

INVESTMENT

NZ investment scene a history of 'betrayal'

An insider's view is scathing but also optimistic, writes Rob Stock.

AXA CHIEF executive Ralph Stewart has launched a stinging attack on his own industry and the successive governments that failed to control it.

In *From Crisis to Confidence*, written by Stewart and other AXA executives, Stewart describes the investment industry's behaviour as "corporate betrayal" and blames New Zealand's dismal record as the slowest-growing investment industry in the developed world on a litany of missed opportunities.

A survey by the US-based Boston Consulting Group published last year showed that even in boom times before the financial crisis, New Zealand's investment industry had been growing at 5.4% a year compared to double digits in the US, Japan, France and Australia.

Household debt has spiked, said Stewart, but: "Blaming New Zealand households is not fair. Rather, the blame should lie with successive governments who have failed to promote the development of a strong domestic financial services industry supported by a clear domestic savings policy."

"The blame also lies with the under-regulated financial services industry, which has failed to meet the needs of New Zealand consumers."

He said the majority of New Zealanders' savings were in simple bank deposits in contrast to the rest of the world where "as confidence and knowledge of savings has grown so has the diversity and depth of savings".

That pattern reflects the very weak "non-bank" savings industry in New Zealand, which has inspired little public confidence.

Diversifying what savings were

have is critical, he argues, to improving infrastructure investment in New Zealand and breaking the "high-debt, high-interest rate spiral New Zealand is currently facing".

But some high-profile failures had set that back, including "a joint venture that suffered a massive and very public failure impacting thousands of mum and dad investors to the tune of \$500 million" in which investors "were led to believe they were invested in what appeared to be lower-risk investments".

That's a veiled reference to the Diversified Yield and Regular Income funds offered by rival firms ING and ANZ bank, which had to compensate investors after losing huge sums on risky debt securities.

"In short, the advisory industry has failed New Zealand savers and investors in the same way as cor-

porate investment houses, failing to strike the right balance between benefits for investors and the benefits for the business owners."

Stewart says the outlook is improving however, with the last government having belatedly begun better regulation of advisers and investment businesses.

"The savings and investment industry must now step up to the challenge of providing New Zealanders with world-class products and services that are fairly priced and well managed. The mistakes of the past two decades can never be repeated."

'The mistakes of the past two decades can never be repeated.'

- Ralph Stewart

■ *From Crisis to Confidence*, published by Penguin, \$40, is written by advisers, executives and investment experts from the AXA group of companies, including AXA Global Investors and advisory firm Spicers.



Ralph Stewart says a lack of public confidence means money that could be invested in infrastructure is tied up in bank deposits.

Aust fund feels heat from Kiwi investor

By ROB STOCK

A KIWI fund manager is trying to force the liquidation of a listed Australian share fund invested entirely in cash and shares in Berkshire Hathaway, the investment company of "arguably the world's greatest investor" Warren Buffett.

Chris Swasbrook, of Elevation Capital, owns just over 5% of the Global Masters Fund, which has a market capitalisation of \$A8.58m, but he wants to see the fund liquidated, and the cash and Berkshire Hathaway shares it contains handed out to shareholders.

The fund's shares have a net tangible asset backing - the value of the cash and Berkshire Hathaway shares divided by the number of shares on issue - of A99.1c, but they trade on the ASX at around A73c.

Swasbrook has written to the fund's directors asking them to shut the fund down, saying it is too small and too illiquid to justify its existence any longer, and company secretary Brian Jones said the board would meet to discuss the matter.

When it was launched in 2005, Global Masters provided Aussie investors with access to Berkshire Hathaway shares. Since then it has become easier for investors to buy American shares, especially since Berkshire Hathaway did a share-split.

Swasbrook said the only other option to shutting it was a capital-raising to bulk up the fund to dilute the impact of the fund's fees and increase liquidity.

"We believe this would be unachievable given the company has only one investment - Berkshire Hathaway - which potential investors can readily access themselves and, more importantly, the company has no track record in investing in any other securities or asset class to provide potential new investors with guidance as to what to expect in the future," Swasbrook said.

"Elevation Capital believes that a liquidation of GPL is the outcome that will deliver the most value to your shareholders with the least amount of risk."

THE PANEL

Got a question about money? Our panel - Jo Kupa of mortgage broker Roost, Matthew Plowman of sharebroker Forsyth Barr and financial advisers Peter Hensley and Jeff Matthews - can give you an answer. Simply email your query to money@star-times.co.nz. The question of the week will receive three bottles of wine courtesy of blackmarket.co.nz.



WINNING LETTER

Rabobank shares

Q: Can you explain something to me? I was sold Rabobank Preference shares as part of a portfolio of safe fixed-interest investments. I am now wondering whether my adviser knew what he was doing. They appear to have lost me a considerable amount of money and are not paying me interest at a rate that compensates me for it. I feel aggrieved and would like to sell, but can't stomach the loss. What would I get



for selling up and what are the prospects for the shares, which I had thought of as bonds (they trade on a bond market), returning to face value any time soon?

