

Aon Hewitt
Investment Consulting

The Aon Investment Update

November 2011



AON Hewitt

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The Managers

ABNZL	Alliance Bernstein Ltd NZ
AMPCI	AMP Capital Investors (NZ)
AXA GI	AXA Global Investors (previously known as Arcus Investment Mgt)
ASB	ASB Bank Investments
BROOK	Brook Asset Mgt
BT	BT Funds Management (NZ) Ltd
EC	Elevation Capital Mgt Ltd
HARBOUR	Harbour Asset Management
ONEPATH	OnePath (NZ) Limited
DEVON	Devon Funds Mgt Ltd (previously known as GSJBW Asset Mgt)
MAM	Milford Asset Management
MINT	Mint Asset Management
NZAM	NZ Assets Mgt
RUSSELL	Russell Investment Group
TAM	Tower Asset Mgt
TYN	Tyndall Investment Mgt

The Indices

NZ Equities	NZX 50 (Gross)* NZX 50 Portfolio*
Australasian Equities	NZX 50 (Gross)* NZX 50 Portfolio*
Overseas Equities	MSCI Gross in \$NZ
NZ Bonds	ANZ Government Stock
Overseas Bonds	Citigroup Govt. World Barclays Capital Aggregate
Cash	ANZ 90 Day Bank Bill

*Includes imputation credits

Hedge

0% & 100%
100%
100%

Investment Commentary September 2011

Challenging Times

Equity markets buckle (again)

The September quarter saw a very substantial sell-off in equity markets. Most affected were the German and the French equity markets (the main index of each down 25% over the three months), with most other equity markets down by over 10%. The performance of the NZ market stands out with relatively small losses. Overall, these equity market losses were offset to some extent by gains on bonds and a falling NZ dollar.

This investment instability is due to excessive debt (especially in Europe), too few jobs and insufficient economic growth. These causes will be well known to all investors as they are much discussed in the news media and, despite many seemingly critical 'summits', have remained unresolved problems now for at least three years.

As a result the returns for multi-sector investment mandates have been barely positive over the latest 12 month period. This is illustrated in the performance of 'discretionary' funds (ie balanced mandates) shown below:

Manager Average (before tax and fees)

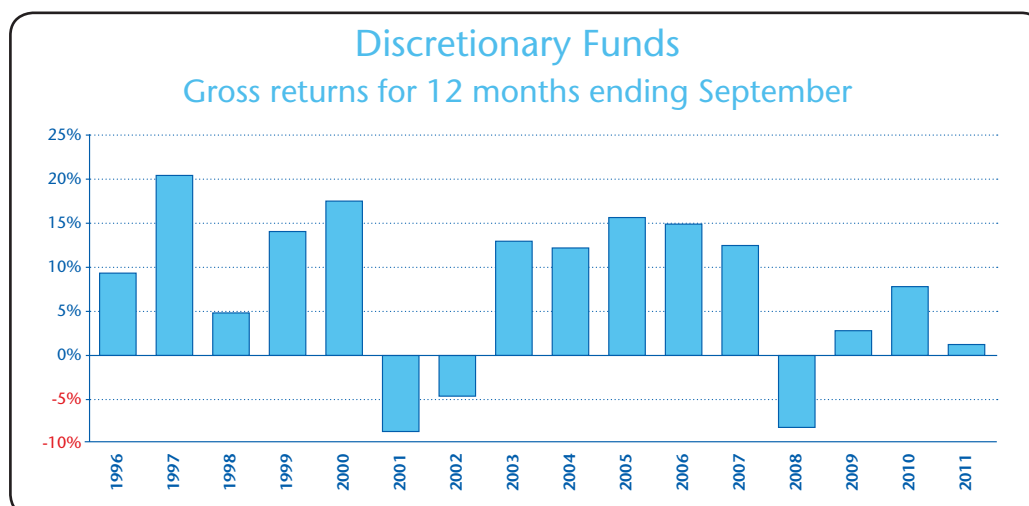
	Quarter ending	Year ending
September 2011	-4.7%	1.2%
June 2011	-0.2%	12.2%
March 2011	3.3%	8.1%
December 2010	3.0%	7.9%
September 2010	5.7%	8.0%
June 2010	-3.8%	10.0%
March 2010	3.1%	21.4%
December 2009	3.1%	13.1%
September 2009	7.7%	2.6%
September 2008	-2.4%	-8.5%

The three-year average return for the period ending September 2011 for these discretionary funds is 3.9% pa, and rolling 3-year returns have increased markedly over the last year as the very substantial equity market losses over 2008 have been dropped from the 3 year returns. This bounce in returns has not been quite as pronounced as expected due to the weak equity markets over the middle of 2011.

As expected, returns over the longer term have been adequate. However, the last four years have been tough for investors, and have significantly dented this long term return. Over the 16 year period, discretionary funds achieved:

- 12 years ending September 2007 9.7% pa
- 4 years ending September 2011 0.7% pa
- 16 years ending September 2011 7.4% pa

A graph of the annual returns for September years over the last 16 years from discretionary funds is given below:



What is clearly apparent are the two periods of very substantial losses in equity markets - the 'tech wreck' over 2001 and 2002 and the global financial crisis, which now extends from 2008 to 2011.

As often stated, equity markets are volatile and investors should accept some periods of capital losses. However, over the longer term, equity markets are expected to deliver strong returns - both in absolute terms and relative to other lower-risk asset classes. This has not been the case over the last ten years (which must be close to being defined as long-term), though 16 year returns are better, especially for NZ equities.

The table below shows medium and longer-term average gross investment manager returns for both global equities (currency unhedged) and NZ equities.

Equities – Average Manager investment returns*

	Global (unhedged)	New Zealand
5 years ending		
Sept. 2011	-5.4% pa	0.4% pa
Sept. 2006	1.9% pa	17.1% pa
Sept. 2001	14.8% pa	8.9% pa
10 years ending		
Sept. 2011	-1.8% pa	8.5% pa
Sept. 2006	8.2% pa	12.9% pa
16 years ending		
Sept. 2011	3.9% pa	8.7% pa

* before tax and fees

Compared to global equities, New Zealand equities have been quite respectable. Despite this relative out performance of the NZ share market, there has been a noticeable trend away from NZ equities over recent years.

