



Asset Class Performance Report

Comparing 10 and 20 year Performance of Various
Investments to June 2010

This report provides some insight into the performance of various asset classes and investment types over the past ten and twenty years

Outcomes: Ten-year period to June 2010

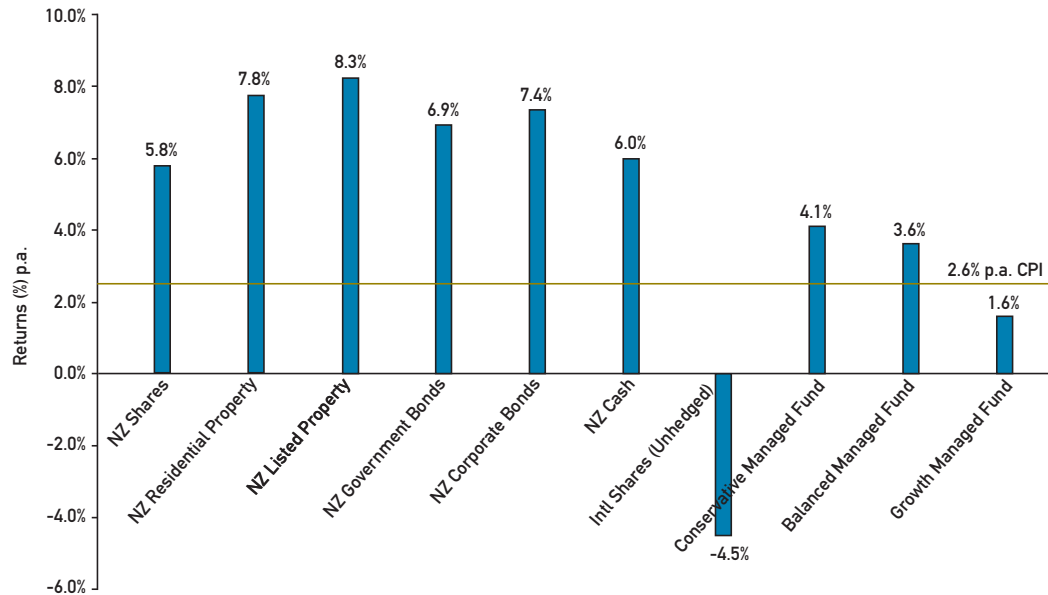
- Listed property produced the highest result with a return of 8.3% p.a. followed by residential property returning 7.8% p.a.
- Corporate bonds and government bonds took third and fourth spot returning 7.4% p.a. and 6.9% p.a. respectively.
- NZ cash returned 6.0% p.a., marginally outperforming NZ shares, which returned 5.8% p.a.
- International shares were the only asset class which generated a negative return of -4.5% p.a.
- Within the diversified managed funds sector, conservative managed funds were the top performers returning 4.1% p.a., followed by balanced managed funds with 3.6% p.a.
- Growth managed funds returned 1.6% p.a. which was lower than the average New Zealand CPI level of 2.6% p.a.

