. On a 1 year, 6 month and quarterly basis Growth funds have performed better than Balanced funds; and Balanced funds have performed better than Conservative funds. However, over the two year period, on average, Conservative funds have performed better than Balanced and Growth funds. This report is focused on quarterly trends, however differences in 2 year, 1 year and six months can be observed in the tables attached below.

**Conservative:** In the Conservative sector, 18 out of 24 funds performed better than the FS Conservative benchmark. AMP KiwiSaver Conservative fund was the top performer, over the December quarter. Asteron, Fidelity and AXA Conservative funds have also performed well and produced a return of greater than 2% over the quarter.

### Conservative Funds

Diversified Conservative Funds	Manager	3 Month		1 Year		2 Year	
		Rank	%	Rank	%	Rank	%
						(Annualised)	
AMP KiwiSaver Conservative Fund	AMP Services (NZ) Limited	1	2.19%	19	6.20%	2	5.70%
Asteron KiwiSaver Conservative Fund	Asteron	2	2.16%	12	6.78%	21	2.18%
Fidelity Life Conservative Kiwi Fund	Fidelity Life Assurance NZ	3	2.14%	10	7.07%	10	4.09%
AXA KiwiSaver Conservative Fund	AXA Funds Management	4	2.09%	4	11.7%	-	-
Smartkiwi Conservative Fund	Smartshares Ltd	5	2.04%	7	10.53%	20	2.37%
AMP KiwiSaver Default Fund	AMP Services (NZ) Limited	6	1.87%	11	6.78%	12	3.94%
NB KiwiSaver Conservative Fund	ING (NZ) Ltd	7	1.80%	14	6.67%	5	4.36%
AXA KiwiSaver Income Plus (default)	AXA Funds Management	8	1.80%	6	10.75%	14	3.57%
Mercer KiwiSaver Conservative (default) Fund	Mercer (NZ) Limited	9	1.79%	2	13.99%	3	4.85%
ANZ KiwiSaver Conservative Fund	ING (NZ) Ltd	10	1.79%	15	6.53%	6	4.28%
SIL KiwiSaver Conservative Fund	ING (NZ) Ltd	11	1.75%	13	6.71%	4	4.54%
Mercer ST KiwiSaver Conservative	Mercer (NZ) Limited	12	1.73%	1	15.00%	18	2.59%
TOWER KiwiPlan Cash Enhanced Fund (default)	Tower Managed Funds	13	1.68%	9	7.08%	16	2.65%
Westpac KiwiSaver Conservative Fund	BT Funds Management (NZ) Ltd	14	1.62%	8	7.56%	13	3.79%
FirstChoice KiwiSaver Active Conservative Fund	ASB Group Investments Limited	15	1.61%	5	11.07%	17	2.59%
Craigs Investment Partners Conservative	Craigs Investment Partners Investment	16	1.59%	23	4.05%	11	4.07%
TOWER KiwiPlan Conservative	Tower Managed Funds	17	1.55%	20	5.68%	19	2.44%
ING KiwiSaver Conservative Fund (default)	ING (NZ) Ltd	18	1.45%	18	6.30%	8	4.20%
FirstChoice KS Tracker Conservative Fund	ASB Group Investments Limited	19	1.25%	17	6.43%	9	4.20%
ASB KiwiSaver Conservative (default)	ASB Group Investments Limited	20	1.25%	16	6.44%	7	4.25%
Fidelity Life Capital Guaranteed Kiwi Fund	Fidelity Life Assurance NZ	21	1.11%	22	4.9%	-	-
SBS Lifestages KiwiSaver Scheme	Southland Building Society	22	1.07%	21	4.98%	15	3.17%
Huljich Conservative Diversified KiwiSaver Fund	Huljich Wealth Management (NZ) Ltd	23	0.81%	3	12.08%	1	12.72%
Fisher Funds Conservative KiwiSaver Fund	Fisher Funds Management Ltd	24	0.35%	-	-	-	-
<b>Average Return</b>			1.60%		8.06%		4.12%
<b>Fund Size Weighted Average</b>			1.59%		8.14%		4.10%
<b>FS Diversified Conservative Benchmark</b>			1.32%		8.11%		2.93%

**Balanced:** In the Balanced sector, 28 out of 33 funds performed better than the FS Balanced benchmark.

AMP KiwiSaver ING Balanced fund was the top performer, over the December quarter. AXA KiwiSaver Balanced Portfolio also performed well and produced a return of over 3% the quarter.

### Balanced Funds

Diversified Balanced Funds	Manager	3 Month		1 Year		2 Year		
		Rank	%	Rank	%	Rank	%	
		(Annualised)						
AMP KiwiSaver ING Balanced Fund	AMP Services (NZ) Limited	1	5.03%	5	16.20%	21	-0.79%	
AMP KiwiSaver Balanced Fund	AMP Services (NZ) Limited	2	3.61%	18	11.59%	24	-1.31%	
AXA KiwiSaver Balanced Portfolio	AXA Funds Management	3	3.57%	2	19.72%	25	-1.60%	
AMP KiwiSaver Moderate Balanced	AMP Services (NZ) Limited	4	3.29%	21	10.10%	18	-0.22%	
AMP KiwiSaver TOWER Balanced Fund	AMP Services (NZ) Limited	5	3.12%	11	13.18%	16	-0.16%	
Westpac KiwiSaver Balanced Fund	BT Funds Management (NZ) Ltd	6	2.97%	20	11.07%	22	-0.83%	
TOWER KiwiPlan Balanced	Tower Managed Funds	7	2.95%	15	12.11%	23	-0.99%	
ANZ KiwiSaver Balanced Fund	ING (NZ) Ltd	8	2.95%	16	11.94%	15	0.19%	
SIL KiwiSaver Balanced Fund	ING (NZ) Ltd	9	2.94%	14	12.30%	13	0.52%	
Asteron KiwiSaver Balanced Fund	Asteron	10	2.93%	7	15.55%	19	-0.57%	
National Bank KiwiSaver Balanced Fund	ING (NZ) Ltd	11	2.90%	17	11.89%	14	0.21%	
AMP KiwiSaver Tyndall Balanced Fund	AMP Services (NZ) Limited	12	2.83%	10	14.33%	31	-2.65%	
Smartkiwi Balanced Fund	Smartshares Ltd	13	2.82%	8	14.81%	32	-4.09%	
AMP KiwiSaver Moderate Fund	AMP Services (NZ) Limited	14	2.73%	31	8.13%	8	2.19%	
Craigs Investment Partners Balanced	Craigs Investment Partners Investment	15	2.56%	29	9.23%	9	1.99%	
Brook KiwiSaver Balanced Fund	Brook Asset Management	16	2.50%	22	10.04%	2	4.81%	
ASB KiwiSaver Balanced Fund	ASB Group Investments Limited	17	2.48%	13	12.89%	27	-2.15%	
FirstChoice KS Tracker Balanced Fund	ASB Group Investments Limited	18	2.47%	12	12.94%	28	-2.39%	
ANZ KiwiSaver Conservative Balanced Fund	ING (NZ) Ltd	19	2.39%	27	9.28%	6	2.26%	
SIL KiwiSaver Conservative Balanced	ING (NZ) Ltd	20	2.39%	26	9.61%	5	2.48%	
FirstChoice KiwiSaver Active Balanced Fund	ASB Group Investments Limited	21	2.37%	9	14.59%	26	-2.10%	
NB KiwiSaver Conservative Balanced Fund	ING (NZ) Ltd	22	2.36%	28	9.25%	7	2.22%	
Fidelity Life Balanced Kiwi Fund	Fidelity Life Assurance NZ	23	2.35%	30	8.47%	4	3.62%	
Mercer ST KiwiSaver Moderate Fund	Mercer (NZ) Limited	24	2.28%	4	16.82%	17	-0.21%	
Mercer KiwiSaver Balanced Fund	Mercer (NZ) Limited	25	2.24%	1	19.99%	30	-2.48%	
Mercer ST KiwiSaver Active Balanced Fund	Mercer (NZ) Limited	26	2.24%	3	19.35%	29	-2.47%	
ING KiwiSaver Balanced Fund	ING (NZ) Ltd	27	2.06%	23	9.92%	20	-0.77%	
Fidelity Life Ethical Kiwi Fund	Fidelity Life Assurance NZ	28	2.02%	19	11.28%	-	-	
FirstChoice KS Tracker Moderate Fund	ASB Group Investments Limited	29	1.86%	24	9.80%	12	0.81%	
ASB KiwiSaver Moderate Fund	ASB Group Investments Limited	30	1.86%	25	9.78%	11	1.18%	
ING KiwiSaver Conservative Balanced Fund	ING (NZ) Ltd	31	1.76%	32	8.11%	10	1.90%	
Craigs Investment Partners Bal SRI	Craigs Investment Partners Investment	32	1.25%	33	6.60%	3	3.64%	
Huljich Balanced Diversified KiwiSaver Fund	Huljich Wealth Management (NZ) Ltd	33	0.68%	6	16.10%	1	8.56%	
<b>Average Return</b>			2.57%		12.33%		0.34%	
<b>Fund Size Weighted Average</b>			2.74%		11.84%		0.11%	
<b>FS Diversified Balanced Benchmark</b>			1.97%		13.76%		-1.56%	

