Police Superannuation Scheme

New Zealand Police Association Te Aka Hāpai

May 2021

Investment Governance Review

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1.1 Introduction

Melville Jessup Weaver has been engaged by PSS Trustees Limited ('the Trustee') and the New Zealand Police Association Te Aka Hāpai ('the Association') as an independent party to review the investment governance of the Police Superannuation Scheme ('the Scheme').

Our opinions are offered in our capacity as independent, expert consultants covering institutional funds management in New Zealand. We work closely with many restricted superannuation savings schemes, which are similar to the Scheme. Moreover, we are familiar with the investment managers, consultants and other relevant parties in the New Zealand institutional funds management market, while not offering any funds management services of our own. This allows us to be independent in our assessment of investment performance.

With that said, in certain areas of consulting we compete with the Scheme's strategic consultant. We have endeavoured to provide a balanced assessment, but the reader is reminded to bear this competitive position in mind.

1.2 Scope

This review is in three parts, as outlined below. We list some of the main issues which are examined within each part.

- ***Part 1: Investment governance.***
  - Review of the governance structure.
  - Apportionment of responsibilities and monitoring processes.
  - Management of potential or perceived conflicts of interest.
  - External advice and decision-making processes.
  - The Trustee's openness and transparency of communication with members.
- ***Part 2: Investment processes.***
  - Investment beliefs.
  - Consistency of the investment approach with the belief set.
  - Investment strategy review.
  - Compliance with the SIPO.
  - The quality and reputation of the relevant service providers.
- ***Part 3: Investment performance.***
  - Performance of the Scheme's investment options versus their objectives.
  - Performance versus an appropriate peer group(s).
  - Reasons for the Scheme's relative out/underperformance.

1.3 Findings

The investment governance of the Scheme is strong. We believe the processes and controls are robust and comprehensive, and have no concerns with the way the Trustee has operated. The Scheme's governance processes compare favourably with similar restricted workplace savings schemes.

The Scheme operates a range of investment options which provide different risk and return profiles designed to meet members' differing risk appetites and time horizons. The range of options available, including the existence of a glidepath option ("Super Steps"), are appropriate in our view. Moreover, the targeted returns that each option aims to achieve are appropriate and similar to other similar savings schemes.

The Scheme's investment processes are broadly comparable to other institutional investors in the New Zealand market. However, like all investors, the Scheme has certain aspects which differentiate it from "the average peer". This is most notable in the Scheme's Balanced option being somewhat more conservative than peer funds which are branded "Balanced". Typically, these funds have 60% allocated to growth asset sectors (such as equities), whereas the Scheme's Balanced option has a 50% allocation.

Moreover, the Scheme's investment options make greater use of diversifying assets sectors which in aggregate are expected to be lower returning than equities – albeit with correspondingly lower volatility. While these asset sectors are used by some other investors in the marketplace, the Scheme's level of exposure is higher than the average. This will periodically lead to a divergence between the Scheme's performance and the performance of peers.

Indeed, while the Scheme's performance has been ahead of the expectations it sets for itself, the Scheme has generally been weak when compared to comparable funds. We find that:

- The Scheme's returns rank near the bottom of the peer group over the medium term. Despite this, the Scheme has not experienced correspondingly lower volatility.
- Our analysis suggests that the main reason for this are the market conditions which have led to the asset sectors which the Scheme favours doing less well than the asset sectors which peers make a greater use of.
- The Scheme's investment manager's performance within asset sectors has been roughly neutral compared to peers in aggregate. However, in several asset sectors, the investment manager ranks low in the peer group, which is of concern.
- Finally, the Scheme's tactical tilting programme has only had a negligible effect on performance but, where this is significant enough to register, the tilting programme has been a small positive.

Performance relative to peers is less important than helping members achieve their retirement savings goals. However, significant underperformance, even if cyclical, risks damaging the reputation of the Scheme.

Moreover, poor relative performance may lead to pressure to change the Scheme's investment approach to "follow the crowd". This means that relative losses will be locked in and, if the factors that differentiate the Scheme do come back into favour, members will not benefit from this rebound.

1.4 Conclusion and recommendations

There are multiple valid approaches to investment management. In several areas, there is conflicting evidence and opinion, which leads different investors to take different approaches. Therefore, it is most important that the one's investment approach is clearly justified and appropriately reviewed. The Trustee does this and therefore our overarching conclusion of this review is positive.

Nevertheless, the Scheme has underperformed peers in recent years and this warrants a degree of introspection. We offer the following recommendations for the Trustee to consider.

- To revisit the level of risk in the Scheme's Balanced option and to consider aligning this with common practice in New Zealand for funds labelled as "Balanced". (This has implications for the Super Steps approach, which should be reviewed if any change is made to the Balanced option.)
- To decrease the Scheme's exposure to collateralised commodity futures. This sector is less commonly seen in the New Zealand savings industry, and will lead to variance in performance of the Scheme compared to other investment offerings. We do not believe the investment case is sufficiently strong to override this concern – although we acknowledge that this is based on our investment beliefs which may differ from the Trustee's.
- To consider whether the Scheme's tactical tilting programme should be maintained. We are sceptical of tactical tilting approaches and the Scheme's historical results have been little impacted by the programme. We consider the tilting programme potentially adds complication and cost to the management of the Scheme.

The Trustee's current regime of reviewing its external service providers should be maintained.

The Trustee has advised that as part of its regular review of its investment strategy, it has already made changes in some of the areas above and is considering other changes.

1.5 Report details and usage

This report has been authored by Ben Trollip and peer reviewed by William Nelson and Bernard Reid.

This report is addressed to PSS Trustees Limited, the Trustee of the Police Superannuation Scheme, and to the New Zealand Police Association Te Aka Hāpai. It is provided solely for the purpose of reviewing the investment governance of the Scheme. The scope of the review is set out above.

This report has been made available to all Directors of PSS Trustees Limited, including the representative from the New Zealand Police Association Te Aka Hāpai. A copy of this report is available to members of the Scheme upon request.

This report must not be provided to, or used by, any party other than those listed above without the prior written approval of Melville Jessup Weaver.

In completing this analysis, we have relied upon data that is publicly available and data that has been submitted by the Scheme's service providers, specifically the Scheme's investment manager and strategic consultant. While we have performed quality checks, ultimately we are reliant on the data as provided.

This report must be read in its entirety. Individual sections may be misleading if considered in isolation from each other.

2 Investment governance

2.1 Introduction

In this section we review the investment governance aspects of the Scheme.

2.2 Governance structure

The Trustee is PSS Trustees Limited. The Trustee is a corporate trustee which is common practice in New Zealand for restricted workplace savings schemes.

The Board of Directors of the Trustee consists of two directors appointed by the Commissioner of Police, two directors appointed by the Police Service Organisations (the Association and the New Zealand Police Leaders' Guild Incorporated) and one or two independent directors appointed by the other directors. The current Board is:

- Charlie Cahn* (chair) – independent
- Greg Fleming – appointed by Police Service Organisations
- Ian Russon* – appointed by Police Service Organisations
- Sarah Graydon* – appointed by the Commissioner
- Sandra Venables – appointed by the Commissioner

An asterisk (*) denotes a director who is a licensed independent trustee ('LIT'). The Financial Markets Conduct Act requires at least one LIT (who in the Scheme's case is designated as Ian Russon). Ian Russon and Sarah Graydon are also professional directors.

There is a good mix of staff and professional directors. The gender balance is relatively even. The presence of three LITs is positive because it provides for increased oversight, challenge/debate and provides multiple backups.

We have discussed the speciality skills that each director brings and are approving of this. There is specialist knowledge of communications, compliance requirements and contracts/employments law.

There are four specialist sub-committees, one of which is dedicated to investments (chaired by Ian Russon). This structure ensures focus on investment issues. The investments sub-committee engages in an annual trip to review the investment manager, which we consider to be good practice.

The Board meets at a minimum of five times a year; a good level of engagement in our opinion.

2.3 Apportionment of responsibilities

The Trustee has appointed multiple service providers to assist it in specialist areas. The areas of relevance to this review are covered in this sub-section.

2.3.1 Investment manager

The Scheme's investment manager is Mercer. Mercer operates outsourced (often multi-manager) collective investment vehicles. Each investment vehicle invests with one or more specialist investment managers.

Given the Scheme's size and importance, it has had some influence in the design and evolution of Mercer's products. For example, we understand that the Trustee provided guidance and feedback on a global fixed interest product which was designed and built by the investment manager.

Tied to this, the Scheme sends three directors to the Mercer Advisory Committee (which meets five times a year). Directors attend this committee to get insight on the structure and design direction of Mercer's products. Only two of the Scheme's representatives have voting rights.

Mercer presents to the Trustee four times a year on investment performance. This is good practice.

The Trustee benchmarks Mercer's fees annually by comparing fees charged to a global fee survey. This is good process.

2.3.2 Strategic consultant

The Scheme's strategic consultant is Russell Investment Group. Russell provides advice on the asset allocation and other strategic matters. The Scheme's strategic asset allocation ('SAA') is formally reviewed three-yearly.

Russell also implements tactical tilting. This is the process whereby the mix of assets is purposely tilted away from the SAA. Tactical asset allocation processes are less common, we understand the Russell has only rarely employed this.