Jeff writes: Firstly there is nothing wrong with Rabobank bonds as part of a well-constructed fixed interest portfolio. The problem is the world has dramatically changed since the bonds were issued in October, 2007. At that time the Reserve Bank OCR (official cash rate) was 8.25%, and following the global financial crisis the cash rate is now 2.5%. While most bonds are

issued with a fixed maturity date and a fixed "coupon" (interest rate), the Rabobank bonds were issued as a series of one-year rates that are reset each October.

In late 2007, dozens of finance companies were falling over, and along came the Rabobank issue with an AA credit rating, and backed by one of the only banks in the world with a AAA credit rating. Investors flocked to this investment and \$900 million of the securities were issued, with a large number of investors missing out on the bonds.

For the first year the investors earned 9.44%, which was the one-year swap rate, plus a margin of 0.76%. The next rollover was lower, but still an attractive 7.449%, so not too many complaints at this stage.

October 2009, and the one-year



Cash bonus: Australia has a register of unclaimed monies.

Photo: Louie Douvis

swap rate is 3.36%, plus the margin of 0.76%, and investors would get 4.123% for the next year, so now we have unhappy investors. While the last reset was disappointing, it was no worse than a one-year term deposit rate, and if you look at what you earned over the three years you would have still averaged over 7% pa for an AA credit-rated security.

If you sold the bonds at the current time you would crystallise a loss, as the bonds are trading at 84 cents in the dollar. The yield will improve as interest rates rise, but because credit markets have changed since the bonds were issued, investors now want a bigger margin than the 0.76% over the one-year swap rate, and so

the bonds may continue to trade at a discount. Rabobank may redeem the securities at par in October, 2017.

Super claims

Q: I worked in Australia from 1959 to 1973 and now suspect I might have been contributing to a superannuation scheme without fully realising it. I've been reading about new rules allowing pension funds to be transferred from Australia to New Zealand. How can I find out if I can make a claim?

Peter writes: The trans-Tasman transfer of superannuation monies that has been in the media lately is

referring to compulsory superannuation, which started in Australia in 1992. You missed out by 21 years. The Aussies do however have a register of unclaimed monies from shares, banks, insurance policies etc. The Australian Securities & Investments Commission holds in trust money from banks, building societies and credit unions that has laid dormant for seven years. It also holds money from company takeovers and those companies that have been unable to contact shareholders for six-plus years. Potential claimants can look up their name by going to www.fido.gov.au. Look under the publications and resources tab and then check the lists tab. If you suspect that you have some unclaimed superannuation monies you can visit the Australian Taxation website by visiting www.ato.gov.au. With this website you will need your name, date of birth and tax file number (TFN). Look under Super Funds, then Individuals, then the lost Super button is under Individual Superannuation Essentials.

■ **Responses to questions are general and should not be taken as specific advice. Disclosure statements are available on request.**