But bonds have continued to be brilliant

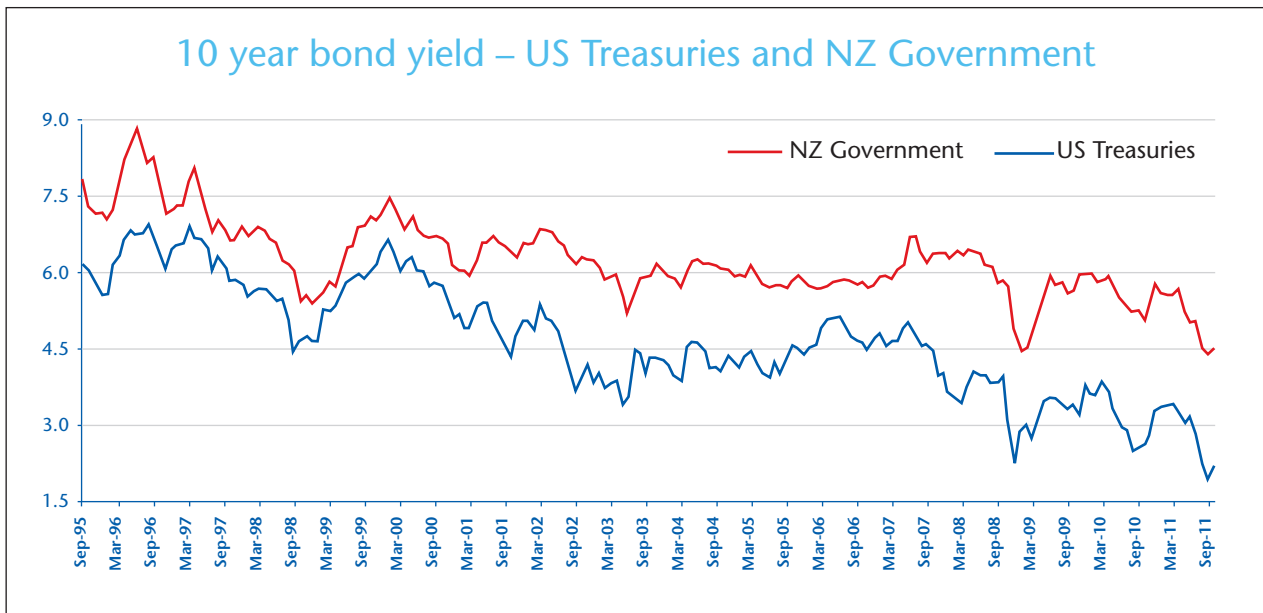
Both NZ and fully hedged global bonds have continued to perform strongly over the last 16 years. Manager average returns over this period are shown in the table below:

Bonds – Average Manager investment returns*

	Global (fully hedged)	New Zealand
5 years ending		
Sept. 2011	8.7% pa	8.1% pa
Sept. 2006	8.0% pa	6.8% pa
Sept. 2001	9.4% pa	9.0% pa
10 years ending		
Sept. 2011	8.4% pa	7.5% pa
Sept. 2006	8.7% pa	7.9% pa
16 years ending		
Sept. 2011	8.9% pa	7.9% pa

* before tax and fees

The return from bonds is a combination of interest payments and capital movements. The last 16 years have seen a marked fall in interest rates for both NZ and global bonds, which is reflected in immediate capital gains but lower future returns. The graphs below show the yields on US 10 year treasuries and NZ 10 year government securities over the last 16 years.



The ongoing crisis relating to Eurozone debt and an uninspiring US economy is reflected in the renewed flight to security, and so generating the historically low yields on longer-dated sovereign debt.

The above only covers sovereign bonds. Corporate debt has suffered much greater volatility over the period, with credit spreads narrowing to unjustifiable levels by 2008, and then widening rapidly during the global financial crisis. In addition, there have been massive developments in non-standard debt instruments, including structured debt and mortgage backed assets.

The future is challenging

We don't of course know what returns investment classes or investment strategies will deliver in future. However, what we do know is that:

- bond yields are currently at historically low levels, and so it is likely that the return on bonds will be modest over the next few years compared to their previous periods;
- equity markets continue to be volatile with general acceptance that there are some major economic and debt challenges, especially in the US and Europe, that have yet to be resolved, and so it is possible that equities will deliver modest returns over the medium term.

It may be that a conventional 'balanced' investment strategy, with a split largely between fixed interest and equities, may not be able to deliver strong returns over the next 5 or so years. There are likely to be periods of strong equity performance, but these may be offset by subsequent weak equity markets.

For trustees and investment consultants, this could result in investigating a greater allocation to alternative asset classes.

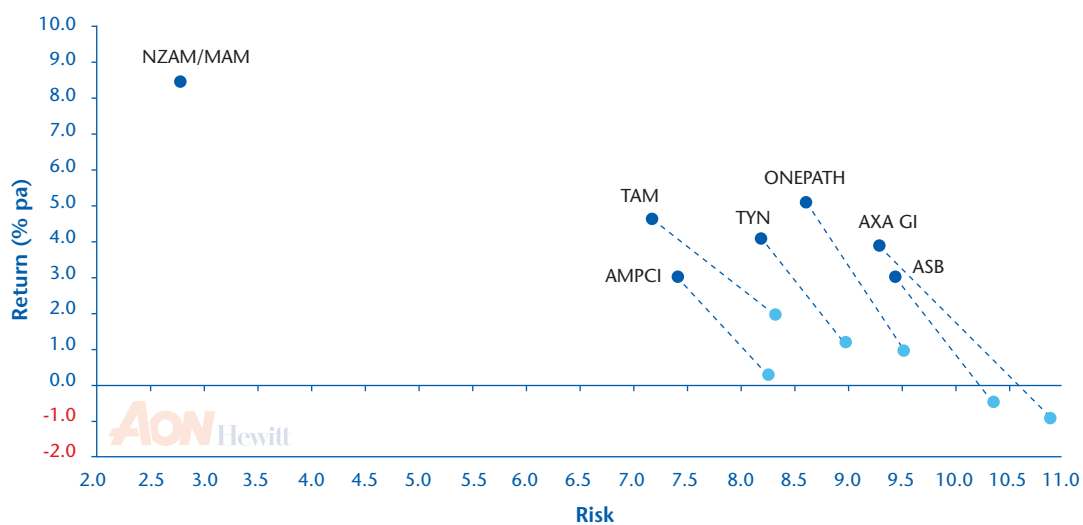
The above comments have been made previously, but continue to remain valid.