**Growth:** In the Growth Sector, 20 out of 26 funds performed better than the FS Growth benchmark. AMP KiwiSaver Aggressive fund was the top performer, over the December quarter. Fisher,

AXA, and SIL (ING) Growth funds have also performed well and produced a return of greater than 4% over the quarter.

## Growth Funds

Diversified Growth Funds	Manager	3 Month		1 Year		2 Year	
		Rank	%	Rank	%	Rank	%
(Annualised)							
AMP KiwiSaver Aggressive Fund	AMP Services (NZ) Limited	1	4.99%	15	15.89%	26	-8.18%
Fisher Funds Growth KiwiSaver Fund	Fisher Funds Management Ltd	2	4.83%	1	47.39%	3	2.77%
AXA KiwiSaver High Growth Portfolio	AXA Funds Management	3	4.43%	2	23.76%	19	-5.43%
AMP KiwiSaver Growth Fund	AMP Services (NZ) Limited	4	4.41%	21	14.01%	20	-5.76%
SIL KiwiSaver Growth Fund	ING (NZ) Ltd	5	4.08%	9	17.81%	13	-4.20%
ANZ KiwiSaver Growth Fund	ING (NZ) Ltd	6	4.05%	10	17.37%	14	-4.43%
NB KiwiSaver Growth Fund	ING (NZ) Ltd	7	4.03%	12	17.11%	16	-4.56%
Asteron KiwiSaver Balanced Growth Fund	Asteron	8	3.91%	3	22.83%	12	-3.83%
Brook KiwiSaver Growth Fund	Brook Asset Management	9	3.86%	14	16.13%	2	6.31%
TOWER KiwiPlan Growth	Tower Managed Funds	10	3.78%	11	17.30%	23	-5.97%
SIL KiwiSaver Balanced Growth	ING (NZ) Ltd	11	3.52%	18	15.03%	7	-1.76%
ANZ KiwiSaver Balanced Growth Fund	ING (NZ) Ltd	12	3.45%	19	14.56%	8	-2.09%
NB KiwiSaver Balanced Growth Fund	ING (NZ) Ltd	13	3.43%	20	14.54%	9	-2.16%
Westpac KiwiSaver Growth Fund	BT Funds Management (NZ) Ltd	14	3.30%	23	12.95%	10	-2.88%
First Choice KS Tracker Growth Fund	ASB Group Investments Limited	15	3.04%	16	15.79%	22	-5.80%
ASB KiwiSaver Growth Fund	ASB Group Investments Limited	16	3.04%	17	15.72%	18	-5.41%
Craigs Investment Partners Growth	Craigs Investment Partners Investment	17	3.02%	25	10.66%	4	2.35%
FirstChoice KiwiSaver Active Growth Fund	ASB Group Investments Limited	18	2.77%	13	17.07%	15	-4.44%
ING KiwiSaver Growth Fund	ING (NZ) Ltd	19	2.69%	22	13.61%	21	-5.78%
Fidelity Life Aggressive Kiwi Fund	Fidelity Life Assurance NZ	20	2.68%	5	21.64%	6	0.14%
Mercer KiwiSaver High Growth Fund	Mercer (NZ) Limited	21	2.51%	4	22.17%	24	-7.59%
Mercer ST KiwiSaver High Growth Fund	Mercer (NZ) Limited	22	2.48%	6	21.14%	25	-7.64%
ING KiwiSaver Balanced Growth	ING (NZ) Ltd	23	2.40%	24	11.88%	11	-3.29%
Mercer ST KiwiSaver Growth Fund	Mercer (NZ) Limited	24	2.27%	7	19.78%	17	-4.71%
Fidelity Life Growth Kiwi Fund	Fidelity Life Assurance NZ	25	2.17%	26	10.13%	5	0.58%
Huljich Growth Diversified KiwiSaver Fund	Huljich Wealth Management (NZ) Ltd	26	0.66%	8	18.54%	1	11.19%
<b>Average Return</b>			3.23%		17.52%		-2.58%
<b>Fund Size Weighted Average</b>			3.70%		20.06%		-2.40%
<b>FS Diversified Growth Benchmark</b>			2.61%		19.47%		-6.15%

**Equity:** In the Equity Sector, Asteron KiwiSaver Trans-Tasman Small Co's Share Fund followed by Tower KiwiPlan Equity fund were the top performers, over the December quarter with a return of greater than 5%. A number of equity sector funds have performed well in 2009 but are still recouping the losses of 2008.