Russell assists the Trustee in monitoring Mercer. It provides an annual monitor which rates Mercer's outsourced specialist fund managers, and also assists in reviewing how the investment products are performing relative to expectations.

2.3.3 Multi-manager consultant

The Trustee from time-to-time receives research from a multi-manager consultant: Chant West. Both Mercer (the investment manager) and Russell (the strategic consultant) are benchmarked against Australasian peers in this study.

2.3.4 Summary

Overall, we believe the Trustee's monitoring processes are comprehensive and robust. The Trustee's willingness to engage an external consultant speaks positively to its willingness to test its systems and processes.

2.4 Conflicts of interest

We believe the Trustee structure to be suitably balanced. The appointment process, which divides director appointments equally between the Commissioner and Police Service Organisations is equitable. We have no concerns with the Trustee board structure.

We note that the Scheme's investment manager (Mercer) and strategic consultant (Russell) operate in similar areas of the New Zealand market. Both organisations offer funds management and strategic investment advice. Thus, there may be some tension between the two organisations and the Trustee will need to consider this potential for conflict of interest when dealing with each party.

However, we believe the Trustee is suitably independent from the external service providers and have no concerns with respect to the directors being able to navigate these issues. In fact, it is arguably good to have a degree of tension as this will, from time to time, provide a secondary view/opinion.

2.5 External advice and decision-making processes

While we have not been privy to all of the Trustee directors' deliberations, we understand that past decisions have been well-litigated and have been evidence-driven.

We have viewed the interim strategic review (November 2019) produced by Russell as an example of advice considered by the Trustee. The review was well-written, balanced in its considerations and supported by evidence.

The existence of sub-committees allows for consideration of issues to a greater depth than a broader group might be able to do. Thus, it allows more vigorous debate by those with specialised knowledge of the particular area. We believe this is positive for the Trustee's decision-making processes.

2.6 Transparency of communication

The Trustee maintains a website at https://www.policesuper.co.nz/. The website contains information on the Scheme and superannuation and investments in general (for example, articles by Mary Holm – a respected financial journalist).

The website includes information on features such as first home withdrawal. A toll-free 0800 helpline is prominently displayed. In addition, the Trustee periodically produces a short "2 Minutes on Super" member communication.

The website has detailed performance information, including daily unit prices, longer term performance and a monthly market update from Mercer. The website includes more technical information such as comparisons of the performance to benchmark and to KiwiSaver peers. This may be of interest to more engaged members.

The Trustee has responded to members' concerns directly. A recent example is the article and response in August 2020 edition of Police News – a Police Association publication. The letter from a Scheme member raised concerns over the Scheme's performance relative to KiwiSaver providers. The Trustee's response was well-written, addressed the member's concerns and discussed what the Trustee directors were doing to address the weaker relative performance.

We have no concerns with the Trustee's openness and transparency of communication with members, and the Trustee's accessibility and willingness to engage with members on investment results.

3 Investment processes

3.1 Introduction

In this section, we review the Trustee's investment processes. Like all restricted workplace savings schemes, the Scheme's investment policy is set out in its Statement of Investment Policy and Objectives ('SIPO'). The SIPO is publicly available on the Scheme's website and on the Government's Disclose Register (https://disclose-register.companiesoffice.govt.nz/).

While there exist other governing documents, such as the Trust Deed, Product Disclosure Statement ('PDS') and Other Material Information ('OMI') documents, we have focussed on the SIPO since this document should focus on the investment process and a thorough reading of the SIPO should lead one to have a clear understanding of the investment approach.

The SIPO is regularly updated, and this review focussed on the version dated 13 January 2021.

3.2 Overall view of SIPO

The Scheme's SIPO is comprehensive and compares favourably with other similar workplace savings schemes in the New Zealand market. We have not identified any material deficiencies and believe that the document is clearly written so as to be understood by people with varying degrees of financial markets experience.

The SIPO is subject to annual review (or sooner if appropriate). While the SIPO is meant to be a long-term document, we believe it is healthy to regularly review it to ensure that it remains fit for purpose.

3.3 Review processes

In addition to the SIPO, there is a more granular "workplan" schedule which we have reviewed. This schedule sets out 32 separate tasks which are considered at periodic intervals ranging from monthly to triennially.

This is a good discipline to ensure that all aspects required by the SIPO are reviewed at appropriate time periods. In our opinion, the existence of, and adherence to, such a schedule represents best practice.

3.4 Investment beliefs

The SIPO contains a discussion of investment beliefs. While investment beliefs are, to some degree, unique to a particular entity, the beliefs held by the Trustee are in line with common market practice in New Zealand. None of the beliefs are particularly controversial, in our view, nor are there any obvious gaps in the Trustee's belief set.

Importantly, the investment approach is consistent with the investment belief set in all material matters. We are satisfied that the Trustee is managing the investments in line with the stated investment beliefs.

The investment beliefs are reviewed on a triennial cycle. We believe this is appropriate.

3.5 Investment choice

The offer of four funds at different points on the risk spectrum is appropriate. The existence of a "glidepath" option (Super Steps), which automatically reduces allocation to growth assets as the member ages, is positive.

3.6 Investment strategy review

While the investment approach is consistent with the investment beliefs, this does not necessarily mean that the approach is perfect. There are multiple investment approaches which would be consistent with any particular belief set, and thus there is opportunity to consider whether the investment strategy is optimal.

However, there is no single view for the correct way to manage investments. In several areas, there is conflicting evidence and opinion, which leads different investors to take different approaches. For example, some investors employ an active approach – trying to outperform a market index, while others prefer a passive, index-tracking approach – concentrating on driving costs as low as possible.

Therefore, while we will go on to refer to market practice, we caution that one cannot be definitive about the best way to manage investments and believe that reasonable individuals can respectfully disagree on the best investment approach to employ.

We concentrate our comments on areas of most significance.

3.7 Peer groups

We have considered peer groups of similar New Zealand investors in forming our views.

- For performance comparisons, we have considered KiwiSaver schemes; because reliable and comprehensive performance data is readily available for this universe.
- In assessing the Scheme's governance, we have considered similar restricted workplace savings schemes.

3.8 Strategic asset allocation

A scheme's strategic asset allocation ('SAA') is likely to have the largest impact on the investment results over the long term. Thus, we begin with a comprehensive review of the SAA.

The Scheme's SAA is typical of similar investors. At a high level, the Scheme employs a similar range of asset classes as most restricted workplace savings schemes, and indeed as mainstream KiwiSaver schemes.

Nevertheless, there are some notable divergences, which we examine below. The following tables compare the Scheme's SAA for its three diversified options with the average of the KiwiSaver peer group[1].

[1] MJW Investment Survey (31 December 2020)

3.8.1 Growth option

We begin with the Growth option. The following table shows its strategic asset allocation versus the average peer.

	Growth option Scheme %	Peer %	Variance %
Australasian equities	12.5	24.4	-11.9
International equities	37.5	48.6	-11.1
Property/infrastructure	10.0	6.3	3.7
Alternative assets	20.0	0.9	19.1
Growth assets	***80.0***	***80.3***	***-0.3***
NZ fixed interest	0.0	6.7	-6.7
International fixed interest	15.0	7.5	7.5
Cash	5.0	5.4	-0.4
Income assets	***20.0***	***19.7***	***0.3***
Total	**100.0**	**100.0**	**0.0**

The Scheme has a similar level of growth assets to the average growth fund. However, the composition within growth assets is significantly different with the Scheme having 30% combined allocation to real assets (property and infrastructure) and alternative assets (hedge funds and collateralised commodity futures). By contrast, the peer group has on average 7.2% allocated to real assets and alternative assets.

Diversifying assets such as real assets and hedge funds, are generally expected to have marginally lower volatility than equities, but also marginally lower return. This means that in strong investment markets, these asset sectors can be expected to trail equities. Thus, while the Scheme's growth option has 80% allocated to growth assets, which is in line with the peer group, we expect this allocation to be somewhat less volatile and lower returning than the typical peer, especially in a strong, positive investment environment.

Compounding this, several peers in the New Zealand market follow a "growth" style investing approach, which has generally been in favour in recent years. A growth style approach is generally expected to be more volatile, but to do better when investment markets are strong.

The collateralised commodity futures exposure (which is included within the alternative assets line above) is not necessarily expected to be lower risk/return than equities, but does represent a position leveraged to economic activity and commodity prices. While this could normally be expected to be "pro-cyclical" – i.e. that it is correlated with a positive economic environment, there exists the potential for divergence from financial market performance.

Within equities, the Scheme has less of a "home country" bias, with a ratio of 3:1 in favour of international equities, compared with the peer group which is closer to 2:1. This could see performance be weaker relative to the peer group if the local share market outperforms international share markets. The reverse also holds: if international markets were to outperform local markets, the Scheme would do better relative to the peer group.

Finally, within income assets, the Scheme is conspicuous in its absence of domestic fixed interest in favour of international fixed interest. The peer group tends to have a relatively balanced exposure to the domestic and international fixed interest sectors. The consequence of this is that when domestic fixed interest markets outperform, the Scheme is likely to lag peers.

3.8.2 Balanced option

We next turn to the Balanced option. We note that we compare this option to other investment funds branded as "Balanced", although the Scheme actually follows a somewhat more conservative approach. However, we consider that because of the label, members will be likely to consider the Scheme's Balanced option against other "Balanced" funds in the market.