Discretionary Assets

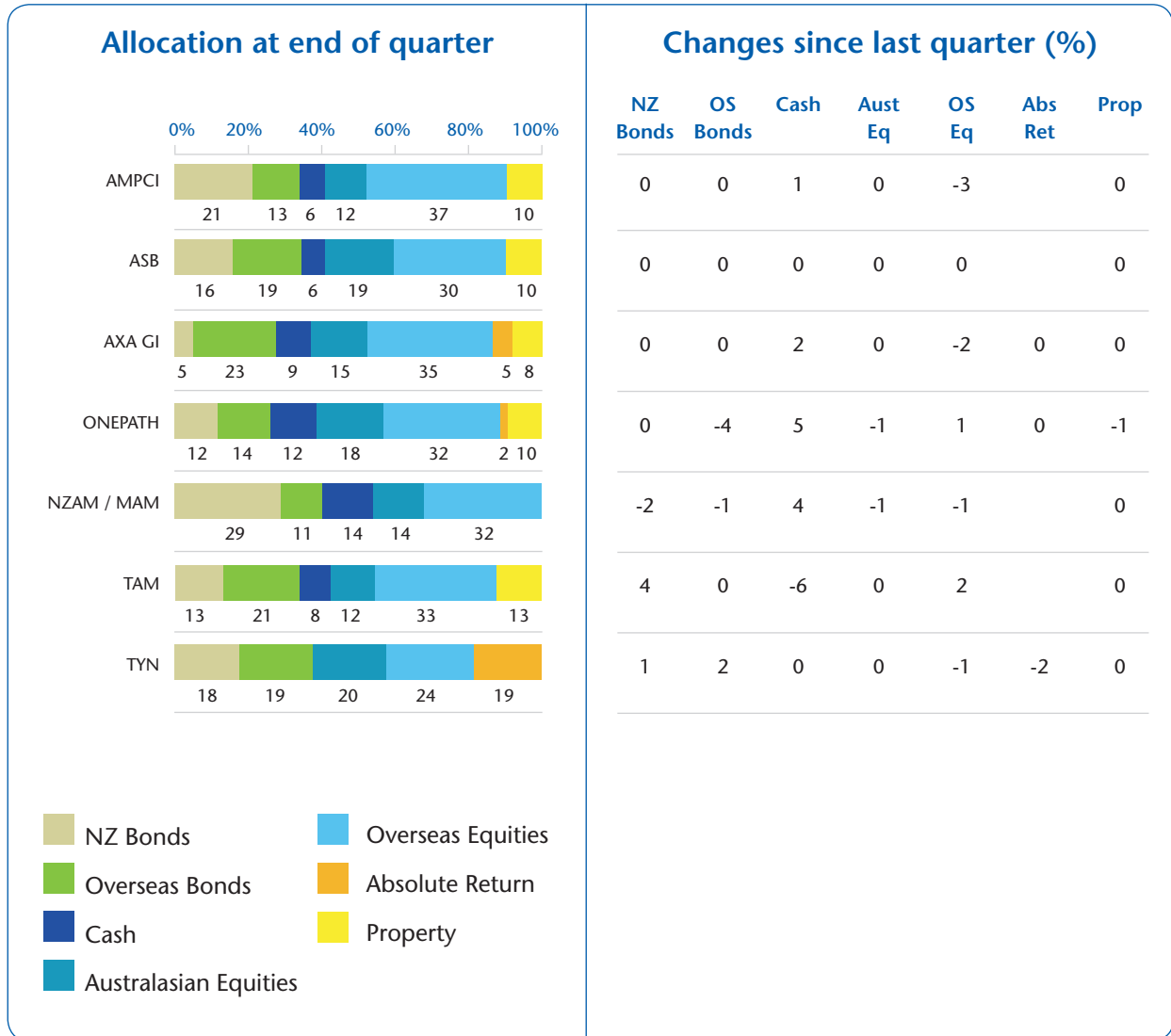
– Risk and Return

Manager	Funds (\$m)	Returns (%) gross of tax and fees for												
		the last								the year ended 30 June				
		1 qtr	Rk	1 yr	Rk	3 yrs	Rk	5 yrs	Rk	2011	2010	2009	2008	2007
AMPCI	1,026	-5.3	6	1.1	3	3.0	6	3.0	4	1.1	6.5	1.5	-6.8	14.1
ASB	339	-5.1	4	0.3	6	3.0	7	2.0	6	0.3	8.0	0.9	-9.6	11.7
AXA GI	141	-5.9	7	-0.9	7	3.8	5	2.1	5	-0.9	6.7	5.8	-13.9	14.9
NZAM / MAM	109	0.6	1	4.1	1	8.4	1			4.1	8.1	13.2		
ONEPATH	290	-5.1	5	3.3	2	5.0	2	3.1	3	3.3	9.6	2.4	-8.3	9.5
TAM	592	-4.0	2	0.5	5	4.6	3	3.4	1	0.5	9.8	3.6	-6.9	11.1
TYN	148	-4.9	3	1.0	4	4.0	4	3.2	2	1.0	8.8	2.4	-7.1	11.7
Average		-4.7		1.2		3.9		2.9		1.2	8.0	2.6	-8.5	12.3
Price inflation		0.4		4.6		2.6		2.9		4.6	1.5	1.7	5.1	1.8
Wage inflation		1.0		4.2		4.0		4.3		4.2	3.3	4.6	4.5	4.6