**Other:** In the Other Sector, performance of Cash funds have been fairly consistent the over the December quarter. Property funds have also started to show better performance. Mercer's KiwiSaver Property fund had the best performing property fund for 3, 6 month and 1 year period.

## Equity Funds

Equity	Manager	3 Month		1 Year		2 Year	
		Rank	%	Rank	%	Rank	%
(Annualised)							
Asteron KiwiSaver Trans-Tasman Small Co's Share Fund	Asteron	1	6.39%	1	61.09%	1	-5.29%
TOWER KiwiPlan Equity	Tower Managed Funds	2	5.45%	8	18.75%	9	-11.09%
SIL KiwiSaver International Share	ING (NZ) Ltd	3	4.78%	12	10.24%	2	-6.72%
SIL KiwiSaver Sustainable Growth Fund	ING (NZ) Ltd	4	4.15%	13	7.81%	-	-
Smartkiwi Growth Fund	Smartshares Ltd	5	3.94%	4	21.90%	8	-10.65%
Asteron KiwiSaver International Share Fund	Asteron	6	3.74%	11	12.95%	7	-10.52%
FirstChoice KiwiSaver Global Sustainability Fund	ASB Group Investments Limited	7	3.63%	9	17.90%	-	-
FirstChoice KiwiSaver Active High Growth Fund	ASB Group Investments Limited	8	3.48%	10	13.71%	-	-
SIL KiwiSaver Australasian Share	ING (NZ) Ltd	9	3.28%	6	20.12%	4	-7.53%
Mercer ST KiwiSaver TransTasman Shares Fund	Mercer (NZ) Limited	10	2.61%	2	22.11%	3	-6.90%
Mercer ST KiwiSaver Shares Fund	Mercer (NZ) Limited	11	2.55%	5	21.24%	6	-10.47%
Mercer ST KiwiSaver Global Shares Fund	Mercer (NZ) Limited	12	2.46%	7	19.97%	10	-12.46%
Asteron KiwiSaver Socially Responsible Investment Share Fund	Asteron	13	2.03%	3	21.97%	5	-8.57%

Average Return			0.68%		2.52%		7.29%
Fund Size Weighted Average			0.20%		0.99%		-0.42%
NZX 50			2.19%		18.94%		-10.60%
MSCI World (NZD)			3.32%		3.82%		-8.95%

## Other: Fixed income/Property and Cash Funds

Cash, Fixed Income & Property	Manager	3 Month		1 Year		2 Year	
		Rank	%	Rank	%	Rank	%
(Annualised)							
Mercer ST KiwiSaver Property Fund	Mercer (NZ) Limited	1	3.57%	1	28.55%	17	-10.60%
Asteron KiwiSaver High Yield Fixed Interest Fund	Asteron	2	2.87%	4	4.89%	15	3.12%
SIL KiwiSaver Australasian Property	ING (NZ) Ltd	3	2.36%	3	15.00%	16	-7.91%
SIL KiwiSaver NZ Fixed Interest	ING (NZ) Ltd	4	2.03%	12	3.19%	13	4.82%
Mercer ST KiwiSaver Fixed Interest Fund	Mercer (NZ) Limited	5	1.96%	2	17.07%	1	9.42%
AXA KiwiSaver Cash Portfolio	AXA Funds Management	6	1.02%	6	4.25%	9	5.74%
AMP KiwiSaver Cash Fund	AMP Services (NZ) Limited	7	0.94%	7	4.18%	3	6.59%
Mercer ST KiwiSaver Cash Fund	Mercer (NZ) Limited	8	0.92%	9	3.78%	6	6.09%
Mercer KiwiSaver Cash Fund	Mercer (NZ) Limited	9	0.90%	8	3.95%	4	6.19%
TOWER KiwiPlan Preservation	Tower Managed Funds	10	0.80%	10	3.52%	8	5.78%
Asteron KiwiSaver Capital Fund	Asteron	11	0.73%	5	4.49%	5	6.11%
Westpac KiwiSaver Cash Fund	BT Funds Management (NZ) Ltd	12	0.73%	11	3.41%	14	4.63%
ASB KiwiSaver NZ Bank Deposit Fund	ASB Group Investments Limited	13	0.60%	14	2.95%	10	5.67%
FirstChoice KiwiSaver Cash Fund	ASB Group Investments Limited	14	0.59%	15	2.93%	11	5.63%
ING KiwiSaver Cash Fund	ING (NZ) Ltd	15	0.57%	13	3.02%	7	5.89%
ANZ KiwiSaver Cash Fund	ING (NZ) Ltd	16	0.51%	17	2.71%	-	-
National Bank KiwiSaver Cash Fund	ING (NZ) Ltd	17	0.51%	16	2.73%	-	-
SIL KiwiSaver International Fixed Interest	ING (NZ) Ltd	18	0.42%	18	2.52%	2	8.87%
SIL KiwiSaver Cash Fund	ING (NZ) Ltd	19	0.41%	19	2.42%	12	5.32%

Average Return			2.20%		11.87%		-1.22%
Fund Size Weighted Average			0.16%		0.76%		1.03%
ANZ NZGS			0.64%		1.65%		8.52%
90 Day Bill			0.71%		3.39%		6.05%

## FUNDS FLOW ANALYSIS

### Summary

The December 2009 quarter funds flow figures do not present a strong association with 2 year performance statistics. A large proportion of funds continue to flow through to default providers (75.6% of Conservative sector flows and 32.1% of total KiwiSaver flows in the latest quarter). The Net Funds Flow, as at December 2009, for all KiwiSaver funds is \$424.4 million. Flows into the Conservative sector were 42.5% of this. This compares to 51.2% in 2009 and 54.9% in 2008, indicating increasing flows into higher risk sectors. Balanced and Growth received 25.9% and 26.5% of the quarterly KiwiSaver funds flow respectively, a significant increase on the 2009 and 2008 percentages.

**Conservative:** In the Conservative sector, the default providers have experienced the greatest funds flow over the past two years. BT (incl. Westpac) is the only non default provider to rank in the top 6 for funds flow during the December 2009 quarter. Out of the default providers, ASB (incl. Sovereign) continues to attract the most funds in the latest quarter, with almost double the inflows

of the next biggest provider, ING (incl. ANZ & NBNZ), in the Conservative sector.

**Balanced:** In the Balanced sector, fund flows by manager for the quarter was relatively consistent with one and two year fund flows, with the top 5 holding their position across all time periods as well as for funds under management. It was a similar story at fund level with the exception being National Bank KiwiSaver Balanced which attracted increased funds flow for the quarter at a greater rate as compared to previous quarters.

**Growth:** As with the Balanced sector the Growth sector is attracting a higher proportion of total KiwiSaver fund flows over time. ING (incl. ANZ & NBNZ) continues to attract the most funds with \$52.6m for the quarter, well ahead of second place Huljich with flows of \$15.0m for the quarter. This is primarily due to the strong inflows for the National Bank KiwiSaver Growth Fund (\$18.6m) and the Huljich Growth Diversified KiwiSaver Fund (\$15.0m).