	Balanced option		
	Scheme	Peer	Variance
	%	%	%
Australasian equities	7.5	18.2	-10.7
International equities	22.5	36.5	-14.0
Property/infrastructure	7.5	5.6	1.9
Alternative assets	12.5	1.7	10.8
Growth assets	***50.0***	***62.0***	***-12.0***
NZ fixed interest	0.0	12.3	-12.3
International fixed interest	45.0	18.5	26.5
Cash	5.0	7.2	-2.2
Income assets	***50.0***	***38.0***	***12.0***
Total	**100.0**	**100.0**	**0.0**

This is a broadly similar picture, so we make more limited comments.

Again, the Scheme is more conservative than the average peer due to its allocation to real assets and alternative assets. In addition, the Scheme's Balanced approach has significantly less in growth assets than the average peer (50% versus 62.0%). Combined, this means we would expect the Scheme to trail the average peer in returns, but to do so with lower volatility.

An implication is that members of the Scheme wanting a risk/return profile similar to a typical balanced KiwiSaver fund would need to allocate their investments across the Scheme's Balanced and Growth options, so as to end up at a point slightly more aggressive than the Scheme's Balanced option.

The difference in approach within income assets is more pronounced for the Balanced option, since it has a higher exposure compared with the Growth option. The level of exposure to international fixed interest is significantly higher than the average peer, meaning that as this asset sector out/underperforms the Scheme could expect its performance relative to the peer group to move significantly.

3.8.3 Stable option

Finally, we turn to the Scheme's Stable option, which we compare to Conservative KiwiSaver funds.

Stable option	Scheme %	Peer %	Variance %
Australasian equities	5.0	6.9	-1.9
International equities	10.0	13.4	-3.4
Property/infrastructure		1.8	-1.8
Alternative assets	5.0	0.2	4.8
Growth assets	***20.0***	***22.4***	***-2.4***
NZ fixed interest	0.0	22.4	-22.4
International fixed interest	60.0	30.0	30.0
Cash	20.0	25.3	-5.3
Income assets	***80.0***	***77.6***	***2.4***
Total	**100.0**	**100.0**	**0.0**

Here, the differences within growth assets are less significant, since the Stable option has much lower exposure to growth assets.

The biggest differences occur within income assets. Again, there is a significantly higher exposure to international fixed interest, twice that of the average peer.

The Stable option's exposure to international fixed interest comprises a 40% allocation to traditional managers and 20% exposure to absolute return managers. The latter is more unusual and represents management designed to have less sensitivity to changes in interest rates. We expect this will be positive for performance relative to peers when interest rates are rising but will prove to be a headwind if interest rates are falling or stable.

3.8.4 *Summary*

In summary, there are some significant differences with the Scheme's investment approach compared with peers. The main differences are:

- A more conservative approach with less allocated to equities. This is particularly acute for the Balanced option which also has a lower amount allocated to growth assets in general.
- A greater exposure to international fixed interest and nil exposure to domestic fixed interest.
- A higher exposure to diversifying assets such as real assets and hedge funds.
- A significantly higher exposure to commodities.
- A lower home country bias within equities.

While these divergences with the peer group exists, one should be wary of a "race to mediocrity". There is a danger in trying to emulate the "average" approach. Our review of the Scheme's investment processes supports the view that the Scheme's SAA was arrived at by rigorous analysis and consideration of the fundamental drivers of financial markets. This is more readily defensible than simply aiming to be close to the approach taken by competitors.

Nevertheless, the differences in approach have the potential to create divergent performance, especially in the short to medium term. In fact, a cursory review of the key differences suggests that most, if not all, would have been headwinds to the Scheme's relative performance over recent years. We analyse this in more detail in a later section.

Ultimately, the Trustee needs to balance "peer group risk" – that is, the risk that the Scheme's performance deviates significantly from the peer group – against other factors. Significant underperformance, even if cyclical, risks damaging the reputation of the Scheme.

Moreover, poor relative performance may lead to pressure to change the Scheme's investment approach to "follow the crowd". This means that relative losses may be locked in and, if the factors that differentiate the Scheme do come back into favour, members will not benefit from this rebound.

3.9 Strategic tilting

The Scheme employs a strategic tilting consultant (Russell) to put in place tilts to the SAA in order to improve the risk/return profile of the options. We understand that the philosophy errs more on the side of risk avoidance, rather than return enhancement.

The tilting process is shorter term in nature than the SAA, which is meant to be set for the long term. In the market, such a tilting programme is often referred to as tactical asset allocation ('TAA').

TAA is less common in institutional investment market in New Zealand. However, there are several practitioners of it and thus the Scheme's approach does not represent something that would be deemed unusual. In fact, the Scheme's explanation of its tilting process is comprehensive, which is good for both ensuring members are aware of the process and measuring and monitoring performance of this process.

We understand that in the last ten years only one tactical tilt was put in place. This was incrementally positive, and resulted in an improvement in the return for the Balanced option of +0.3% per annum over the three year period to 31 December 2015. There have been no other tilts put in place, including during the severe market dislocation in 2020.

Overall, we are sceptical of TAA and similar programmes. While the Scheme's approach is consistent with its investment belief set, we would argue for revisiting this particular belief and the effectiveness of the tactical tilting programme, allowing for any incremental cost and complication such a process introduces.

On the other hand, the purchase of the TAA tilting advice gives the Trustee access to a quarterly market report and interaction with experts in this field. This may give some peripheral benefit in the management of the Scheme – for example, informing the longer-term SAA discussions.

3.10 Compliance with the SIPO

There have been no limit breaks reported by the Scheme in the last three years. Hence, in all material aspects, the Scheme is compliant with its SIPO.

3.11 Service providers

The main external service providers for the investment strategy are Mercer (the investment manager) and Russell (the strategic consultant). Both organisations are of high quality and have a strong reputation in the New Zealand institutional investment market. We have no significant concerns with respect to either organisation.

4 Investment performance

4.1 Introduction

In this section, we assess the performance of the Scheme. Performance is shown to 31 March 2021 unless otherwise noted.

We firstly look at the performance of each of the Scheme's options against the expectations set out in the SIPO. This is the most important measure to consider. Since the return expectations are based on inflation-adjusted returns, they correspond with the Scheme providing appropriate returns after allowing for the effects of inflation; that is, allowing members to save for their retirement spending.

Secondly, we look at the Scheme's performance versus its peers. This is also important, since the peer group represents alternative retirement savings options for members. At an aggregate level, the peer group we have used is KiwiSaver funds from the Melville Jessup Weaver Investment Survey.[2] This peer group represents the largest KiwiSaver provides and covers approximately 95% funds under management in the KiwiSaver system.

For asset sector performance, we have considered "wholesale" (institutional) funds included in the same survey. These represent different investment vehicles which could be used by the Scheme instead of the investment manager's products.

It is important to note that while KiwiSaver schemes are a possible alternative savings vehicle for members, under this system they would not receive the generous employer contributions that the Scheme benefits from. This would make a significant difference to a member's final retirement balance, likely outweighing most performance differentials.

4.2 Time horizon

It is important to review performance over the appropriate time horizon. In the short term, investment performance can vary substantially. Thus, it would be inappropriate to draw conclusions from this, because the "noise" would swamp the "signal".

Moreover, more aggressive investment portfolios are expected to have greater year-to-year volatility in order to achieve superior long-term returns. The "cost" of greater returns in the long term is usually one of greater short term uncertainty in value. This is often referred to as investment risk.

However, there needs to be a balance, because waiting for the very long term before examining investment performance is impractical and also leads to the risk that a degradation in skill is not noticed and acted upon in a timely manner.

In general, performance relative to market indices and peers can be measured over relatively short time periods (3-5 years), while performance relative to inflation expectations should be measured over relatively long time periods (5-10 years). This is because the comparators under the former are subject to similar conditions, while investment performance does not necessarily correlate closely with inflation over the short term.

[2] Available at https://mjw.co.nz/library/

4.3 Performance versus expectations

The SIPO does not explicitly quantify investment objectives, but does describe "expectations" for the various investment options. The expectation for each option is to provide a good return for its particular risk level. This allows members to select the investment option that best matches their "risk appetite". The Scheme's approach is to provide the best investment option for as many different risk appetite levels as feasible.

These are described as follows:

- Growth option: To provide higher level returns, with a relatively higher level of risk than the other options.
- Balanced option: To provide medium level returns, with a moderate level of risk.
- Stable option: To provide relatively stable returns, with a low to medium level of risk.
- Cash Plus option: To maintain invested capital and provide stable returns, with negligible likelihood of experiencing a loss in any year.

The following table shows the returns and risk (quantified as volatility, or standard deviation) of the options over the five year period ending 31 March 2021.

	Return % pa	Volatility % pa	Negative years since 2016
Growth	8.5	8.4	1
Balanced	6.8	6.1	1
Stable	4.8	3.4	0
Cash Plus	1.8	0.2	0

The options have had the desired risk/return profile. The Growth option has had a higher level of returns and risk, while the Cash Plus option has had low and very stable returns.

The Growth and Balanced options have had one negative year (2018). This is in line with expectations.

4.4 Returns versus inflation

The investment return expectations for the three diversified options are quantified as a "guide to members" of a return in excess of inflation and the frequency of an expected negative return. The expectation of a return ahead of inflation is measured after tax and investment expenses against the New Zealand Consumers Price Index ('CPI').