3 Year Risk/Return



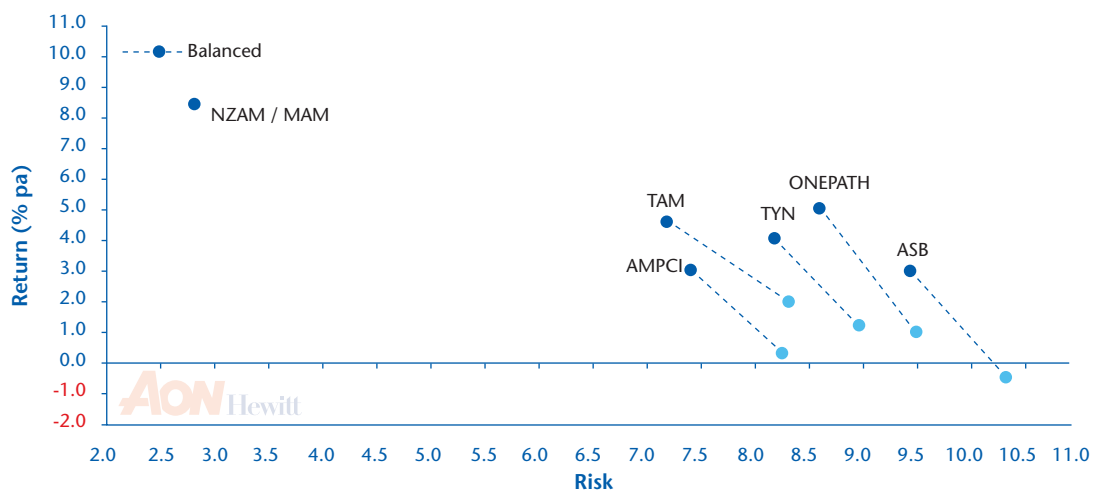
Discretionary Assets – Asset Allocation



Conservative, Balanced & Growth Risk Profiles

Manager	Funds (\$m)	Returns (%) gross of tax and fees for												
		the last								the year ended 30 June				
		1 qtr	Rk	1 yr	Rk	3 yrs	Rk	5 yrs	Rk	2011	2010	2009	2008	2007
Conservative														
AMPCI	524	-0.7	1	4.1	1	5.9	1	6.3	1	4.1	7.2	6.5	4.3	9.6
ASB	89	-2.4	2	2.0	2	4.5	3	3.8	2	2.0	8.1	3.4	-3.4	9.4
AXA GI	111	-3.1	3	1.4	3	5.2	2	3.4	3	1.4	7.5	6.7	-9.0	11.7
Balanced														
AMPCI	1,026	-5.3	8	1.1	4	3.0	6	3.0	4	1.1	6.5	1.5	-6.8	14.1
AMPCI RIL	10	-4.5	4	2.8	3					2.8	7.6			
ASB	339	-5.1	6	0.3	8	3.0	7	2.0	5	0.3	8.0	0.9	-9.6	11.7
NZAM / MAM	109	0.6	1	4.1	1	8.4	1			4.1	8.1	13.2		
ONEPATH	286	-5.1	7	3.3	2	5.0	2	3.1	3	3.3	9.6	2.4	-8.3	9.5
TAM	592	-4.0	3	0.5	7	4.6	3	3.4	1	0.5	9.8	3.6	-6.9	11.2
TYN	148	-4.9	5	1.0	5	4.0	4	3.2	2	1.0	8.8	2.4	-7.1	11.7
TYN SRI	7	-3.0	2	0.7	6	3.9	5			0.7	8.6	2.4		
Growth														
AMPCI	689	-10.2	4	-2.4	3	-0.7	4	-0.5	4	-2.4	5.6	-4.9	-15.2	17.6
ASB	138	-7.9	2	-1.7	2	1.3	3	0.0	3	-1.7	7.4	-1.5	-15.4	13.7
AXA GI	141	-5.9	1	-0.9	1	3.8	1	2.1	1	-0.9	6.7	5.8	-13.9	14.9
AXA GI Aggressive	68	-7.9	3	-2.6	4	2.9	2	0.7	2	-2.6	5.9	5.7	-18.2	16.3

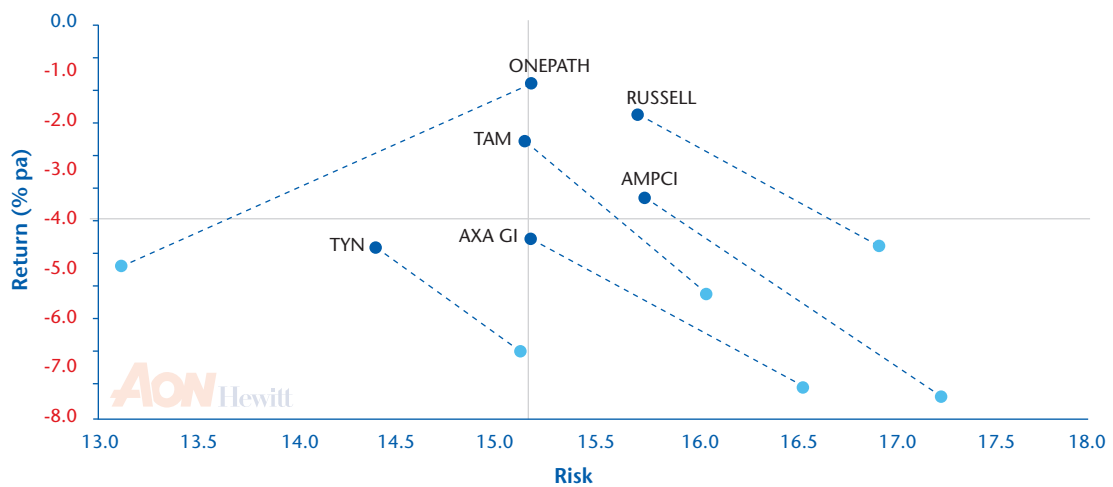
3 Year Risk/Return



Overseas Equities (unhedged)

Manager	Funds (\$m)	Returns (%) gross of tax and fees for												
		the last								the year ended 30 June				
		1 qtr	Rk	1 yr	Rk	3 yrs	Rk	5 yrs	Rk	2011	2010	2009	2008	2007
AMPCI	117	-10.7	8	-9.1	7	-3.5	5	-4.9	5	-9.1	7.2	-7.9	-20.1	8.3
AXA GI	389	-13.0	10	-12.0	9	-4.3	6	-5.0	6	-12.0	4.8	-5.0	-20.1	10.9
EC Value Fund	16	-6.9	2	-3.0	1					-3.0	10.5			
EC Global Value Fund of Funds	11	-4.6	1											
ONEPATH	812	-9.3	5	-4.1	2	-1.2	1	-2.8	1	-4.1	8.8	-7.7	-14.4	5.4
RUSSELL	48	-11.5	9	-8.7	5	-1.9	2	-3.5	2	-8.7	8.4	-4.5	-15.9	5.4
TAM	783	-10.5	7	-9.3	8	-2.4	3	-3.9	3	-9.3	8.3	-5.3	-17.7	7.3
TYN	166	-10.3	6	-9.0	6	-4.5	7	-4.6	4	-9.0	4.8	-8.7	-15.0	7.1
TYN Multi-Manager	71	-7.8	3	-5.8	3					-5.8	9.5			
TYN SRI	10	-8.4	4	-8.4	4	-2.7	4			-8.4	5.6	-4.8		
Average		-10.4		-8.1		-3.3		-5.6		-8.1	6.9	-8.0	-21.8	6.3
Index (MSCI Unhedged)		-9.8		-7.5		-3.9		-4.7		-7.5	5.5	-9.2	-15.8	5.1
Index (MSCI 100% Hedged)		-14.8		-4.9		-1.2		-2.9		-4.9	5.8	-4.3	-23.3	16.8