KIWISAVER FUNDS — PRICES & PERFORMANCE

Default	Net Assets \$mil	Total Return 1 yr %	Total Return 2yr % p/a	Exit Price \$	Price Date
AMP KiwiSaver (Default) Fund	251.64	5.97	4.37	1.0791	2/10/2010
ASB KiwiSaver Conservative Fund (Default)	495.60	6.43	4.69	1.0886	2/10/2010
AXA KiwiSaver Income Plus (Default)	291.56	10.01	4.20	1.0674	1/29/2010
ING KiwiSaver - Conservative Fund (Default)	262.25	6.60	4.71	1.0661	2/17/2010
Mercer KiwiSaver Conservative (Default)	282.21	14.04	5.03	—	—
TOWER KiwiPlan-Cash Enhanced (Default)	246.89	6.90	4.35	1.0993	2/17/2010
Multisector - Conservative/Cash/Fixed Income					
Fund Name	Net Assets \$mil	Total Return 1 yr %	Total Return 2yr % p/a	Exit Price \$	Price Date
AMP KiwiSaver Cash Fund	12.53	3.93	6.28	1.1609	2/10/2010
ANZ KiwiSaver - Conservative Fund	25.78	6.34	4.63	1.0594	2/17/2010
ANZ KiwiSaver Cash Fund	8.20	2.41	—	1.0576	2/17/2010
ASB FirstChoice KiwiSaver Tracker Conserv Fund	28.58	6.41	4.66	1.0875	2/10/2010
ASB FirstChoice KiwiSaver NZ Cash Fund	4.35	2.59	5.37	1.1407	2/10/2010
ASB KiwiSaver NZ Bank Deposit Fund	77.39	2.61	5.41	1.1411	2/10/2010
Asteron KiwiSaver Conservative Fund	3.73	8.24	3.01	1.0441	2/17/2010
Asteron KiwiSaver Capital Fund	2.19	3.76	5.86	1.1498	2/17/2010
Asteron KiwiSaver High Yield Fixed Interest Fund	0.96	6.22	3.35	1.0848	2/17/2010
AXA KiwiSaver Cash	8.91	4.02	5.53	1.1385	1/29/2010
Fidelity KiwiSaver-Capital Guaranteed Kiwi	9.12	3.81	—	2.1628	2/16/2010
Fidelity KiwiSaver-Conservative Kiwi Fund	12.11	5.96	4.46	5.5333	2/16/2010
Fisher Funds Conservative KiwiSaver Fund	1.20	—	—	1.0017	2/16/2010
Gareth Morgan Kiwisaver Scheme Conservative Fund	30.07	1.72	4.40	—	—
Grosvenor KiwiSaver Enhanced Income Fund	4.13	3.28	6.13	1.1901	2/17/2010
ING KiwiSaver SIL Conservative Fund	92.89	6.55	4.91	1.0670	2/17/2010
ING KiwiSaver - Cash Plus Fund	0.55	2.79	5.61	1.1324	2/17/2010
ING KiwiSaver SIL Cash Plus Fund	7.32	2.18	5.03	1.1096	2/17/2010
ING KiwiSaver SIL New Zealand Fixed Interest Fund	2.08	2.51	5.04	1.1145	2/17/2010
ING KiwiSaver SIL International Fixed Int Fund	0.77	4.50	8.29	1.1788	2/17/2010
Mercer Super Trust KiwiSaver Fixed Interest	0.40	17.40	9.06	—	—
Mercer KiwiSaver Cash	4.72	3.63	5.95	—	—
Mercer Super Trust KiwiSaver Cash	0.80	3.43	5.83	—	—
National Bank KiwiSaver - Conservative	35.40	6.47	4.71	1.0618	2/17/2010
National Bank KiwiSaver Cash Fund	13.85	2.45	—	1.0580	2/17/2010
Smartshares Smartkiwi Conservative Fund	1.18	—	—	1.0506	2/11/2010
TOWER KiwiPlan-Preservation	5.96	3.27	5.70	2265.2971	2/17/2010
Westpac KiwiSaver-Cash Fund	48.91	3.26	4.42	1.1109	2/16/2010
Multisector - Balanced/Moderate					
Fund Name	Net Assets \$mil	Total Return 1 yr %	Total Return 2yr % p/a	Exit Price \$	Price Date
AMP KiwiSaver Conservative Fund	13.73	4.29	6.23	1.1103	2/10/2010
AMP KiwiSaver Moderate Fund	41.75	6.25	3.17	1.0208	2/10/2010
AMP KiwiSaver Balanced Fund	68.06	9.67	0.45	0.9309	2/10/2010
AMP KiwiSaver Moderate Balanced Fund	62.39	8.26	1.19	0.9610	2/10/2010
AMP KiwiSaver-TOWER Balanced Fund	3.44	13.14	1.12	0.9894	2/10/2010
ANZ KiwiSaver - Balanced Fund	34.35	10.62	1.52	0.9545	2/17/2010
ANZ KiwiSaver - Conservative Balanced Fund	23.67	8.64	3.07	1.0060	2/17/2010
ASB FirstChoice KiwiSaver Active Conservative Fund	2.44	10.18	3.49	1.0393	2/10/2010