The following table shows the margin over CPI by option.

	CPI margin % pa
Growth	2.5
Balanced	1.5
Stable	0.5

While these are somewhat lower than may have been expected in previous periods, the event of the low interest rate environment means that lower returns are expected in the future. We are satisfied that these levels are reasonable and compare closely to other similar savings schemes.

The Cash Plus option is expected to match the return of a cash market index. This is measured after investment expenses. We believe this is appropriate. (Note that the cash market index has no investment expenses and so this implies the need for the Scheme to outperform.)

The following table shows the performance as at 31 March 2021 of the options versus the return that is quantified as a "guide to members" in the SIPO.

		5 years			10 years		
		Actual % pa	Expectation % pa	Variance % pa	Actual % pa	Expectation % pa	Variance % pa
Growth	CPI + 2.5% pa	7.3	4.3	3.0	6.8	3.8	3.0
Balanced	CPI + 1.5% pa	5.7	3.3	2.4	5.9	2.8	3.1
Stable	CPI + 0.5% pa	3.8	2.3	1.5	4.3	1.8	2.5
Cash Plus[1]	Market index	1.8	1.8	0.0	2.6	2.4	0.2

[1] Performance on the Cash Plus line is shown before tax.

Over the long term, all investment options have performed well against expectations. Taking the Balanced option as an example, over the last 10 years the Scheme has returned 5.9% per annum versus the inflation-based expectation of 2.8% per annum. That is, the option was some 3.1% per annum better.

The margins over expectations are similar for other diversified options. The Cash Plus option is closer to its objective, but still has provided small outperformance.

Over the five year period, the results are very similar.

Overall, the performance of the Scheme has been good compared with the Trustee's guidance to members. This is partly due to strong performance from investment markets over an extended period of time. The ten year period does not contain any significant market crises, aside from the most recent falls in 2020 as a result of Covid-19, from which markets have swiftly recovered.

4.5 Performance versus peers

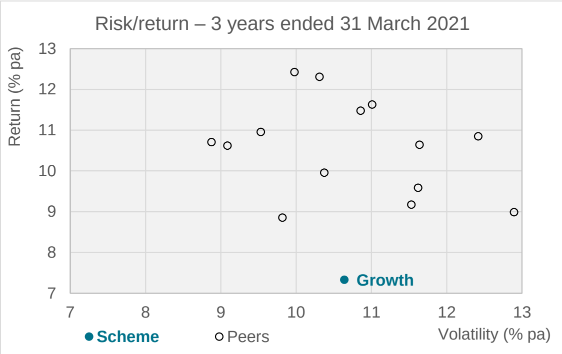
In this sub-section, we compare the Scheme's diversified options against the KiwiSaver peer group. The peer group are the KiwiSaver funds from the MJW Investment Survey. Returns are after fees and before tax.

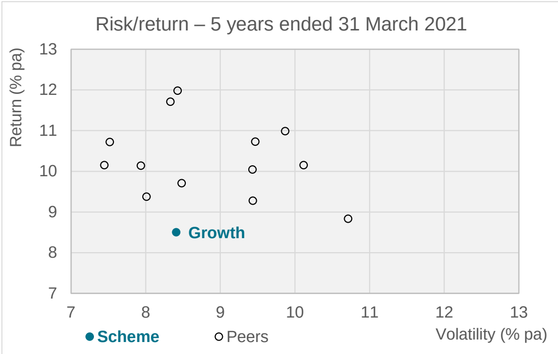
We present the results in "risk/return charts". The vertical axis gives the return; a point further to the top means a greater return was achieved. The horizontal axis gives the volatility (standard deviation) of returns; a measure of the year-to-year variability in results. A point further to the right means that the past returns have been more volatile.

Generally, we expect a positive correlation between risk and return. A greater long-term return usually corresponds with greater risk. However, it is possible to achieve a good return relative to the peer group with a low relative risk. This would correspond with being in the top left-hand quadrant of the chart.

4.5.1 *Growth option*

We begin with the Growth option. The peer group comprises KiwiSaver funds classified in the growth category (70-85% target allocation to growth assets). The Scheme's Growth option has a target allocation of 80% to growth assets.





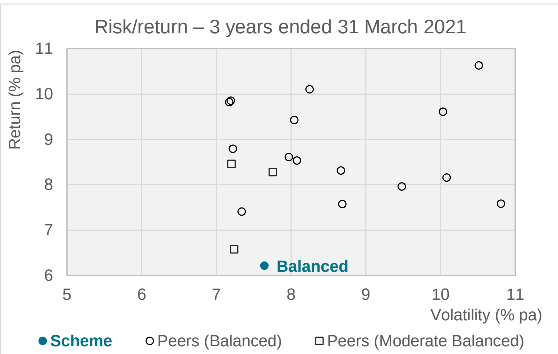
Over both periods the Scheme has had the lowest return of the peer group. It has had average volatility.

Interestingly, over recent years there does not appear to be a strong correlation between return and volatility. That is, the best returning growth funds have not had significantly higher volatility. This is potentially due to allocations to the New Zealand share market which has been both strongly performing and relatively less volatile than international share markets.

This is not necessarily expected to continue over the long-term; investment theory would dictate that higher returns are likely to come with higher risk. However, over the short to medium-term, this dynamic could persist for several years.

4.5.2 *Balanced option*

We next turn to the Balanced option. The peer group comprises KiwiSaver funds classified in the Balanced category (55-69% target allocation to growth assets). We have added in three funds classified in the Moderate Balanced category (45%-54% growth assets), since the Scheme's Balanced option is more conservative than the typical balanced fund, having a target allocation of 50% to growth assets.



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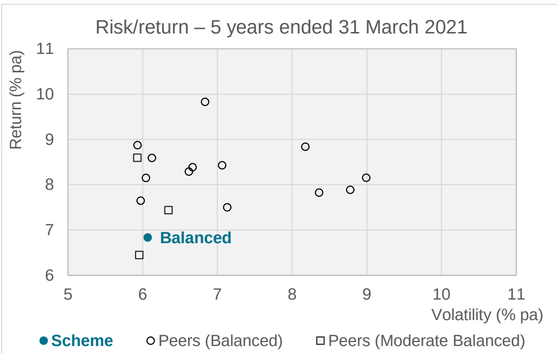
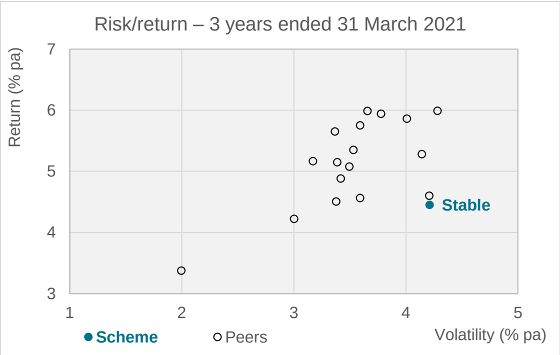


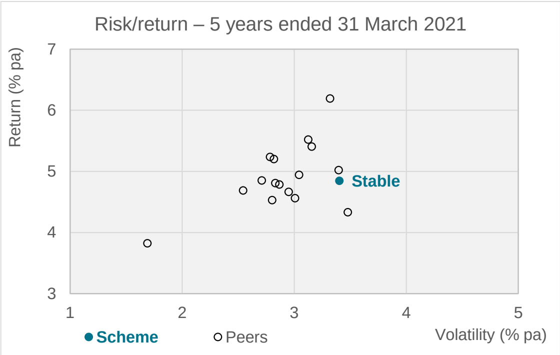
The Scheme has performed near the bottom of the peer group over both periods. Its volatility has been in the lower half of the peer group.

The three moderate balanced peers (squares), which are arguably more comparable to the Scheme's slightly more conservative balanced approach, have not had significantly different returns from the balanced peer group. However, all three have had lower than average volatility. The Scheme's volatility is similar to the moderate balance funds, although it has significantly lagged all but one of this smaller peer group in terms of performance.

4.5.3 Stable option

Finally, we discuss the Stable option. The peer group comprises KiwiSaver funds classified in the Conservative category (15-29% target allocation to growth assets). The Scheme's Stable option has a target allocation of 20% to growth assets.





The Scheme has ranked around the middle of the peer group in terms of return over the five year period. Over the three year period, the Scheme is ranked towards the bottom.

The Scheme has had relatively high volatility for this category. However, it is not significantly different from the majority of peers.

4.5.4 Summary

Over the five year period to December 2020, the Scheme's performance versus comparable funds has been weak. Its diversified options have tended to be near the bottom of the peer group, if not outright last. Despite this, the Scheme has not had significantly lower volatility than peers.

4.6 Performance attribution

In this sub-section, we analyse the reasons for the Scheme's relative underperformance. We have focussed on the Scheme's Balanced option. However, similar conclusions will be able to be drawn with respect to the other portfolios.

We have created an average peer return based on the wholesale funds available in the New Zealand institutional marketplace. This represents a benchmark to compare the Scheme's performance against.

We break out the relative performance into two effects: manager performance and asset allocation.