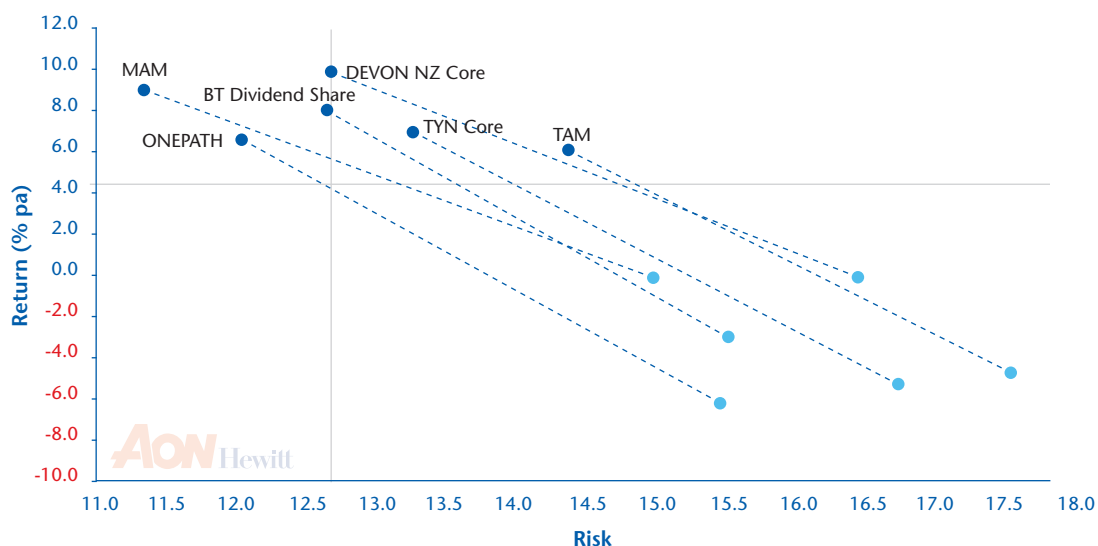
3 Year Risk/Return



New Zealand Equities

Manager	Funds (\$m)	Returns (%) gross of tax and fees for												
		1 qtr		the last 1 yr		3 yrs		5 yrs		the year ended 30 June				
		Rk	Rk	Rk	Rk	Rk	Rk	2011	2010	2009	2008	2007		
BT Dividend Share	49	-4.6	6	5.4	5	7.8	3	2.9	3	5.4	6.3	11.7	-24.4	21.7
DEVON NZ Core	130	-2.5	4	5.6	4	9.6	1	4.1	2	5.6	3.9	19.9	-20.9	17.3
MAM	130	-2.6	5	6.9	3	8.7	2	4.6	1	6.9	5.0	14.4	-18.1	18.9
ONEPATH	50	-1.3	2	10.8	1	6.2	5	0.9	6	10.8	2.0	5.9	-24.9	15.9
TAM	192	-1.7	3	4.6	6	5.7	6	1.4	5	4.6	5.0	7.7	-24.8	20.4
TYN Core	50	-0.8	1	7.1	2	6.6	4	1.6	4	7.1	5.2	7.4	-26.1	20.7
Average		-2.8		4.4		4.0		0.5		4.4	3.9	3.6	-22.6	17.9
Index (NZX 50 Gross) incl I/C		-2.4		6.9		4.0		0.1		6.9	1.7	3.6	-26.2	21.1
Index (NZX 50 Portfolio) incl I/C		-5.0		2.0		3.2		-0.5		2.0	4.1	3.6	-24.6	17.6