Outcomes: Twenty-year period to June 2010

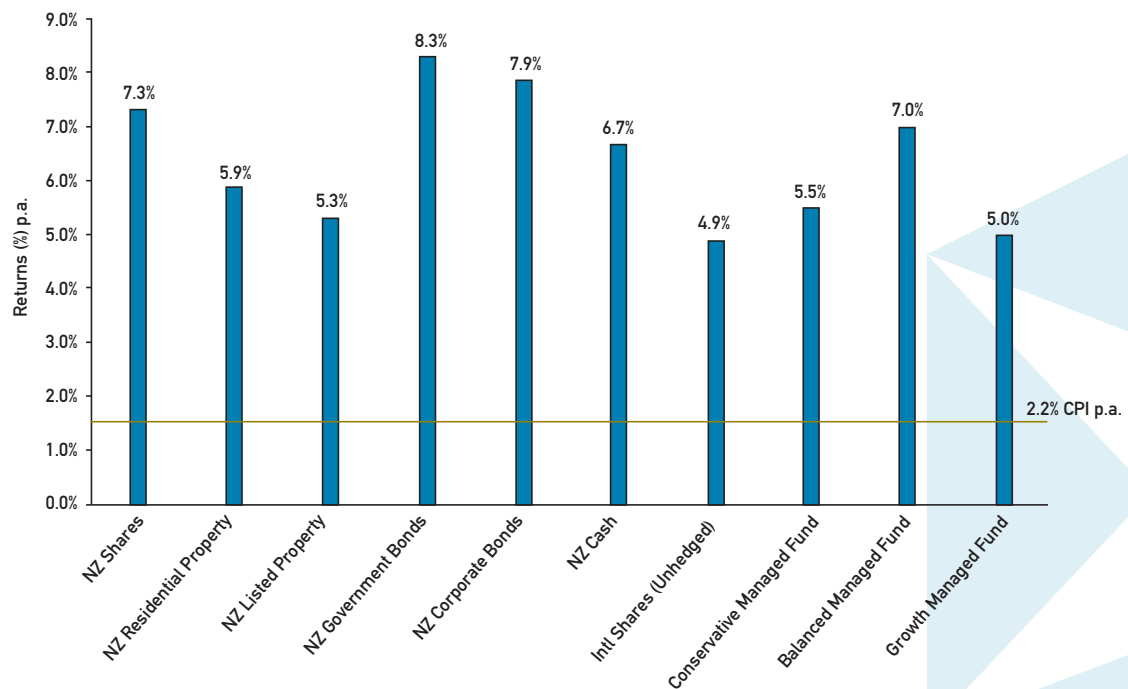
- Government bonds had the best performance returning 8.3% p.a. followed by corporate bonds with a return of 7.9% p.a.
- NZ shares achieved the third highest result with a return of 7.3% p.a. while cash claims fourth spot with a return of 6.7% p.a. in terms of single asset class.
- Residential property returned 5.9% p.a., outperforming listed property which returned 5.3% p.a.
- Within the diversified managed funds sector, balanced funds were the best performers returning 7.0% p.a., followed by conservative funds and growth funds with a return of 5.5% p.a. and 5.0% p.a. respectively.
- International shares were the worst performing asset class returning 4.9% p.a. but were still well above the average CPI level of 2.2% p.a.



Investment Returns for the Ten Years to June 2010



Investment Returns for the Twenty Years to June 2010



Performance Analysis

- NZ shares, despite experiencing several downturns over the past decade, for instance, the dot-com crash in 2000, the September 11 terrorist attack in 2001 and the Global Financial Crisis in late 2007 and early 2008, were still able to achieve a return of 5.8% p.a. NZ shares were the third highest performer in terms of return over the twenty-year period, achieving a return of 7.3% p.a.
- Listed and residential property, while claiming first and second spot in terms of performance over the ten-year period with a return of 8.3% p.a. and 7.8% p.a. respectively, were replaced by government and corporate bonds, which returned 8.3% p.a. and 7.9% p.a. respectively over the twenty-year period.
- Over the twenty-year period, NZ shares achieved a higher return than residential property as the former returned 7.3% p.a. while the latter returned 5.9% p.a.
- In the managed funds category, growth funds underperformed conservative and balanced funds over ten-year and twenty-year period. As growth funds traditionally overweight growth assets such as international shares over the long term, the underperformance of this asset class has had a negative effect on the funds' overall return.
- The underperformance of international shares relative to other classes is, to some extent, because of the appreciating New Zealand dollar; as a result, investors with unhedged international share exposure are likely to be negatively impacted.
- The outperformance of New Zealand shares over international shares was, to a certain extent, contributed by the appreciation of the New Zealand dollar which diminishes the value of unhedged international shares.

Assets classes selected

There are six main asset classes selected in this report as well as three samples of actively diversified managed funds:

- New Zealand shares
- New Zealand residential property
- New Zealand listed property
- New Zealand bonds (including government bonds and corporate bonds)
- New Zealand cash
- International shares (unhedged in NZD)
- Conservative Managed Fund (maximum 30% allocation to growth assets)
- Balanced Managed Fund (30%-70% allocation to growth assets)
- Growth Managed Fund (minimum 70% allocation to growth assets)