## FUNDS FLOW BY MANAGER AS AT DECEMBER 2009

### Conservative

Manager	Funds Flow		Funds Flow		Funds Flow		Latest Total Fund Size	
	3 months		2009		2008		Rank	\$
	Rank	\$M	Rank	\$M	Rank	%		
ASB (incl Sovereign)	1	48.92	1	262.22	1	203.02	1	526.62
ING (incl. ANZ & NBNZ)	2	25.04	2	193.65	2	170.31	2	405.35
Mercer	3	20.20	3	141.59	4	118.43	3	305.40
BT (incl. Westpac)	4	20.15	7	92.40	7	88.95	7	199.41
AXA (incl. BNZ)	5	20.02	4	134.32	5	117.99	4	289.38
AMP	6	17.32	5	125.66	3	121.87	5	265.37
TOWER	7	14.61	6	115.83	6	107.11	6	255.48
Huljich Wealth Management	8	9.02	8	23.91	11	-	8	31.68
Fidelity Life	9	4.09	9	11.49	8	5.62	9	18.81
Fisher Funds Management	10	0.62	11	0.62	11	-	11	1.21
Asteron, NZGT & Tyndall	11	0.28	10	1.85	9	1.39	10	3.59
Smartshares Limited	12	0.09	12	0.53	10	0.52	12	1.18
Total		180.36		1,104.06		935.20		2,303.48

## Balanced

Manager	Funds Flow		Funds Flow		Funds Flow		Latest Total Fund Size	
	3 months		2009		2008		Rank	\$
	Rank	\$M	Rank	\$M	Rank	%		
ING (incl. ANZ & NBNZ)	1	29.74	1	113.26	1	90.87	1	244.47
ASB (incl Sovereign)	2	23.80	2	108.28	2	85.43	2	217.55
AMP	3	18.53	3	95.76	3	67.55	3	193.47
BT (incl. Westpac)	4	9.20	4	41.10	4	38.29	4	89.45
TOWER	5	6.84	5	34.04	5	25.52	5	67.30
AXA (incl. BNZ)	6	5.76	7	22.06	7	14.60	7	41.91
Huljich Wealth Management	7	4.74	9	12.22	11	-	10	16.65
Fidelity Life	8	4.39	8	14.75	8	9.01	8	25.90
Mercer	9	3.30	6	22.89	6	18.36	6	46.80
Funds Administration NZ	10	2.60	11	2.60	11	-	9	22.60
Asteron, NZGT & Tyndall	11	0.53	10	2.79	9	2.21	11	5.63
Smartshares Limited	12	0.28	12	1.31	10	1.46	12	3.01
Brook Asset Management	13	0.01	13	0.01	11	-	13	0.43
<b>Total</b>		<b>109.73</b>		<b>471.06</b>		<b>353.29</b>		<b>975.17</b>

## Growth

Manager	Funds Flow		Funds Flow		Funds Flow		Latest Total Fund Size	
	3 months		2009		2008		Rank	\$
	Rank	\$M	Rank	\$M	Rank	%		
ING (incl. ANZ & NBNZ)	1	52.62	1	181.66	1	113.48	1	346.21
Huljich Wealth Management	2	14.99	5	40.06	11	-	6	52.67
ASB (incl Sovereign)	3	10.54	3	49.19	2	46.08	4	106.77
AMP	4	9.15	2	59.16	3	45.71	2	124.21
Fisher Funds Management	5	7.76	4	41.36	4	43.63	3	114.91
BT (incl. Westpac)	6	6.15	6	25.25	5	26.12	5	58.23
AXA (incl. BNZ)	7	4.43	7	16.27	6	11.93	7	32.41
Fidelity Life	8	2.67	8	10.25	8	7.42	9	19.58
TOWER	9	2.46	9	10.23	7	8.15	8	20.66
Asteron, NZGT & Tyndall	10	0.79	10	4.00	10	2.98	11	7.92
Smartshares Limited	11	0.57	11	3.43	9	3.50	10	8.35
Brook Asset Management	12	0.16	12	0.16	11	-	12	2.93
<b>Total</b>		<b>112.29</b>		<b>441.01</b>		<b>309.00</b>		<b>894.85</b>

## TOP 10 NET FUNDS FLOW BY FUND AS AT DECEMBER 2009

### Conservative Funds

Diversified Conservative Funds	Manager	Funds Flow		Funds Flow		Funds Flow		Latest Total Fund Size	
		3 months		2009		2008		Rank	
		Rank	\$M	Rank	\$M	Rank	\$M	Rank	\$M
ASB KiwiSaver Conservative Fund	ASB ( incl Sovereign)	1	46.60	1	247.06	1	191.09	1	495.60
ING KiwiSaver - Conservative	ING (incl. ANZ & NBNZ)	2	21.87	4	122.09	5	109.32	4	255.98
Mercer KiwiSaver scheme	Mercer	3	20.20	2	141.59	3	118.43	2	305.40
Westpac Kiwisaver - Conservative Fund	BT (incl. Westpac)	4	20.15	7	92.40	7	88.95	7	199.41
AXA KiwiSaver Income Plus Fund	AXA (incl. BNZ)	5	18.84	3	130.91	4	117.99	3	285.78
AMP Kiwisaver Default Fund	AMP	6	15.30	5	117.44	2	119.55	5	251.64
Tower KiwiPlan Cash Enhanced Fund	TOWER	7	13.53	6	111.26	6	104.05	6	246.89
Huljich Conservative Diversified KiwiSaver fund	Huljich Wealth Manageme	8	9.02	9	23.91	19	0.00	10	31.68
SIL KiwiSaver - Conservative	ING (incl. ANZ & NBNZ)	9	8.00	8	48.86	8	36.27	8	90.93
FIDELITY KiwiSaver Scheme - Capital Guaranteed	Fidelity Life	10	2.50	15	5.55	15	1.44	16	7.52

### Balanced Funds

Diversified Balanced Funds	Manager	Funds Flow		Funds Flow		Funds Flow		Latest Total Fund Size	
		3 months		2009		2008		Rank	
		Rank	\$M	Rank	\$M	Rank	\$M	Rank	\$M
ASB KiwiSaver Moderate Fund	ASB ( incl Sovereign)	1	12.48	1	53.61	1	39.61	1	103.64
ASB KiwiSaver Balanced Fund	ASB ( incl Sovereign)	2	9.26	2	42.91	3	35.80	3	89.11
Westpac Kiwisaver - Balanced Fund	BT (incl. Westpac)	3	9.20	3	41.10	2	38.29	2	89.45
National Bank Kiwisaver - Balanced	ING (incl. ANZ & NBNZ)	4	9.11	8	29.99	9	12.64	8	47.72
KiwiPlan Balanced Fund	TOWER	5	6.84	5	34.04	5	25.52	6	67.30
AMP Kiwisaver Lifesteps Balanced Fund	AMP	6	6.77	6	33.98	6	22.46	5	68.06
AXA KiwiSaver Balanced Portfolio	AXA (incl. BNZ)	7	5.76	9	22.06	8	14.60	9	41.91
AMP Kiwisaver Lifesteps Moderate Balanced Fund	AMP	8	5.52	7	31.05	7	21.37	7	62.39
SIL KiwiSaver - Balanced	ING (incl. ANZ & NBNZ)	9	5.47	4	34.05	4	34.16	4	77.91
ANZ Kiwisaver - Balanced	ING (incl. ANZ & NBNZ)	10	5.06	10	10.10	10	8.86	10	33.19