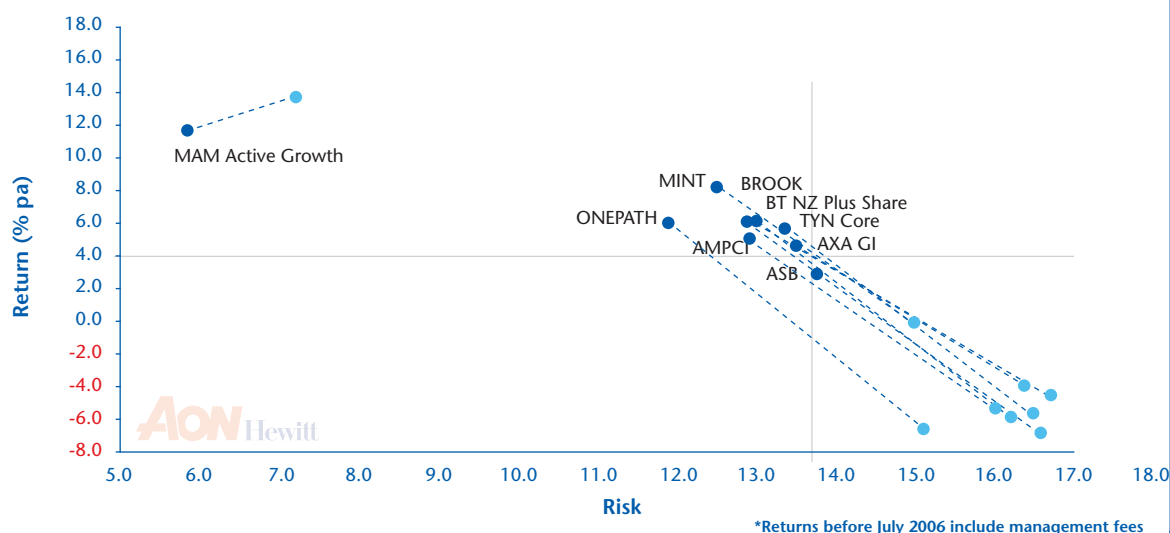
3 Year Risk/Return



Australasian Equities

Manager	Funds (\$m)	Returns (%) gross of tax and fees for												
		1 qtr		the last		3 yrs		5 yrs		the year ended 30 June				
		Rk	Rk	Rk	Rk	Rk	Rk	2011	2010	2009	2008	2007		
AMPCI	304	-1.8	4	7.4	4	5.0	13	2.4	5	7.4	2.6	5.1	-21.6	23.9
AMPCI SEGF	507	-4.4	7	1.4	12	3.4	16	1.6	9	1.4	3.9	4.9	-19.6	21.8
AXA GI	485	-5.6	12	1.2	13	4.6	14	1.8	7	1.2	3.2	9.5	-21.8	22.2
ASB	8	-7.2	17	-1.3	15	2.9	17	-0.8	13	-1.3	3.2	7.0	-26.9	20.3
BROOK	2	-1.6	2	7.6	3	6.1	8	3.2	4	7.6	0.1	10.9	-21.9	25.5
BROOK Alpha	28	-7.6	18	-6.6	18	5.2	12	7.1	1	-6.6	-3.3	28.8	-2.0	23.7
BROOK Tasman Wholesale	2	-5.2	11	0.2	14	6.5	7	6.3	3	0.2	-0.6	21.3	-13.2	29.2
BT Focus Share	50	-6.9	16	6.3	6	9.2	3			6.3	-2.0	25.0	-13.5	
BT NZ Plus Share	213	-5.1	9	7.4	5	6.1	9	1.5	10	7.4	-1.6	13.0	-25.1	20.3
DEVON Alpha	36	-6.8	15	-7.4	19					-7.4				
DEVON Australian	23	-12.8	20	-12.0	20					-12.0				
DEVON Trans-Tasman Harbour	91	-7.7	19	-4.4	17	4.6	15	1.8	6	-4.4	4.7	14.2	-23.5	25.1
MAM Active Growth	188	-1.2	1	4.6	7	11.7	2			4.6	9.4	21.8	10.3	
MAM Trans-Tasman	36	-4.7	8	2.9	11	11.7	1			2.9	7.8	25.7	-6.3	
MINT	8	-5.9	13	3.0	10	8.1	4			3.0	8.9	12.7	-18.8	
ONEPATH	524	-2.0	5	10.5	2	6.1	10	1.7	8	10.5	1.5	6.3	-24.2	20.6
ONEPATH ESF	86	-1.6	3	11.6	1	6.9	6	1.4	11	11.6	1.5	7.7	-22.5	13.4
TAM	52	-14.5	21	-14.8	21					-14.8	6.8			
TYN Core	50	-2.5	6	3.8	9	5.7	11	1.2	12	3.8	2.5	10.8	-25.9	21.6
TYN Aggressive	129	-6.5	14	-2.7	16	7.8	5	6.3	2	-2.7	6.1	21.2	-16.4	29.7
Average		-5.0		2.2		5.1		2.6		2.2	3.2	10.3	-20.8	23.6
Index (NZX 50 Gross) incl I/C		-2.4		6.9		4.0		0.1		6.9	1.7	3.6	-26.2	21.1
Index (NZX 50 Portfolio) incl I/C		-5.0		2.0		3.2		-0.5		2.0	4.1	3.6	-24.6	17.6

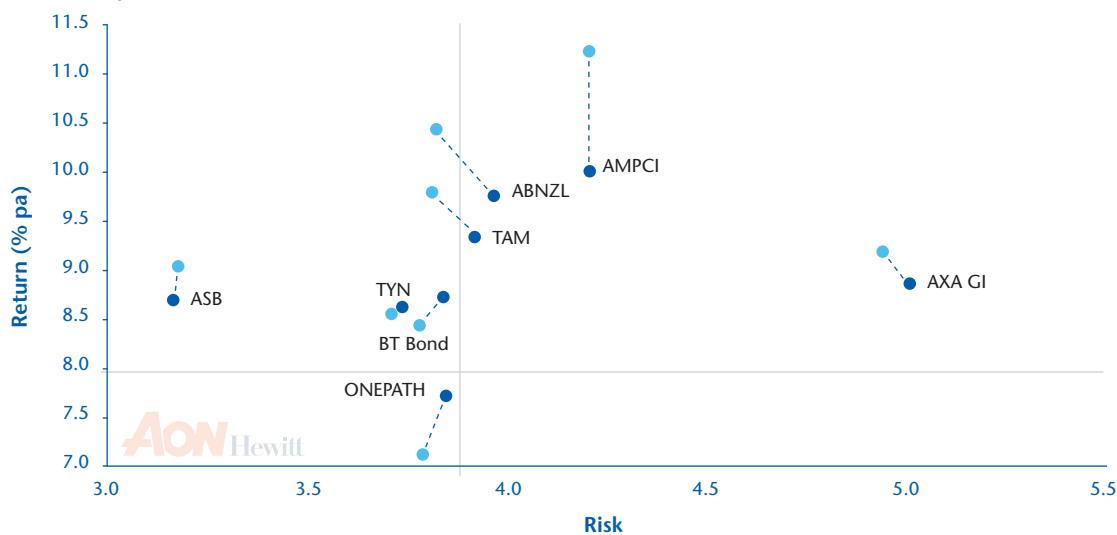
3 Year Risk/Return



New Zealand Bonds

Manager	Funds (\$m)	Returns (%) gross of tax and fees for												
		1 qtr		the last 1 yr		3 yrs		5 yrs		the year ended 30 June				
		Rk	Rk	Rk	Rk	Rk	Rk	2011	2010	2009	2008	2007		
ABNZL	450	3.3	6	8.0	6	9.7	2	8.5	3	8.0	10.5	10.8	10.0	3.6
AMPCI	1,003	3.5	3	8.4	4	10.0	1	9.2	1	8.4	9.4	12.3	12.0	4.0
ASB	14	2.8	8	7.6	7	8.7	5	7.8	5	7.6	9.3	9.1	8.7	4.5
AXA GI	286	3.2	7	7.2	8	8.9	4	7.7	6	7.2	12.1	7.4	8.2	3.7
BT Bond	257	3.4	4	9.0	3	8.4	7	7.8	4	9.0	8.5	7.9	9.9	4.1
ONEPATH	715	3.6	2	9.3	1	7.7	8	7.1	8	9.3	11.9	2.2	7.5	4.7
TAM	655	3.8	1	9.2	2	9.3	3	8.6	2	9.2	9.4	9.5	10.5	4.7
TYN	177	3.3	5	8.3	5	8.6	6	7.7	7	8.3	10.7	6.9	8.1	4.5
Average		3.5		8.6		8.9		8.1		8.6	10.3	7.8	10.0	3.9
Index		3.5		7.8		8.0		7.5		7.8	9.1	7.1	9.8	4.0