- Manager performance: This is the effect from doing better/worse than the average peer within each asset sector. That is, whether or not the Scheme's investment manager has outperformed its peers in each asset sector. In the Scheme's case, it uses investment products made of underlying outsourced managers selected by Mercer. Thus, there are two levels that are at work: firstly, Mercer's selection of good sub-managers and secondly, the performance of the sub-managers themselves. Both effects are included in this category.
- Asset allocation: This is the effect from having a better/worse asset allocation than the average peer. That is, being tilted towards asset sectors which have done better and being tilted away from asset sectors which have done worse.

As well as these two effects, there is a residual which represents the interaction of the two effects and the approximate nature of the analysis.

The following table presents our analysis for two periods to 31 March 2021.

	3 years % pa	5 years % pa
Peer average	10.4	9.7
Manager performance		
Domestic equities	0.0	-0.1
Global equities	-0.2	0.0
Real assets	0.1	0.2
Alternatives	0.0	0.0
New Zealand fixed interest	0.0	0.0
Global fixed interest	-0.2	-0.1
Cash	0.0	0.0
Total	-0.3	0.0
Asset allocation		
Domestic equities	-1.3	-1.2
Global equities	-1.4	-1.3
Real assets	-0.3	-0.1
Alternatives	0.2	0.2
New Zealand fixed interest	-0.5	-0.4
Global fixed interest	1.1	1.0
Cash	-0.1	-0.1
Total	-2.3	-2.0
Residual	0.2	0.3
PSS return	8.1	8.1

Walking through the above, we have for the three year period:

- The average peer return of 10.4% per annum. This is better than the Scheme's Balanced option return of 8.1% per annum.
- A small negative from the manager performance effect: -0.3% per annum. This shows that, on average, the investment manager's performance has been a slight negative for the Scheme. This has mainly come from the investment manager lagging the average peer within the global fixed interest sector. There are small negatives within the equity sectors.
- A larger negative from the asset allocation effect. The most significant negatives come from the equities sectors, where the Scheme has been underweight relative to peers.

The picture is similar over the five year period, with the majority of weaker performance versus peers due to asset allocation effects.

To analyse this further, we present the following table which shows the Scheme's average over/underweight to various asset sectors versus the average peer, and the return from the market index in each sector over the last three years.

	Over/ under %	Return % pa
Domestic equities	-8.4	15.7
Global equities	-10.3	13.9
Real assets	+2.0	10.1
Alternatives	+8.0	3.6
New Zealand fixed interest	-13.2	3.6
Global fixed interest	+27.0	4.0
Cash	-5.0	1.3
	0.0	-2.3

This shows that on average the Scheme has been underweight domestic and global equities relative to the peer group, with corresponding overweights to real assets (property and infrastructure) and alternative assets (hedge funds and commodities).

Aggregating these four categories we have a position of -8.5%. That is, the Scheme's Balanced option has been underweight growth assets and overweight income assets relative to peers. Again, we note that the main driver of this disparity is the more conservative approach of the Scheme's Balanced option compared with peer funds which are branded as "Balanced".

As shown in the right column, growth assets in general (and equities in particular) have performed very well. In fact, domestic equities have averaged 15.7% per annum before fees and tax – a strong result. By having less exposure to these strongly performing asset sectors, the Scheme has underperformed the average peer. This aggregates to a 2.3% per annum drag.

4.6.1 Asset sector performance

As revealed above, the majority of the poor relative performance appears to be due to asset allocation effects. However, for completeness, we have examined the manager performance effects in detail. Our full analysis is included in Appendix A.

We summarise our assessment of the Scheme's investment manager (Mercer) as follows:

- **Domestic equities:** Somewhat weak performance relative to peers and the market index.
- **International equities:** In aggregate, somewhat weak performance. Within this, the core allocation has performed very well. However, the component allocated to a low volatility approach has been a significant drag on performance.
- **Real assets (property and infrastructure):** While weak in an absolute sense, these sectors have performed well compared to market indices.
- **Alternative assets (commodities and hedge funds):** Performance has been weaker than equity markets but Mercer has performed well against market indices.
- **International fixed interest:** Performance has been somewhat ahead of the market index but Mercer has lagged the peer group. Absolute return fixed interest has underperformed traditional fixed interest.

- **Cash:** Performance is adequate for this asset sector, although Mercer is at the bottom of the peer group.

In summary, Mercer's performance has been somewhat weak relative to peers, although on the whole it has performed adequately compared to market indices. We would prefer to see higher, and more consistent, value added over market indices, but overall the picture is not significantly negative.

It is a similar picture to the preceding analysis, where the allocation to some sectors which are less commonly used (e.g. absolute return fixed interest, low volatility equities) have been headwinds to the Scheme's performance against peers. That is, while these sectors have largely performed adequately given their approach, their approach has not been in favour in prevailing market conditions.

4.7 Concluding comments

In an absolute sense, the options have performed to the expectations set out in the SIPO. The more aggressive options have provided higher returns at a higher level of risk (volatility) while the more conservative options have provided lower returns but with more stability (less risk).

In a relative sense, however, the Scheme's options have underperformed comparable funds. Performance for the Growth and Balanced options has been at the bottom of the comparable peer groups, while the Stable option has performed in the middle of the peer group. (The cash sector performance has been relatively weak, meaning that the Cash Plus option will also feature poorly.)

The poor performance is mostly attributable to several aspects of the Scheme's investment approach. The Scheme's higher exposure to asset sectors which have performed relatively weakly, (and correspondingly lower exposure to asset sectors which have performed relatively strongly) has been the main driver of the poor relative performance.

As noted earlier in this report, our investment philosophy differs in some areas from the Scheme's. There are multiple, valid approaches to investment management, and we do not advocate for simply following the peer group. However, we recommend that the Trustee re-examines the evidence for investing in the certain asset sectors which we have highlighted, and considers lowering the Scheme's exposure.

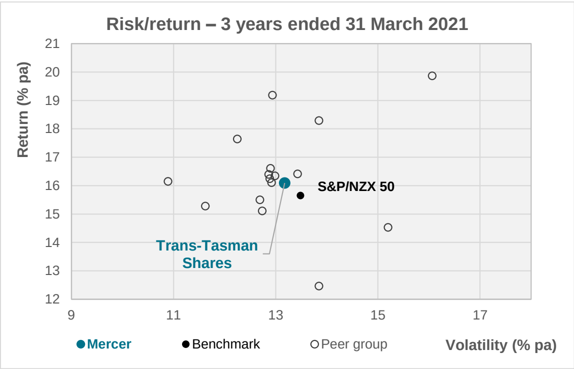
We caution, however, that the timing of any such change in investment approach needs to be carefully considered. It would be detrimental to sell out of asset sectors which had performed relatively poorly, if this is turns out to be cyclical.

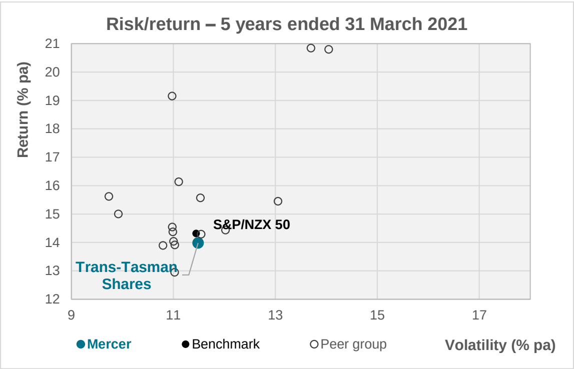
A Appendix A: Asset sector performance

Performance in this appendix is shown before fees and tax, and for periods ended 31 March 2021. The peer groups are taken from the MJW Investment Survey.

A.1 Domestic equities

	3 years % pa	5 years % pa
Trans-Tasman Shares	16.1	14.0
S&P/NZX 50	15.7	14.3
Value added	0.4	-0.3
Peer group ranking	13 of 18	14 of 17



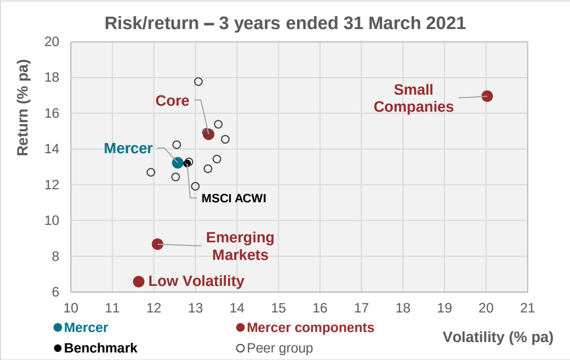


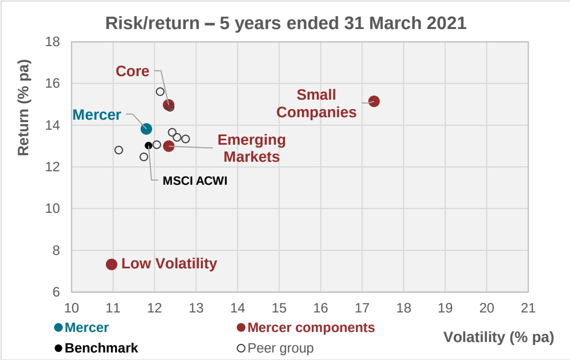
The peer group is the New Zealand equity funds from the MJW Investment Survey.

A.2 International equities

This sector is broken into the four component parts in the lower half of the table, and shown in red in the following charts.