### Growth Funds

Diversified Growth Funds	Manager	Funds Flow		Funds Flow		Funds Flow		Latest Total Fund Size	
		3 months		2009		2008		Rank	
		Rank	\$M	Rank	\$M	Rank	\$M	Rank	\$M
National Bank Kiwisaver - Growth	ING (incl. ANZ & NBNZ)	1	18.59	1	61.34	8	17.62	3	87.17
Huljich Growth Diversified KiwiSaver Fund	Huljich Wealth Manageme	2	14.99	4	40.06	23	0.00	10	52.67
ANZ Kiwisaver - Growth	ING (incl. ANZ & NBNZ)	3	12.39	6	29.79	10	11.45	9	56.39
ASB KiwiSaver Growth Fund	ASB ( incl Sovereign)	4	9.14	3	41.17	2	38.61	2	88.99
National Bank Kiwisaver - Balanced Growth	ING (incl. ANZ & NBNZ)	5	8.14	9	25.49	11	10.68	11	39.15
Fisher Funds KiwiSaver Scheme - Growth Fund	Fisher Funds Manageme	6	7.76	2	41.36	1	43.63	1	114.91
Westpac Kiwisaver - Growth Fund	BT (incl. Westpac)	7	6.15	10	25.25	5	26.12	7	58.23
ANZ Kiwisaver - Balanced Growth	ING (incl. ANZ & NBNZ)	8	5.76	13	12.91	13	8.10	13	23.65
AMP Kiwisaver Lifesteps Growth Fund	AMP	9	5.43	5	31.01	7	21.88	5	62.91
SIL KiwiSaver - Balanced Growth	ING (incl. ANZ & NBNZ)	10	4.49	7	29.38	3	34.67	4	75.64

## ASSET ALLOCATION SURVEY METHODOLOGY

The aim of this section is to identify similarities and differences in asset allocation across fund managers and sectors. All Diversified KiwiSaver funds on the FundSource database are included in the analysis.

**Fund manager analysis:** Each fund managed by the same fund manager in a specific sector is given equal weighting to estimate the average asset allocation of a fund manager in a specific sector.

**Sector analysis:** Once the asset allocation of each fund manager is calculated, fund managers are given weighting based on their fund size to calculate the sector average.

**Tactical allocation analysis:** Once the asset allocation of each sector is calculated, the previous quarter's allocation is compared with the current quarter's asset allocation to identify tactical changes in the asset allocation.

### *Sector and Asset Classification*

Diversified funds invest across a variety of asset classes (e.g. domestic and international shares, cash, fixed interest, property) in varying proportions. Diversified funds range from defensive (lower risk) to growth (higher risk) options.

Diversified Conservative funds take a low risk investment approach – they invest in more defensive, less riskier assets like fixed income, and allocate less funds to riskier assets like equities. Conservative funds generally have less than 30% in growth assets.

Diversified Balanced funds are those that take a balanced approach between growth and income assets. Balanced funds generally have more than 30% in growth assets but less than 70% in growth assets.

Diversified Growth funds take a more aggressive investment approach, with a greater proportion in riskier assets like equities and less in conservative assets like cash. Growth funds generally have more than 70% in growth assets.

### *Asset Classes*

For the purpose of this report, FundSource have broadly classified assets into seven main categories. The definition for each category is provided below. Please note fund managers may use different classification from what is listed below. However, for the purpose of comparison we have reclassified the assets into seven broad categories.

*Table 1*

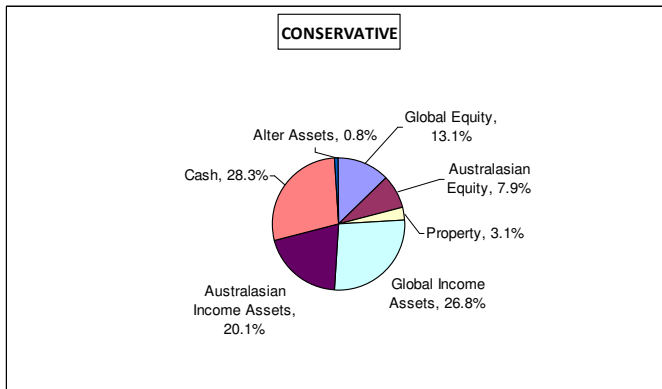
CATEGORY	DEFINITION
Australasian Equity	Includes NZ Equity (active and passive), Australian Equity, and Australasian Equity.
International Equity	Includes International Equity (active and passive), i.e. investing in equities in any jurisdiction outside NZ and Australia.
Property	Includes listed and non-listed funds investing in Property (direct and indirect).
Cash/Cash Equivalents	Includes Cash and Cash Equivalent assets (depending on makeup and liquidity).
Australasian Income Assets	Includes NZ/Australian fixed interest funds or assets like corporate bonds, government bonds and mortgages.
Global Income Assets	Includes Global International Fixed Interest assets like corporate bonds, government bonds and structured debt.
Other/Alternative Assets	Includes the remaining assets that don't fit elsewhere such as commodity, hedge funds etc.

Please note: the above classification includes direct investment in the specified asset class or indirect investment via an underlying fund.

## SECTOR LEVEL ASSET ALLOCATION ANALYSIS

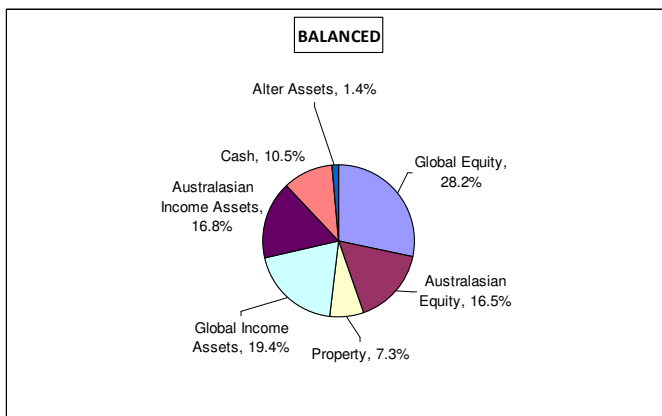
As we would expect the asset allocation for KiwiSaver Diversified Conservative, Balanced and Growth sectors is significantly different. The difference lies between the allocation to growth and income assets.