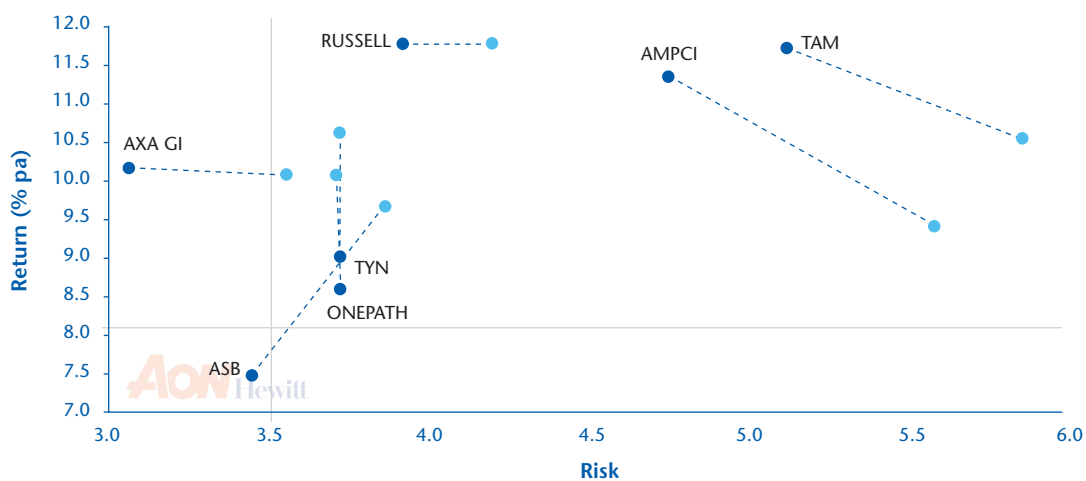
3 Year Risk/Return



Overseas Bonds

Manager	Funds (\$m)	Returns (%) gross of tax and fees for												
		1 qtr		the last 1 yr		3 yrs		5 yrs		the year ended 30 June				
		Rk	Rk	Rk	Rk	Rk	Rk	2011	2010	2009	2008	2007		
AMPCI	127	0.5	7	3.4	7	11.4	3	7.5	7	3.4	15.4	15.6	-1.9	6.0
ASB	11	4.5	1	4.9	5	7.5	7	7.7	6	4.9	8.4	9.2	11.4	4.9
AXA GI	705	3.5	4	5.7	2	10.2	4	8.4	4	5.7	12.3	12.6	5.5	6.4
ONEPATH	586	4.2	2	5.5	3	8.6	6	8.9	2	5.5	9.2	11.2	11.5	7.0
RUSSELL	1,057	2.8	6	5.0	4	11.8	1	9.3	1	5.0	15.2	15.5	5.0	6.4
TAM	1,126	3.8	3	6.5	1	11.7	2	8.8	3	6.5	17.6	11.3	3.2	5.7
TYN	167	2.9	5	4.7	6	9.0	5	8.3	5	4.7	11.5	11.0	7.7	6.7
Average		3.4		5.6		11.1		8.7		5.6	14.5	13.6	4.0	6.4
Index (Citigroup)		4.7		5.3		8.1		8.4		5.3	8.4	10.6	10.8	6.8
Index (Barclays)		3.7		5.6		9.3		8.6		5.6	9.6	12.7	8.6	6.8

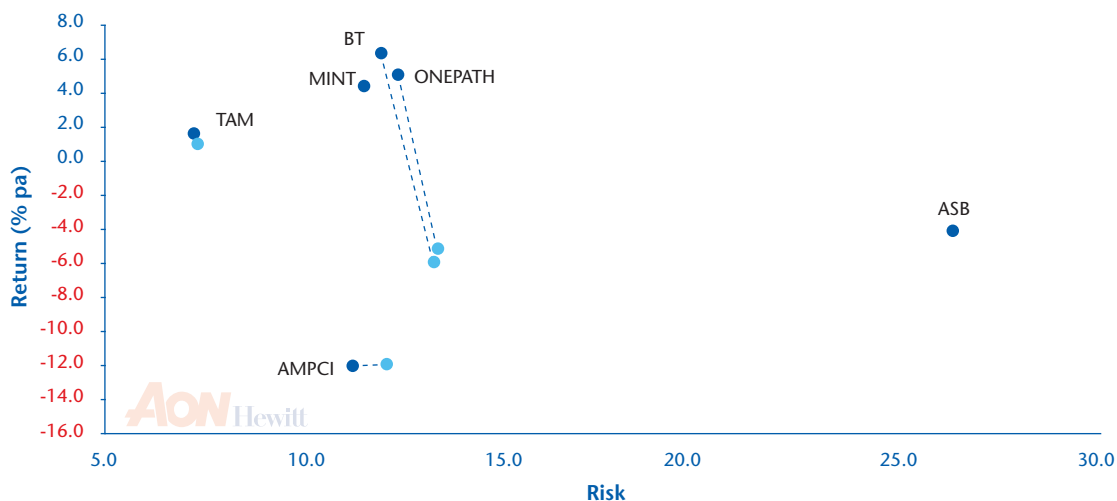
3 Year Risk/Return



Property

Manager	Funds (\$m)	Returns (%) gross of tax and fees for												
		1 qtr		the last 1 yr		3 yrs		5 yrs		the year ended 30 June				
		Rk	Rk	Rk	Rk	Rk	Rk	2011	2010	2009	2008	2007		
AMPCI	227	1.1	3	2.4	6	-12.0	6	-1.7	4	2.4	-15.2	-21.5	3.3	30.6
ASB	14	-12.1	7	-3.2	7	-4.0	5			-3.2	18.5	-22.9		
BT	152	0.5	4	15.0	2	6.4	1	2.2	2	15.0	6.1	-1.3	-20.3	16.4
MINT	38	-0.8	5	11.0	4	4.6	3			11.0	2.3	0.7		
ONEPATH	196	-0.8	6	13.1	3	5.1	2	2.1	3	13.1	3.5	-0.9	-17.0	14.9
TAM	269	1.2	2	6.3	5	1.6	4	4.5	1	6.3	8.7	-9.1	4.4	13.5
TYN	15	1.6	1	15.2	1					15.2				
Average		0.3		8.1		-1.1		-0.5		8.1	-1.8	-8.8	-14.0	17.0