Investment computation methodology

- All returns are calculated on a gross basis which is before taking into consideration general costs relating to the acquisition, holding and disposal of the asset including the tax implications associated to an individual investor.
- Compounded returns are applied over the ten-year period from 30 June 2000 to 30 June 2010 and over a twenty-year period from 30 June 1990 to 30 June 2010. The performances (or returns) equal the per-annum compound returns that an investment would have generated over the stated two periods.
- The New Zealand share performance is measured based on the NZX All Index which comprises all domestic equity securities listed on the NZSX Market with constituents being weighted by free float market capitalisation. The NZX All Index measures the total return which an investor might have received (before taxes and transaction costs) in the form of capital gains or losses and dividend reinvestment (imputation tax credits are excluded).
- The residential property performance is measured based on Quotable Value Quarterly House Price Index which takes into account the 'Average Sale Price' in relation to the 'Average Capital Value' of properties sold as well as the volume of sales.
- The New Zealand listed property performance is measured based on the NZX property sector index which calculates the total return of all listed property entities which an investor might have received (before taxes and transaction costs) in the form of capital gains or losses and dividend reinvestment (imputation tax credits are excluded). The index inception date was January 1997.
- The New Zealand government bond performance and the New Zealand corporate bond performance are measured based on the ANZ NZ All Government Stock Index and the ANZ A-grade Corporate Bond Index (A-/A3 and above) (inception date: August 1994) respectively. Both indices measure the total return which an investor might have received (before taxes and transaction costs) in the form of capital gains or losses and dividend reinvestment (imputation tax credits are excluded). The gross return index assumes that the coupon is promptly reinvested in a spread of bonds weighted according to their market value weighting at the time of reinvestment.
- The New Zealand cash performance is measured based on the six-month term deposit rate provided by the Reserve Bank of New Zealand. This rate represents the interest rate payable for a six-month term deposit of \$10,000 weighted by each individual surveyed financial institution's total NZ dollar funding.
- The international shares performance (unhedged) is measured based on the MSCI World Gross Dividends Accumulation Index (Unhedged) in NZD. The index measures the total return including capital gains/losses and dividend reinvestment before taxes and transaction costs.
- The CPI index is measured based on change in prices of goods and services bought by households. It is also a measure of inflation. This information is provided by Statistics New Zealand.
- The conservative managed fund performance is measured based on the average performance of actively managed funds that have an asset allocation consistent with the industry standard where maximum 30% growth assets are held. Growth assets include Australasian shares, international shares and property. Returns are reported after management fees but before entry fees and tax.
- The balanced managed fund performance is measured based on the average performance of actively managed funds that have an asset allocation consistent with the industry standard where 30%-70% growth assets are held. Growth assets include Australasian shares, international shares and property. Returns are reported after management fees but before entry fees and tax.
- The growth managed fund performance is measured based on the average performance of actively managed funds that have an asset allocation consistent with the industry standard where over 70% growth assets are held. Growth assets include Australasian shares, international shares and property. Returns are reported after management fees but before entry fees and tax.

Disclaimer:

The FundSource/NZX Asset Class Performance Report has been prepared by FundSource Limited in association with NZX Limited. All rights reserved. This material is proprietary and may not be reproduced, transferred, or distributed in any form without prior written permission from FundSource Ltd and NZX Ltd. This document provides general information only and has not been prepared having regard to your objectives, financial situations and needs. Prior to making an investment decision, please consult your financial adviser. This information has been collated from sources considered to be reliable, but is not guarantee. Past performance is not indicative of future performance.



FundSource is an independent New Zealand managed funds research house, supplying data to financial advisers and fund managers since 1987. Retail managed funds statistics and quantitative fund ratings provided by FundSource are published in the New Zealand media, and industry magazines and various websites.

FundSource produces both quantitative and qualitative research and reports; for example, periodic industry trends and market composition report for industry participants including financial services providers, fund managers and government agencies as well as a number of other regular statistical publications for financial advisers and retail investors.

As a wholly-owned subsidiary of NZX, the operator of the New Zealand stock exchange, FundSource has access to a diverse range of multiple disciplines including legal, finance and investment analysts.

More information on FundSource can be found on our website www.fundsource.co.nz



NZX is an integrated information, markets and infrastructure company. NZX's strategy is building and growing markets, with expertise applied across the securities, energy and agri-business sectors.

NZX operates the securities, derivatives and energy markets in New Zealand, builds and maintains the infrastructure on which they operate, and provides a range of information and data that supports market growth and development on a global scale.

NZX owns a suite of securities and agricultural information businesses, managed fund research house FundSource, exchange traded fund provider Smartshares, and is a 50% owner of share registry Link Market Services.



FundSource Limited
Level 2, NZX Centre
11 Cable Street
PO Box 2959
DX: SP23501
Wellington, New Zealand

Telephone: +64 4 495 2451
Facsimile: +64 4 496 2893
Email: fundsource@fundsource.co.nz



NZX Limited
Level 2, NZX Centre
11 Cable Street
PO Box 2959
DX: SP23501
Wellington, New Zealand

Telephone: +64 4 472 7599
Facsimile: +64 4 496 2893
Email: info@nzx.com