### AVERAGE ASSET ALLOCATION FOR CONSERVATIVE SECTOR (AS AT DECEMBER 2009)



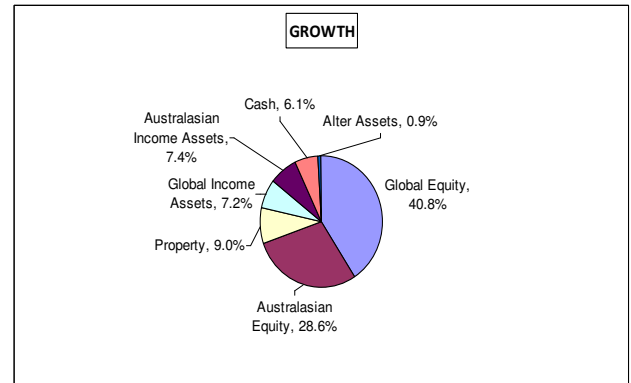
**Conservative:** On average, Conservative sector funds have 24.1% allocated to growth assets and 75.2% allocated to income assets. In this sector, Cash has the highest allocation at 28.3% followed by Global Income Assets at 26.8%.

### AVERAGE ASSET ALLOCATION FOR BALANCED SECTOR (AS AT DECEMBER 2009)



**Balanced:** On average Balanced sector funds have 52% allocated to growth assets and 46.6% allocated to income assets. The highest allocation is to Global Equity at 28.2% followed by Global Income Assets at 19.4%.

### AVERAGE ASSET ALLOCATION FOR GROWTH SECTOR (AS AT DECEMBER 2009)



**Growth:** On average Growth sector funds have 78.4% allocated to growth assets and 20.7% allocated to income assets. The highest allocation is to Global Equities at 40.8% followed by Australasian Equities at 28.6%.

### Summary of Asset allocation by sector

ASSET CLASS	CONSERVATIVE	BALANCED	GROWTH
Global Equity	13.1%	28.2%	40.8%
Australasian Equity	7.9%	16.5%	28.6%
Property	3.1%	7.3%	9.0%
<b>GROWTH ASSETS</b>	<b>24.1%</b>	<b>52.0%</b>	<b>78.4%</b>
Global Income Assets	26.8%	19.4%	7.2%
Australasian Income Assets	20.1%	16.8%	7.4%
Cash	28.3%	10.5%	6.1%
<b>INCOME ASSETS</b>	<b>75.2%</b>	<b>46.6%</b>	<b>20.7%</b>
Alter Assets	0.8%	1.4%	0.9%
<b>ALTERNATIVE ASSETS</b>	<b>0.8%</b>	<b>1.4%</b>	<b>0.9%</b>
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## SECTOR LEVEL TACTICAL MOVEMENTS

Over the December 2009 quarter, movement across and between growth assets and income assets can be observed in all three Diversified sectors. Please note the change in allocation does not split out the effect of fund performance. Some of the movement will be attributed to fund performance.

### Income Assets:

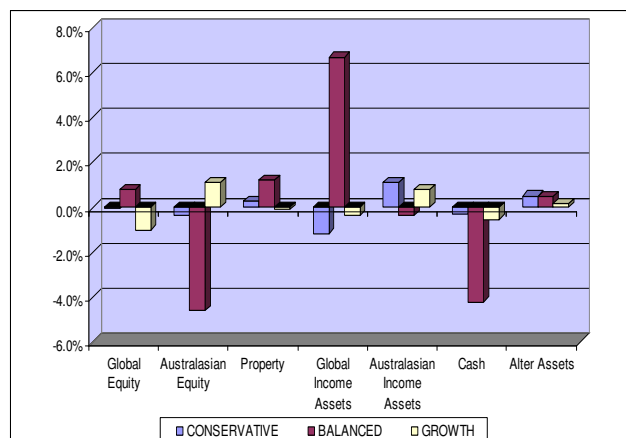
- Increased allocation to income assets on average, due to strong increase by balanced funds.
- Greatest change can be observed in the Balanced sector where allocation to Australasian Income Assets has increased by 6.7% and allocation to Cash reduced by 4.2%.
- Allocation to Australasian Income Assets decreased by -1.2% and -0.4% in the Conservative and Growth sectors respectively. On the other hand, allocation to Global Income Assets increased by 1.1% and 0.8% in the Conservative and Growth sectors respectively.
- Reduced Cash levels can be observed in all three sectors which is similar to previous quarter. This pattern can be attributed to greater confidence in the market where fund managers are comfortable to invest their cash reserves that have build up in previous quarters.

### Growth Assets:

- On average lower or stable allocation to Growth Assets is observed in Conservative, Balanced and Growth sectors.
- Notably lower allocation to Global Equity by Balanced funds, with only Property experiencing average increased allocation out of the three growth assets.
- Little overall movement between Growth, Income and Alternative Assets for the Growth Sector.
- Decreased allocation in Growth and Income Assets in the Conservative sector is offset by increased Alternative Asset allocation.

- Allocation to Alternative Assets increased marginally across all three sectors, with Conservative and Balanced both increasing 0.5%.

## CHANGES BY SECTOR (SEPTEMBER 2009 TO DECEMBER 2009)



## Summary of Tactical Allocation over the December 2009 Quarter

ASSET CLASS	CONSERVATIVE	BALANCED	GROWTH
Australasian Equity	0.0%	0.8%	-1.0%
Global Equity	-0.3%	-4.6%	1.1%
Property	0.3%	1.2%	-0.1%
<b>GROWTH ASSETS</b>	<b>-0.1%</b>	<b>-2.6%</b>	<b>0.0%</b>
Australasian Income Assets	-1.2%	6.7%	-0.4%
Global Income Assets	1.1%	-0.4%	0.8%
Cash	-0.3%	-4.2%	-0.5%
<b>INCOME ASSETS</b>	<b>-0.4%</b>	<b>2.1%</b>	<b>-0.1%</b>
<b>ALTERNATIVE ASSETS</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.1%</b>

## FUND LEVEL ASSET ALLOCATION ANALYSIS

Asset allocation strategies vary across funds. The funds are ranked according to 3 month performance to identify specific themes in the best and worst performers. Some similarities and differences can be observed at a sector level. Please note asset allocation can contribute to the performance of the fund, however, the underlying securities in each sector appear to be the ultimate driver of fund performance.