	3 years % pa	5 years % pa
Mercer	13.2	13.8
MSCI ACWI	13.2	13.0
Value added	0.0	0.8
Peer group ranking	6 of 12	5 of 12
Components of Mercer return		
Core	14.8	15.0
Low Volatility	6.6	7.3
Small Companies	17.0	15.1
Emerging Markets	8.7	13.0

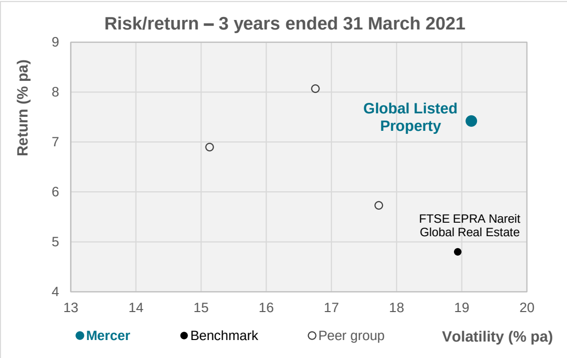


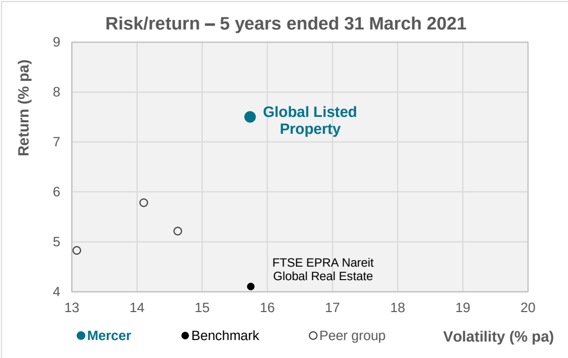


The peer group is the core global equity funds from the MJW Investment Survey.

A.3 Real assets

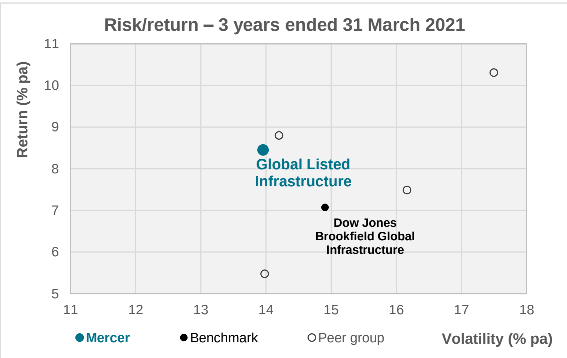
	3 years % pa	5 years % pa
Global Listed Property	7.4	7.5
FTSE EPRA Nareit Global Real Estate	4.8	4.1
Value added	2.6	3.4
Peer group ranking	2 of 4	1 of 4

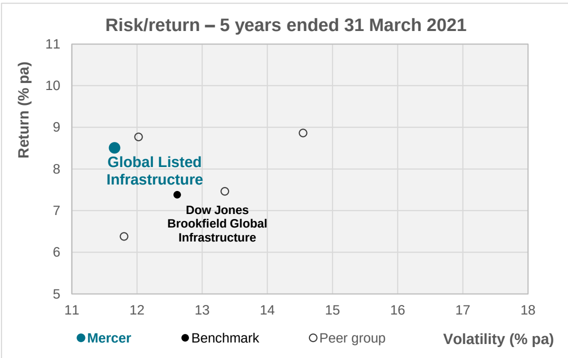




The peer group is the global listed property funds from the MJW Investment Survey.

	3 years % pa	5 years % pa
Global Listed Infrastructure	8.5	8.5
Dow Jones Brookfield Global Infrastructure	7.1	7.4
Value added	1.4	1.1
Peer group ranking	3 of 5	3 of 5

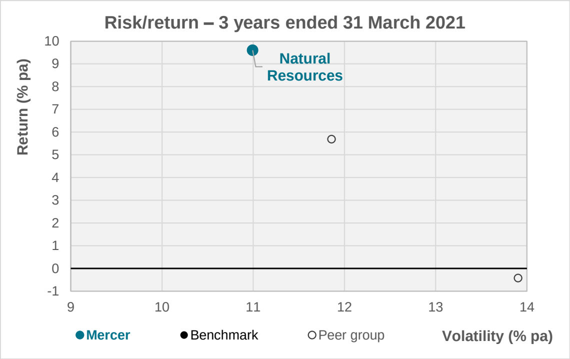


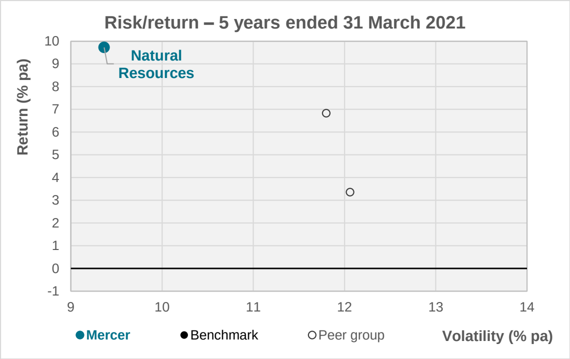


The peer group is the global listed infrastructure funds from the MJW Investment Survey.

A.4 Alternative assets

	3 years % pa	5 years % pa
Natural Resources	9.6	9.7
B'Berg Comomodity index (hedged)	-1.5	1.9
Value added	11.1	7.9
Peer group ranking	1 of 3	1 of 3





The peer group is the commodity funds from the MJW Investment Survey.

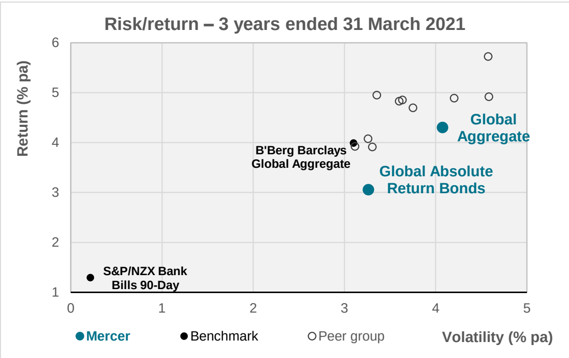
	3 years % pa	5 years % pa
Liquid Alternatives	-0.6	1.3
B'Berg Comomodity index (hedged)	-1.5	1.9
Value added	1.0	-0.5

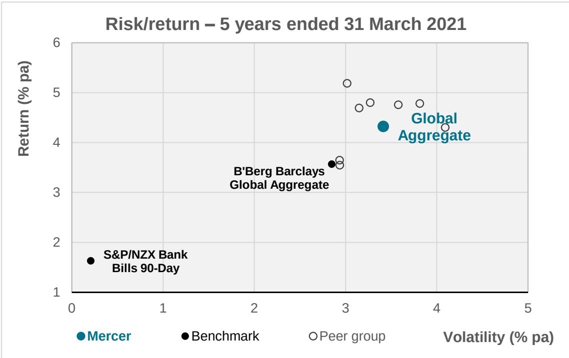
There is no applicable peer group for this sector.

A.5 International fixed interest

The Scheme's Stable option includes exposure to an absolute return fixed interest strategy. This is shown in the lower half of the table.

	3 years % pa	5 years % pa
Global Aggregate	4.3	4.3
B'Berg Barclays Global Aggregate	4.0	3.6
Value added	0.3	0.8
Peer group ranking	8 of 11	6 of 9
Global Absolute Return Bonds	3.1	-
S&P/NZX Bank Bills 90-Day	1.3	-
Value added	1.8	-

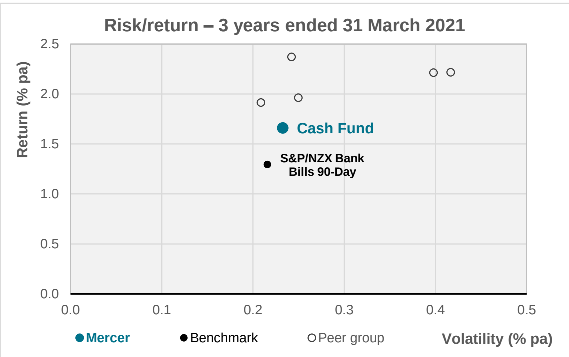


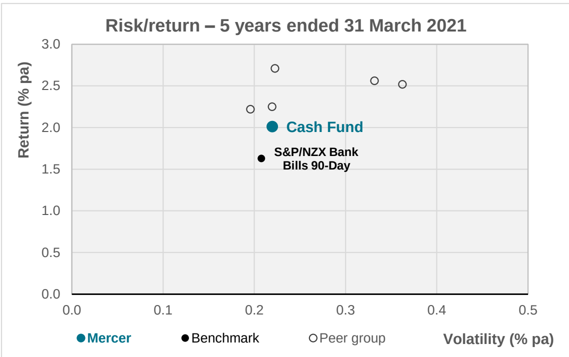


The peer group is the core global fixed interest funds from the MJW Investment Survey.

A.6 Cash

	3 years % pa	5 years % pa
Cash Fund	1.7	2.0
S&P/NZX Bank Bills 90-Day	1.3	1.6
Value added	0.4	0.4
Peer group ranking	6 of 6	6 of 6





The peer group is the cash funds from the MJW Investment Survey.

B Appendix B: KiwiSaver peer group

Performance in this appendix is shown after fees and before tax, and for periods ended 31 March 2021. The source is the MJW Investment Survey.

