



New Zealand Morningstar Fund Manager of the Year 2012 Announced

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It's the Morningstar Awards time again. Each year, in late February/early March we announce the finalists and winners of the annual Morningstar Awards. These awards, now in their 19th year in New Zealand, are determined by quantitative methods, such as risk-adjusted performance over various time periods as well as qualitative research as carried out by Morningstar fund analysts. These awards celebrate fund manager excellence and promote those fund managers who have shown an ability to not only reward their clients in a given year, but also consistently over time. The Morningstar Awards are open to all funds on the Morningstar database (which is free for all fund managers to join) and there is no cost for a fund manager to participate. Three finalists are selected for each of the five award categories. The named funds and fund managers have differing strengths and investment approaches but have all shown themselves capable of delivering superior returns to investors over both the past calendar year as well as over the longer term. Morningstar announced the category winners at our annual awards presentation on 1st March 2012. The winners are shown in the table below with a brief description of each winner also detailed below.

Table 1: New Zealand Morningstar Awards 2012 Finalists and Winners

| | Winner | Finalists |
|--|--------------------|---|
| New Zealand Fund Manager of the Year | OnePath | AMP Capital Investors, Milford Asset Management |
| Fixed Interest Category, New Zealand | TOWER BondPlus | AMP Capital Investors, OnePath |
| Domestic Equities Category, New Zealand | Fisher Funds | AMP Capital Investors, Milford Asset Management |
| International Equities Category, New Zealand | Brook Walter Scott | Elevation Capital, OnePath |
| KiwiSaver Category, New Zealand | OnePath | Milford Asset Management, Westpac |

The Winners

OnePath took the top award in 2012, usurping incumbent AMP Capital Investors who has won the title the past three years running. OnePath has a consistently strong KiwiSaver offering, out-pacing peers throughout the risk spectrum on a risk-adjusted basis over the 2011 calendar year as well as over the longer term. Their International Equities offering is also first class and was a finalist in its category, OnePath also performed well in the fixed interest category, and was also a finalist this year, while the firm's domestic equities returns in 2011 were commendable. True, there was some change in 2011 with the departure of the long-serving Chief Investment Officer and Head of Equities, but the strength in the investment team, consistency in personnel below, and robust investment process all came to the forefront. We also like the fee transparency on show, the firm is one of the few who are on the front foot for comprehensive fee disclosures in their offer documents. 2011 was a stellar year performance-wise and OnePath deserves the New Zealand Fund Manager of the Year 2012 title.

Two of the category winners, TOWER BondPlus in the Fixed Interest Category and Brook Walter Scott in the International Equities Category, both utilise external managers for their respective approaches.

TOWER BondPlus takes out the Fixed Interest Category for the second year running. It's testament to the quality of the dominant underlying manager, PIMCO, who manages approximately 90 percent of the fund that they started the year with a poorly positioned portfolio but ended up smashing their benchmark for the 2011 calendar year. The quality of underlying managers and the unique Fair Dividend Rate (FDR) tax ruling make this a standout proposition in the category.

European debt concerns and sluggish global growth weighed on international equities returns in 2011. The environment favoured stock pickers with a focus on quality businesses. This played to Walter Scott & Partners investment style. The firm ignores market noise and buys what they believe are great businesses, hanging in there for the long term. Brook Asset Management, bought Brook Walter Scott to New Zealand in 2009 and New Zealand investors were rewarded for this decision in 2011. Walter Scott is a specialist global equity firm based in Edinburgh with a rich history and stellar long-term results. Although, the fund delivered a negative return it thumped its peers and the index with much less volatility of returns.

Both TOWER and Brook have given Kiwi investors the opportunity to access high-quality, and deeply resourced investment teams and we applaud them for this.

Fisher Funds is well deserving of the Domestic Equities award with one of the longest, and strongest, performance track records in the industry. 2011 was a particularly sweet year for investors as Fishers largest positions delivered some of the best returns on our local stock market, which itself had a strong year relative to the ASX and most country indices' around the world. We like the consistency in the people and process followed here which has rewarded long-term investors.

KiwiSaver Communication Counts

While all categories use the same evaluation criteria, we have taken a different stance for the KiwiSaver Award. Our fund analysts qualitative opinion and risk adjust performance appraisal still has influence, but to a lesser degree for this award. As a direct to retail investor product we believe KiwiSaver providers should not just deliver strong investment performance but also should devote resources to communicating with their members and prospective members. For this reason, KiwiSaver providers are also judged on investor experience and transparency. The objective scoring of these two factors was undertaken with the assistance of Massey University Post-Graduate students under the guidance of key faculty members at the university. It was encouraging to see that across the board we saw improvements in how providers were communicating with their customers. Although there is still room for improvement for most providers, OnePath was again the winner in 2011, after posting very strong performance numbers across the various risk profiles. The firm had a stellar performance year for clients. The firm further differentiates itself from most peers by clearly stating their historical total charges to investors in their offer documents.

OnePath's achievement, as both the recipient of the KiwiSaver award and the overall Fund Manager of the Year award, is a testament to the quality of the firm's processes and people, and the consistent results the fund manager has produced for investors in its funds over both the past year and the longer term.

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