ASB FirstChoice KiwiSaver Tracker Moderate Fund	6.40	9.91	1.82	0.9871	2/10/2010
ASB KiwiSaver Moderate Fund	103.64	9.89	2.12	0.9944	2/10/2010
ASB FirstChoice KiwiSaver Active Balanced Fund	9.25	12.91	-0.60	0.9205	2/10/2010
ASB FirstChoice KiwiSaver Tracker Balanced Fund	8.16	12.60	-0.68	0.9048	2/10/2010
ASB KiwiSaver - Growth Fund	89.11	12.55	-0.55	0.9062	2/10/2010
Asteron KiwiSaver Balanced Fund	5.76	14.73	1.08	0.9661	2/17/2010
AXA KiwiSaver Balanced	42.89	17.41	0.10	0.9251	1/29/2010
AXA KiwiSaver Conservative	3.82	10.67	—	1.0897	1/29/2010
Brook Professional KiwiSaver Scheme Balanced Fund	0.42	5.98	3.99	1.1216	2/17/2010
Fidelity KiwiSaver-Balanced Kiwi Fund	26.63	6.53	4.30	5.4536	2/16/2010
Fidelity KiwiSaver-Ethical Kiwi	1.37	6.46	—	2.0046	2/16/2010
Gareth Morgan Kiwisaver Scheme Balanced Fund	138.71	-2.49	1.04	—	—
Grosvenor KiwiSaver Balanced Fund	24.96	10.71	3.71	1.0781	2/17/2010
Grosvenor KiwiSaver Conservative Fund	6.55	7.32	5.23	1.1019	2/17/2010
ING KiwiSaver - Conservative Balanced	1.35	8.06	2.81	1.0004	2/17/2010
ING KiwiSaver SIL Conservative Balanced Fund	31.28	8.99	3.39	1.0128	2/17/2010
ING KiwiSaver - Balanced	2.95	9.62	0.70	0.9359	2/17/2010
ING KiwiSaver SIL Balanced Fund	79.10	11.00	1.91	0.9629	2/17/2010
Mercer KiwiSaver Balanced	12.31	20.23	-1.38	—	—
Mercer Super Trust KiwiSaver Active Balanced	22.15	19.49	-1.39	—	—
Mercer Super Trust KiwiSaver Moderate	2.77	17.85	2.22	—	—
Mercer Super Trust KiwiSaver Conservative	0.81	15.01	2.95	—	—
National Bank KiwiSaver - Conservative Balanced	29.15	8.61	3.08	1.0061	2/17/2010
National Bank KiwiSaver - Balanced	50.27	10.64	1.58	0.9555	2/17/2010
Smartshares Smartkiwi Balanced Fund	3.17	—	—	0.8818	2/11/2010
TOWER KiwiPlan-Conservative	8.59	9.94	3.42	1.1066	2/17/2010
TOWER KiwiPlan-Balanced	67.30	10.64	0.74	2756.9672	2/17/2010
Westpac KiwiSaver-Balanced Fund	89.45	8.76	1.36	0.9558	2/16/2010
Westpac KiwiSaver-Conservative Fund	199.40	6.43	3.63	1.0519	2/16/2010
Westpac KiwiSaver-Balanced Fund	89.45	8.76	1.36	0.9527	2/5/2010
Westpac KiwiSaver-Conservative Fund	199.4	6.43	3.63	1.0508	2/5/2010
Multisector - Growth/Aggressive					
Fund Name	Net Assets \$mil	Total Return 1 yr %	Total Return 2yr % p/a	Exit Price \$	Price Date
AMP KiwiSaver Aggressive Fund	61.30	14.26	-5.59	0.7823	2/10/2010
AMP KiwiSaver - TYNDALL Balanced Fund	2.66	14.54	-0.33	0.9293	2/10/2010
AMP KiwiSaver Growth Fund	62.91	12.34	-3.56	0.8334	2/10/2010
AMP KiwiSaver-ING SIL Balanced Fund	15.17	14.26	0.52	0.9593	2/10/2010
ANZ KiwiSaver - Balanced Growth Fund	24.38	12.61	-0.20	0.9003	2/17/2010
ANZ KiwiSaver - Growth Fund	58.25	14.65	-2.02	0.8460	2/17/2010
ASB FirstChoice KiwiSaver Active Growth Fund	9.76	14.49	-2.60	0.8537	2/10/2010
ASB FirstChoice KiwiSaver Tracker Growth Fund	7.28	15.01	-3.46	0.8259	2/10/2010
ASB KiwiSaver Growth Fund	88.99	14.94	-3.16	0.8276	2/10/2010
Asteron KiwiSaver Balanced Growth Fund	8.07	20.46	-1.53	0.8809	2/17/2010
AXA KiwiSaver Growth	32.52	20.38	-3.10	0.8313	1/29/2010
Brook Professional KiwiSaver Scheme Growth Fund	2.93	9.29	4.06	1.1150	2/17/2010
Fidelity KiwiSaver-Aggressive Kiwi Fund	5.81	19.79	3.96	2.6336	2/16/2010
Fidelity KiwiSaver-Growth Kiwi Fund	14.91	7.18	1.26	5.1879	2/16/2010
First NZ Capital KiwiSaver Scheme	2.20	6.15	-9.26	0.7624	2/17/2010
Fisher Funds Growth KiwiSaver Fund	114.90	45.92	7.55	1.0332	2/16/2010

Gareth Morgan Kiwisaver Scheme Growth Fund	105.12	-6.59	-3.47	—	—
Grosvenor KiwiSaver Geared Growth Fund	0.44	—	—	1.1454	2/17/2010
Grosvenor KiwiSaver High Growth Fund	24.85	14.69	-1.55	0.9052	2/17/2010
ING KiwiSaver - Balanced Growth	3.18	11.18	-1.26	0.8767	2/17/2010
ING KiwiSaver - Growth Fund	3.32	12.59	-3.33	0.8204	2/17/2010
ING KiwiSaver SIL Balanced Growth Fund	76.21	13.11	0.17	0.9087	2/17/2010
ING KiwiSaver SIL Growth Fund	57.85				