Returns and Risk		FUM	Growth BM	3 months		1 year		3 years		5 years		10 years		Risk pa	
Manager	Fund	$m	%	%	Rank	%	Rank	% pa	Rank	% pa	Rank	% pa	Rank	5 year	10 year
Growth (70%-85% growth assets)															
AMP	Growth	873	77.0	3.2	(5)	27.8	(10)	9.2	(12)	9.3	(12)	8.1	(9)	9.4	8.7
ANZ	Growth	3,951	80.0	3.5	(4)	33.3	(2)	10.9	(6)	10.2	(7)	10.7	(2)	10.1	8.6
ASB	Growth	4,048	80.0	2.4	(9)	29.1	(7)	9.6	(11)	10.0	(9)	9.5	(6)	9.4	8.1
BNZ	Growth	983	70.0	1.9	(11)	25.0	(14)	10.6	(9)	10.7	(5)	-		7.5	-
Booster	Balanced Growth	439	80.0	2.2	(10)	26.8	(13)	11.0	(5)	10.1	(8)	8.1	(8)	7.9	6.9
Fisher	Growth	2,769	80.0	3.1	(6)	30.8	(5)	**12.4**	**(1)**	11.7	(2)	9.7	(4)	8.3	7.5
Fisher Two	Growth	703	75.0	2.9	(8)	26.8	(12)	10.7	(7)	10.2	(6)	9.3	(7)	7.4	7.0
Generate	Growth	962	82.5	1.2	(14)	27.4	(11)	11.6	(3)	10.7	(4)	-		9.5	-
Kiwi Wealth	Growth	2,016	80.0	4.5	(2)	32.2	(4)	10.6	(8)	11.0	(3)	10.1	(3)	9.9	9.5
Mercer	Growth	161	80.0	3.1	(7)	28.1	(9)	8.9	(14)	9.4	(11)	-		8.0	-
Milford	Active Growth	2,223	78.0	**5.8**	**(1)**	**34.8**	**(1)**	12.3	(2)	**12.0**	**(1)**	**13.5**	**(1)**	8.4	7.0
Simplicity	Growth	1,220	78.0	1.5	(12)	28.6	(8)	11.5	(4)	-		-		-	-
SuperLife	Growth	33	80.0	3.5	(3)	32.7	(3)	9.0	(13)	8.8	(13)	-		10.7	-
Westpac	Growth	2,072	80.0	1.2	(13)	29.4	(6)	10.0	(10)	9.7	(10)	9.6	(5)	8.5	7.1
Median			***80.0***	***3.0***		***28.9***		***10.7***		***10.2***		***9.6***		***8.5***	***7.5***
Balanced (55%-69% growth assets)															
AMP	Balanced	1,079	57.0	2.0	(8)	20.1	(13)	7.6	(14)	7.5	(13)	7.1	(11)	7.1	6.5
AMP	Ethical Balanced	21	65.0	**3.7**	**(1)**	23.8	(6)	8.0	(12)	-		-		-	-
AMP	Nikko Balanced	100	65.0	-1.5	(15)	25.1	(5)	7.6	(13)	7.9	(10)	8.3	(4)	8.8	7.1
ANZ	Balanced Growth	2,704	65.0	2.3	(4)	26.5	(2)	9.6	(5)	8.8	(3)	9.5	(2)	8.2	7.0
ASB	Balanced	2,475	60.0	1.0	(11)	21.4	(10)	8.3	(10)	8.4	(5)	8.3	(5)	7.1	6.0
Booster	Balanced	624	60.0	1.3	(10)	19.7	(14)	8.8	(7)	8.2	(9)	7.1	(12)	6.0	5.2
Booster	SRI Balanced	153	55.0	0.9	(12)	19.2	(15)	9.9	(3)	8.6	(4)	-		6.1	-
Fisher Two	Balanced	1,096	57.0	2.0	(7)	21.9	(9)	9.8	(4)	8.9	(2)	8.2	(7)	5.9	5.3
Kiwi Wealth	Balanced	2,059	55.0	2.3	(2)	22.5	(8)	8.6	(8)	8.4	(6)	8.2	(8)	6.7	6.0
Mercer	Balanced	501	60.0	1.6	(9)	20.5	(11)	7.4	(15)	7.6	(12)	7.9	(10)	6.0	5.2
Milford	Balanced	591	61.0	2.2	(5)	25.2	(4)	10.1	(2)	**9.8**	**(1)**	**10.8**	**(1)**	6.8	5.9
Simplicity	Balanced	319	56.0	0.2	(14)	20.2	(12)	9.4	(6)	-		-		-	-
SuperLife	Balanced	54	60.0	2.1	(6)	25.5	(3)	8.2	(11)	7.8	(11)	8.0	(9)	8.4	7.2
SuperLife	Ethica	50	60.0	2.3	(3)	**29.2**	**(1)**	**10.6**	**(1)**	8.2	(8)	8.7	(3)	9.0	7.1
Westpac	Balanced	1,956	60.0	0.6	(13)	22.8	(7)	8.5	(9)	8.3	(7)	8.2	(6)	6.6	5.6
Median			***60.0***	***2.0***		***22.5***		***8.6***		***8.3***		***8.2***		***6.8***	***6.0***
Moderate Balanced (45%-54% growth assets)															
AMP	Mod. Balanced	810	47.0	1.1	(3)	16.1	(3)	6.6	(3)	6.4	(3)	6.3	(2)	6.0	5.5
ANZ	Balanced	3,039	50.0	1.2	(2)	**20.3**	**(1)**	8.3	(2)	7.4	(2)	**8.3**	**(1)**	6.3	5.4
BNZ	Balanced	622	50.0	**1.4**	**(1)**	18.2	(2)	**8.5**	**(1)**	**8.6**	**(1)**	-		5.9	-
Median			***50.0***	***1.2***		***18.2***		***8.3***		***7.4***		***7.3***		***6.0***	***5.4***
Moderate (30%-44% growth assets)															
AMP	Income Generator	5	40.0	-1.2	(11)	**17.4**	**(1)**	6.9	(2)	-		-		-	-
AMP	Moderate	621	37.0	**0.6**	**(1)**	12.4	(10)	5.7	(11)	5.5	(9)	5.6	(6)	4.8	4.3
ANZ	Cons. Bal.	1,483	35.0	0.3	(3)	14.3	(3)	6.9	(3)	6.0	(5)	**7.0**	**(1)**	4.6	3.9
ASB	Moderate	2,247	40.0	-0.5	(9)	12.7	(6)	6.1	(9)	6.1	(3)	6.6	(2)	4.9	4.2
BNZ	Moderate	673	35.0	0.0	(6)	12.4	(8)	6.6	(5)	**6.9**	**(1)**	-		4.3	-
Booster	Moderate	15	35.0	-0.5	(10)	10.6	(11)	6.2	(6)	5.6	(8)	5.7	(5)	3.8	3.3
Generate	Conservative	471	32.5	0.1	(4)	12.6	(7)	**7.5**	**(1)**	6.1	(4)	-		4.5	-
Kiwi Wealth	Conservative	959	30.0	-0.1	(7)	12.4	(9)	6.1	(8)	5.4	(10)	5.7	(4)	3.8	2.9
Mercer	Moderate	179	40.0	0.4	(2)	13.0	(5)	5.7	(10)	5.8	(7)	-		3.9	-
SuperLife	Conservative	25	30.0	0.1	(5)	14.2	(4)	6.1	(7)	5.9	(6)	6.3	(3)	5.2	4.4
Westpac	Moderate	756	40.0	-0.2	(8)	15.3	(2)	6.7	(4)	6.3	(2)	-		4.7	-
Median			***35.0***	***0.0***		***12.7***		***6.2***		***5.9***		***6.0***		***4.5***	***4.0***
Conservative (15%-29% growth assets)															
AMP	Conservative	437	24.0	-0.1	(6)	8.1	(10)	4.6	(13)	4.3	(15)	4.8	(9)	3.5	3.0
AMP	Default	1,338	20.0	0.1	(4)	7.6	(12)	4.5	(15)	4.5	(14)	4.8	(10)	2.8	2.5
ANZ Default	Conservative	1,213	20.0	-0.6	(10)	8.4	(8)	5.8	(5)	4.9	(7)	5.9	(3)	3.0	2.6
ANZ	Conservative	1,244	20.0	-0.8	(13)	8.3	(9)	5.4	(7)	4.6	(13)	5.7	(7)	3.0	2.6
ASB	Conservative	4,118	20.0	-1.0	(15)	6.9	(15)	4.9	(12)	4.8	(9)	5.4	(8)	2.8	2.4
BNZ	Conservative	914	20.0	-0.9	(14)	6.0	(16)	4.2	(16)	4.7	(11)	-		2.5	-
BNZ	First Home Buyer	219	15.0	-0.2	(8)	4.7	(17)	3.4	(17)	3.8	(16)	-		1.7	-
Booster	Default	120	20.0	-0.4	(9)	7.4	(14)	5.2	(9)	4.9	(8)	-		2.7	-
Fisher	Conservative	1,039	27.5	0.1	(2)	9.6	(4)	6.0	(2)	5.4	(3)	5.9	(2)	3.2	2.7
Fisher Two	Conservative	178	27.5	**0.1**	**(1)**	10.1	(3)	5.9	(3)	5.5	(2)	**6.0**	**(1)**	3.1	2.8
Fisher Two	Default	722	22.5	0.0	(5)	9.4	(5)	5.7	(6)	5.2	(4)	5.8	(5)	2.8	2.4
Kiwi Wealth	Default	341	20.0	0.1	(3)	8.5	(7)	5.1	(10)	5.2	(5)	-		2.8	-
Mercer	Conservative	1,186	20.0	-1.1	(16)	7.6	(11)	4.6	(14)	4.7	(12)	5.8	(4)	3.0	2.5
Milford	Conservative	172	18.0	-0.2	(7)	**10.6**	**(1)**	5.9	(4)	**6.2**	**(1)**	-		3.3	-
Simplicity	Conservative	134	22.0	-2.0	(17)	7.4	(13)	**6.0**	**(1)**	-		-		-	-
Westpac	Conservative	2,992	25.0	-0.7	(12)	10.2	(2)	5.3	(8)	5.0	(6)	5.7	(6)	3.4	2.9
Westpac	Default	349	20.0	-0.6	(11)	8.9	(6)	5.1	(11)	4.8	(10)	-		2.9	-
Median			***20.0***	***-0.4***		***8.3***		***5.2***		***4.8***		***5.7***		***2.9***	***2.6***