**Conservative:** In the Conservative sector, diversity can be observed across funds. For example, AMP KiwiSaver Conservative fund which has the best performance for the quarter, allocated the high proportion (20%) to Global Equity. On the other hand, Asteron and Fidelity which have also done

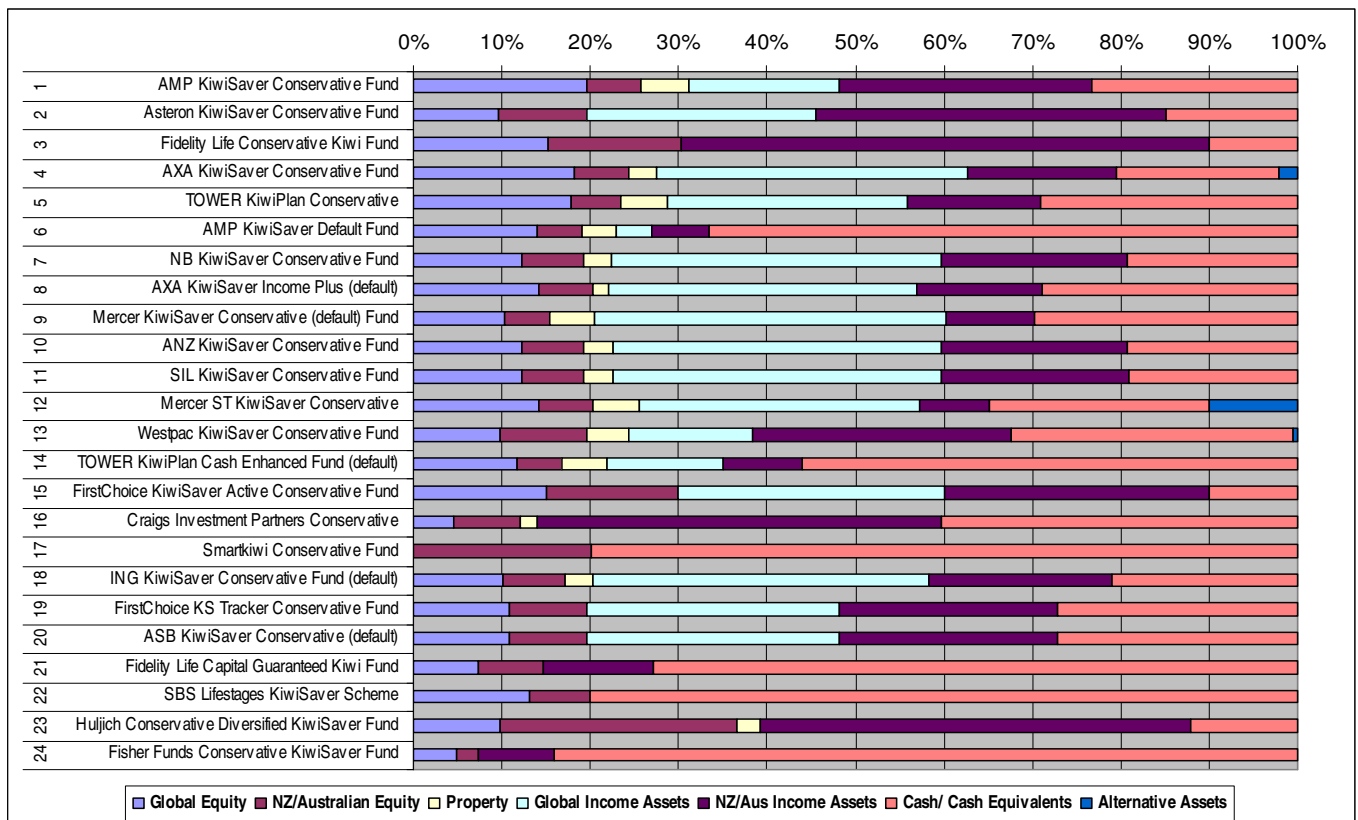
well during this quarter allocate higher proportion to Australasian Income Assets.

**Balanced:** In the Balanced sector, some consistency can be observed across funds. For example, AMP, AXA, Westpac, Tower which are the best performers over the quarter, allocated the highest proportion (greater than 30%) to Global Equity.

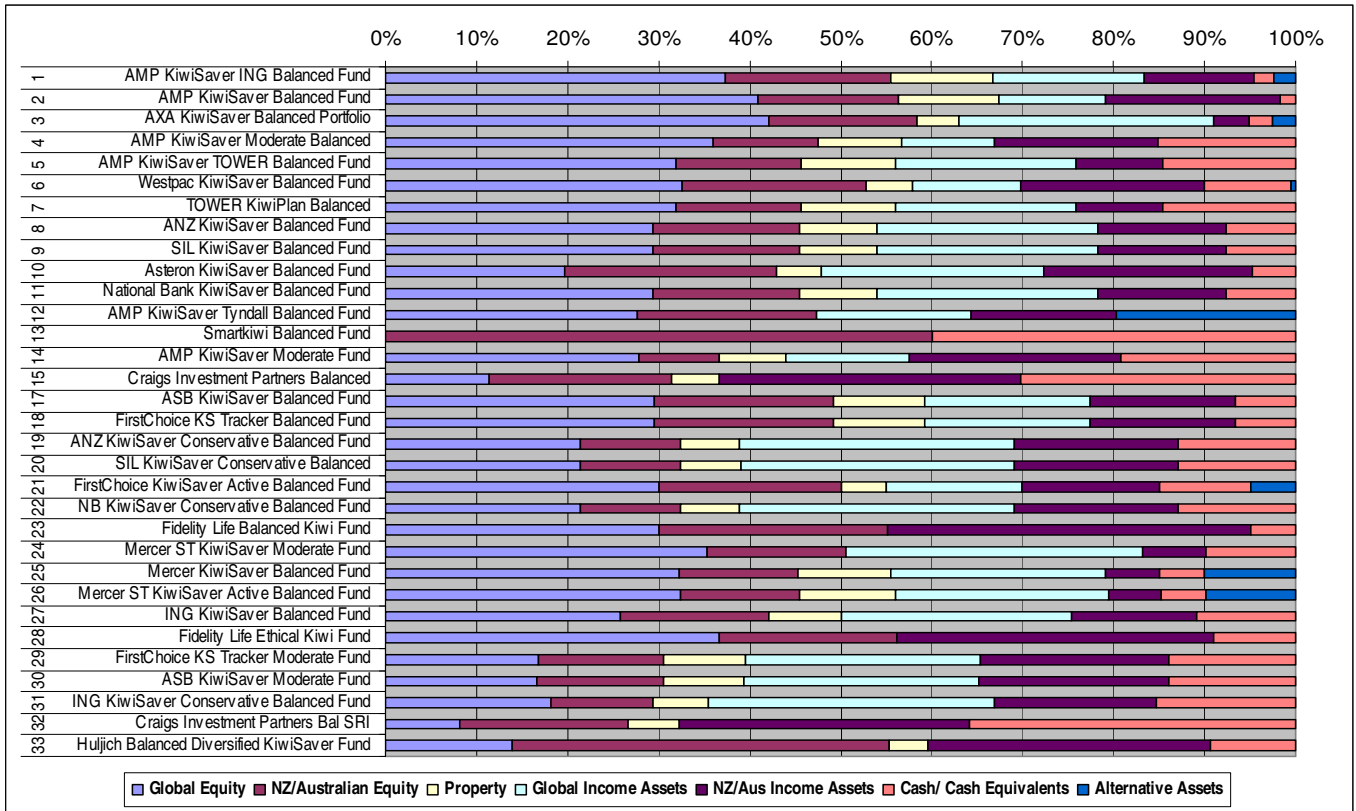
**Growth:** In the Growth sector, again diversity exists across funds. For example, AMP KiwiSaver Aggressive fund which has the best performance over 2 years allocated more than 60% to Global Equity. On the other hand, Fisher Funds Growth KiwiSaver fund, the second best performer, has allocated 52% to Australasian Equity.