Asset Allocation		NZ/Aus Shares	Global Shares	Property/ Infra	Alt. Assets	**Growth Assets**	NZ Bonds	Global Bonds	Alt. Assets	Cash	**Income Assets**
Manager	Fund	%	%	%	%	%	%	%	%	%	%
Growth											
AMP	Growth	23.2	52.9	5.0	1.9	**83.0**	6.7	5.3		4.9	**17.0**
ANZ	Growth	18.9	55.9	13.8		**88.7**	4.4	5.7		1.2	**11.3**
ASB	Growth	34.6	39.7	4.3		**78.6**	10.2	7.0		4.2	**21.4**
BNZ	Growth	25.8	51.7			**77.5**	3.0	13.9		5.7	**22.5**
Booster	Balanced Growth	24.6	46.7	6.1		**77.4**	7.6	5.3		9.7	**22.6**
Fisher	Growth	31.0	42.6	4.1		**77.6**	10.0	4.8		7.6	**22.4**
Fisher Two	Growth	27.5	37.5	7.3		**72.2**	12.0	4.9		10.8	**27.8**
Generate	Growth	23.1	46.7	12.8		**82.6**	9.6			7.8	**17.4**
Kiwi Wealth	Growth	3.6	74.9	0.9	4.8	**84.1**	5.3	6.0		4.6	**15.9**
Mercer	Growth	14.3	50.4	13.9	1.8	**80.5**	4.8	12.6		2.0	**19.5**
Milford	Active Growth	37.7	39.9	5.6		**83.2**	0.7	7.5		8.6	**16.8**
Simplicity	Growth	29.0	48.3			**77.3**	7.5	12.3		2.9	**22.7**
SuperLife	Growth	21.0	52.5	6.1		**79.6**	5.8	12.2		2.3	**20.4**
Westpac	Growth	27.5	41.3	8.6	4.6	**82.0**	6.7	7.7		3.6	**18.0**
Average		***24.4***	***48.6***	***6.3***	***0.9***	***80.3***	***6.7***	***7.5***		***5.4***	***19.7***
Balanced											
AMP	Balanced	16.3	42.1	4.1	1.7	**64.2**	13.9	13.3		8.6	**35.8**
AMP	Ethical Balanced	17.3	38.0	11.1		**66.4**	12.0	10.9		10.8	**33.6**
AMP	Nikko Balanced	21.3	29.2	5.0	9.7	**65.3**	19.9	9.8	5.0		**34.7**
ANZ	Balanced Growth	14.7	45.5	11.7		**72.0**	8.0	15.0		5.0	**28.0**
ASB	Balanced	31.3	27.0	1.0		**59.3**	9.8	22.4		8.6	**40.7**
Booster	Balanced	18.6	35.4	5.4		**59.4**	11.4	13.2		16.0	**40.6**
Booster	SRI Balanced	18.9	35.2	4.7		**58.8**	10.8	15.1		15.3	**41.2**
Fisher Two	Balanced	18.9	31.6	5.9		**56.4**	17.7	18.0		7.8	**43.6**
Kiwi Wealth	Balanced	2.6	53.5	0.6	3.4	**60.2**	15.1	17.1		7.7	**39.8**
Mercer	Balanced	11.2	36.5	12.1	1.9	**61.7**	9.6	24.8		3.9	**38.3**
Milford	Balanced	28.8	29.6	5.3		**63.8**	4.2	21.3		10.7	**36.2**
Simplicity	Balanced	20.4	35.0			**55.4**	16.1	25.3		3.2	**44.6**
SuperLife	Balanced	16.2	38.4	6.1		**60.7**	11.1	25.3		2.9	**39.3**
SuperLife	Ethica	16.3	38.2	5.8		**60.3**	11.5	25.6		2.6	**39.7**
Westpac	Balanced	20.5	32.7	4.7	3.8	**61.7**	13.6	20.1		4.6	**38.3**
Average		***18.2***	***36.5***	***5.6***	***1.4***	***61.7***	***12.3***	***18.5***	***0.3***	***7.2***	***38.3***
Moderate Balanced											
AMP	Mod. Balanced	14.9	33.5	3.7	1.5	**53.6**	17.2	16.1		13.1	**46.4**
ANZ	Balanced	12.2	35.1	9.6		**56.9**	10.7	23.0		9.4	**43.1**
BNZ	Balanced	18.6	39.9			**58.5**	7.8	25.3		8.4	**41.5**
Average		***15.2***	***36.2***	***4.4***	***0.5***	***56.3***	***11.9***	***21.5***		***10.3***	***43.7***
Moderate											
AMP	Income Generator	34.2	9.9	9.2		**53.3**	21.5	22.9		2.3	**46.7**
AMP	Moderate	11.3	27.9	3.1	1.4	**43.8**	20.7	19.1		16.5	**56.2**
ANZ	Cons. Bal.	8.8	25.6	7.5		**42.0**	13.4	29.9		14.7	**58.0**
ASB	Moderate	28.5	7.4	3.8		**39.7**	26.0	20.2		14.1	**60.3**
BNZ	Moderate	11.9	27.0			**38.9**	9.8	33.2		18.1	**61.1**
Booster	Moderate	12.4	18.9	4.0		**35.3**	21.6	20.9		22.2	**64.7**
Generate	Conservative	12.3	15.7	7.0		**35.0**	52.1			12.9	**65.0**
Kiwi Wealth	Conservative	1.4	28.3	0.3	1.8	**31.8**	26.6	30.2		11.3	**68.2**
Mercer	Moderate	8.3	23.6	8.1	1.9	**41.8**	12.6	27.6		17.9	**58.2**
SuperLife	Conservative	8.1	15.8	5.7		**29.7**	21.5	44.2		4.5	**70.3**
Westpac	Moderate	13.5	20.5	4.7	2.7	**41.4**	22.1	27.1		9.4	**58.6**
Average		***13.7***	***20.1***	***4.9***	***0.7***	***39.3***	***22.5***	***25.0***		***13.1***	***60.7***
Conservative											
AMP	Conservative	6.1	20.1	2.6	1.3	**30.1**	24.8	23.5		21.5	**69.9**
AMP	Default	7.2	15.3			**22.5**	17.5	15.6		44.4	**77.5**
ANZ Default	Conservative	5.1	15.5	4.2		**24.8**	16.9	38.7		19.5	**75.2**
ANZ	Conservative	5.1	15.6	4.2		**24.9**	16.9	38.4		19.7	**75.1**
ASB	Conservative	16.0	4.0			**19.9**	22.1	35.3		22.7	**80.1**
BNZ	Conservative	5.9	12.6			**18.5**	12.8	40.4		28.2	**81.5**
BNZ	First Home Buyer	4.0	9.0			**13.0**	5.0	18.9		63.1	**87.0**
Booster	Default	6.8	14.0	0.7		**21.5**	19.3	24.0		35.2	**78.5**
Fisher	Conservative	7.9	14.8	4.8		**27.5**	29.7	26.1		16.7	**72.5**
Fisher Two	Conservative	7.9	14.7	4.7		**27.3**	29.5	25.8		17.3	**72.7**
Fisher Two	Default	8.0	13.3	1.3		**22.6**	36.0	18.0		23.4	**77.4**
Kiwi Wealth	Default	0.3	18.8	0.3		**19.4**	18.4	21.7		40.5	**80.6**
Mercer	Conservative	4.4	16.2			**20.6**	14.5	33.0		31.9	**79.4**
Milford	Conservative	6.8	8.3	2.7		**17.8**	21.8	52.3		8.1	**82.2**
Simplicity	Conservative	9.6	12.6			**22.2**	35.9	39.6		2.3	**77.8**
Westpac	Conservative	9.4	11.0	3.9	2.0	**26.3**	28.2	30.3		15.2	**73.7**
Westpac	Default	7.1	11.8	1.9		**20.8**	31.7	27.7		19.8	**79.2**
Average		***6.9***	***13.4***	***1.8***	***0.2***	***22.4***	***22.4***	***30.0***		***25.3***	***77.6***