## ASSET ALLOCATION AS AT DECEMBER 2009

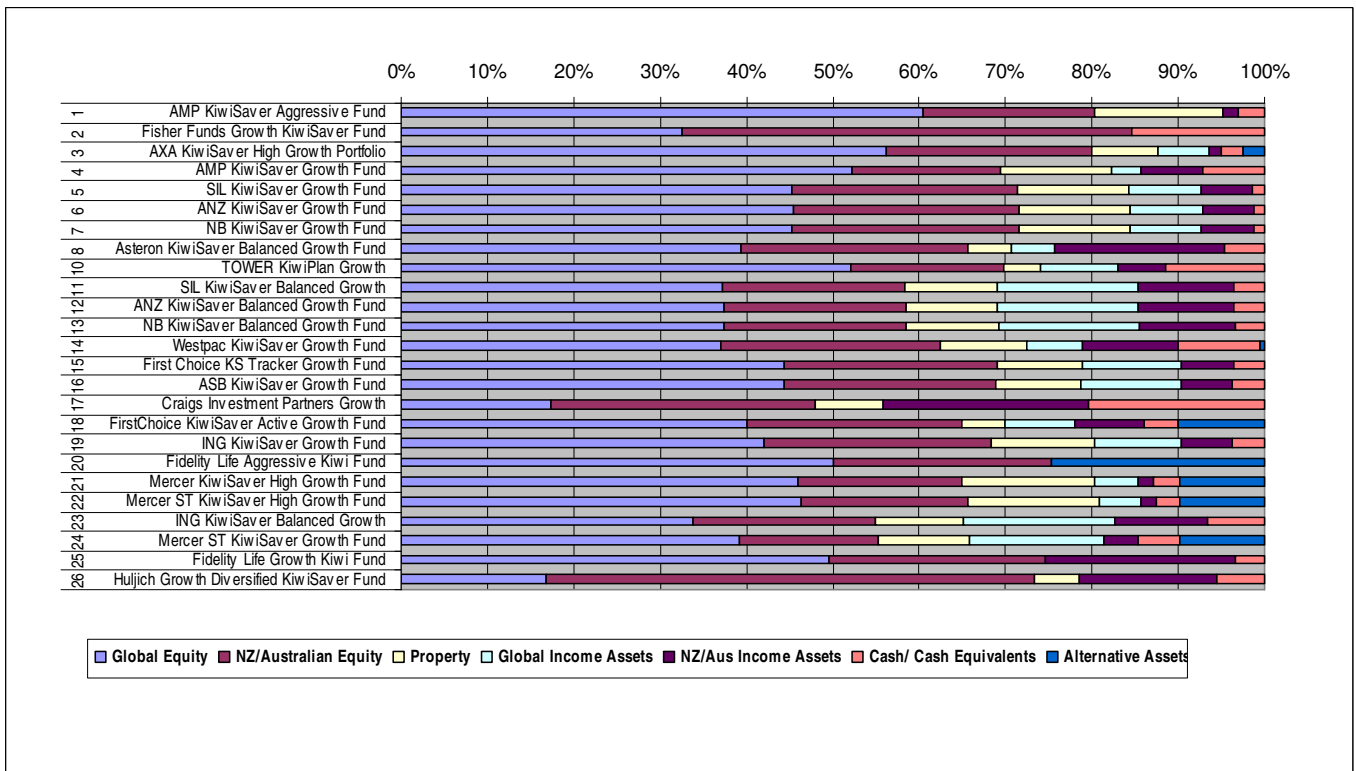
### Conservative Funds



### Balanced Funds



### Growth Funds

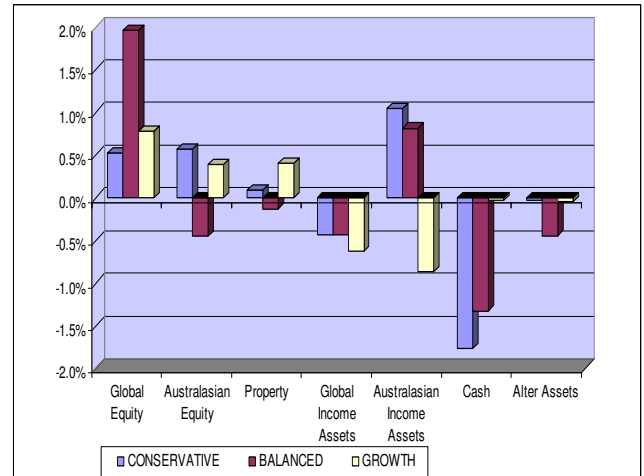


Appendix 1 (September quarter tactical changes)

**SECTOR LEVEL TACTICAL MOVEMENTS**

ASSET CLASS	CONSERVATIVE	BALANCED	GROWTH
Global Equity	0.5%	2.0%	0.8%
Australasian Equity	0.6%	-0.5%	0.4%
Property	0.1%	-0.1%	0.4%
<b>GROWTH ASSETS</b>	<b>1.2%</b>	<b>1.4%</b>	<b>1.6%</b>
Global Income Assets	-0.4%	-0.4%	-0.6%
Australasian Income Assets	1.0%	0.8%	-0.9%
Cash	-1.8%	-1.3%	0.0%
<b>INCOME ASSETS</b>	<b>-1.2%</b>	<b>-0.9%</b>	<b>-1.5%</b>
<b>ALTERNATIVE ASSETS</b>	<b>0.0%</b>	<b>-0.4%</b>	<b>0.0%</b>

CHANGES BY SECTOR (JUNE 2009 TO SEPTEMBER 2009)



Summary of Tactical Allocation over the September 2009 Quarter

Appendix 2

FundSource Benchmark Composition

Defensive Diversified		Balanced Diversified		Growth Diversified	
Weighting	Composition	Weighting	Composition	Weighting	Composition
37.5%	NZX 90 Day Gross	25.0%	NZX 90 Day Gross	12.5%	NZX 90 Day Gross
37.5%	ANZ NZGS Gross	25.0%	ANZ NZGS Gross	12.5%	ANZ NZGS Gross
12.5%	NZ50FG Gross	25.0%	NZ50FG Gross	37.5%	NZ50FG Gross
12.5%	MSCI World Gross	25.0%	MSCI World Gross	37.5%	MSCI World Gross