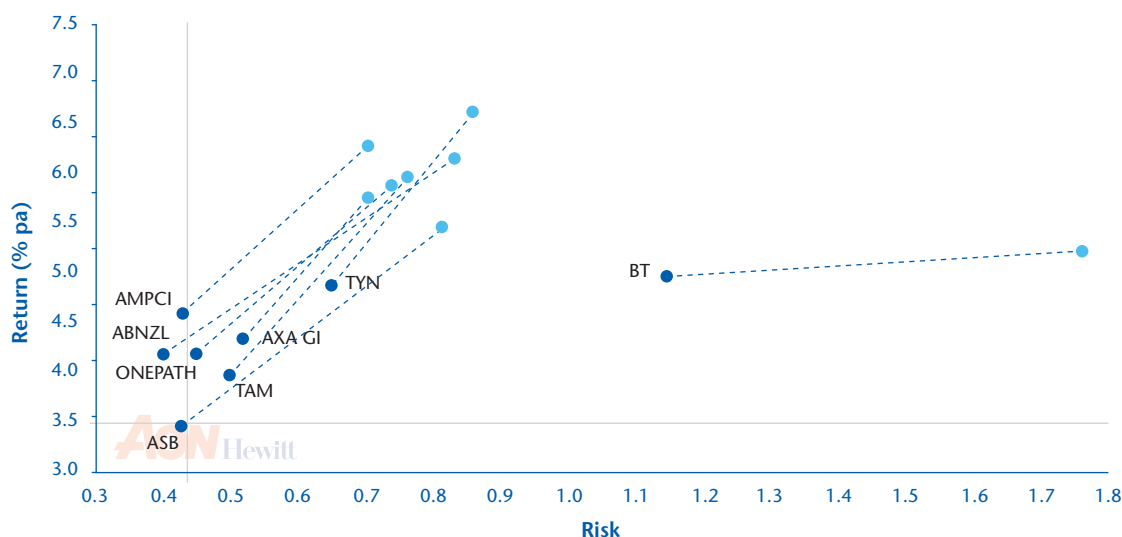
3 Year Risk/Return



Cash

Manager	Funds (\$m)	Returns (%) gross of tax and fees for												
		1 qtr		the last		3 yrs		5 yrs		the year ended 30 June				
		Rk	Rk	Rk	Rk	Rk	Rk	2011	2010	2009	2008	2007		
ABNZL	279	0.8	5	3.6	6	4.2	5	5.8	5	3.6	3.7	5.3	8.7	8.0
AMPCI	1,907	0.9	3	4.1	2	4.6	3	6.3	2	4.1	4.1	5.7	9.2	8.4
ASB	46	0.7	7	3.0	8	3.5	8	5.5	8	3.0	2.9	4.6	9.1	8.1
AXA GI	527	0.8	4	3.7	5	4.4	4	5.9	4	3.7	4.0	5.3	7.9	8.4
BT	275	0.7	6	3.7	4	5.0	1	5.5	7	3.7	4.6	6.7	4.5	8.4
ONEPATH	1,013	0.9	2	3.9	3	4.2	6	6.2	3	3.9	3.7	5.0	9.8	8.6
TAM	808	0.4	8	3.2	7	4.0	7	5.8	6	3.2	3.5	5.2	9.2	8.1
TYN	240	0.9	1	4.3	1	4.9	2	6.5	1	4.3	4.3	6.1	9.6	8.3
Average		0.8		3.8		4.3		5.9		3.8	3.8	5.4	8.7	8.1
Index		0.7		3.0		3.5		5.5		3.0	2.9	4.7	9.0	8.2

3 Year Risk/Return



Global Property

Manager	Funds (\$m)	Returns (%) gross of tax and fees for												
		the last								the year ended 30 June				
		1 qtr	Rk	1 yr	Rk	3 yrs	Rk	5 yrs	Rk	2011	2010	2009	2008	2007
AMPCI	153	-18.3	3	-1.4	2	-2.0	1	-3.3	1	-1.4	20.0	-20.4	-21.8	14.7
ONEPATH	155	-16.6	1	-0.4	1	-3.6	2	-5.6	2	-0.4	23.7	-27.3	-20.2	5.2
RUSSELL	41	-17.3	2	-8.7	3	-5.3	3	-6.2	3	-8.7	17.0	-20.5	-25.0	14.2

Other Funds

Manager	Funds (\$m)	Returns (%) gross of tax and fees for												
		the last								the year ended 31 March				
		1 qtr	Rk	1 yr	Rk	3 yrs	Rk	5 yrs	Rk	2011	2010	2009	2008	2007
BT Corporate Bond	134	2.3	1	7.6	3	8.1	2			7.6	9.0	7.7		
MAM Income	72	0.9	2	9.9	1					9.9				
NZAM	832	-0.5	3	1.0	5	7.6	3	4.0	3	1.0	5.0	17.5	-6.8	4.6
TYN Bond Option	127	-23.8	6	-9.3	6	1.8	5	7.6	1	-9.3	12.7	3.0	27.0	7.8
TYN Income	8	-4.8	5	4.4	4	8.2	1			4.4	13.1	7.4		
TYN Multi-Strategy	52	-0.6	4	9.3	2	6.5	4	7.5	2	9.3	13.2	-2.4	2.9	15.9

Aon Hewitt Investment Consulting Service

This quarterly survey is produced by Aon New Zealand.

Other investment consulting services include:

- Establishing investment objectives for both our clients and investment managers;
- Determining long-term investment strategies, in the form of benchmark portfolios and sector ranges, consistent with the investment objectives;
- Determining the efficient frontier and risk/return profiles;
- Assisting in the appointment of investment managers, by:
 - Establishing the selection criteria;
 - Identifying suitable investment managers;
 - Analysing investment managers' capabilities against the criteria; and
 - Carrying out qualitative reviews.
- Reviewing contractual agreements and legal documentation;
- Performance monitoring, against both investment objectives and competitors;
- Communication of investment objectives and strategies to investors; and
- Asset/liability modelling.

Explanatory Notes

1. Returns are before management fees and tax and are generally per annum, except for quarterly returns which are per quarter.
2. Discretionary Assets are those for which the manager considers they have full discretion over stock selection and asset allocation.
3. Australasian Equities
 - AMPCI's returns are those of their actively managed portfolios only.
4. Overseas Sectors
 - The returns are in \$NZ and exclude the effects of currency hedging on Equities and include the effects of currency hedging on Bonds, Global Property and Absolute Return Funds.
5. Overseas Equities
 - AMPCI's returns are those of their actively managed portfolios only.
6. Property
 - The returns in this table are influenced by the allocation to direct investment and holdings in listed vehicles. In the case of direct investment, the valuation approach and timing adopted by the manager will influence the returns.
7. In the compilation of the risk/return plots, risk is measured by the standard deviations of monthly returns over the period. The 3 Year Risk/Return "snail trail" charts show the change in 3 Year Risk/Return from the previous year to the current one.
8. Average return is the asset-weighted average return.
9. Rankings on returns are calculated using more than 1 decimal place. Where managers have the same return rounded to 1 decimal place but different rankings, the rankings reflect the returns to more than 1 decimal place.
10. Index data was provided by AXA Global Investors.

The Aon Hewitt Investment Forecasts

Conducted during October 2011

Investment Sector	Over the current year 1 Oct 2011 - 30 Sep 2012		Over the next five years 1 Oct 2011 - 30 Sep 2016	
	Average	Dispersion	Average	Dispersion
NZ Cash	3.0%	(0.2%)	4.5%	(1.0%)
	<i>3.1%</i>	<i>(0.7%)</i>	<i>4.6%</i>	<i>(0.8%)</i>
NZ Fixed Interest	3.8%	(2.0%)	5.0%	(0.6%)
	<i>4.5%</i>	<i>(2.6%)</i>	<i>5.7%</i>	<i>(0.8%)</i>
NZ Property	6.9%	(2.0%)	8.5%	(3.0%)
	<i>5.0%</i>	<i>(3.0%)</i>	<i>8.5%</i>	<i>(3.2%)</i>
NZ Equities	10.4%	(5.0%)	10.6%	(2.6%)
	<i>9.4%</i>	<i>(4.0%)</i>	<i>10.3%</i>	<i>(4.0%)</i>
International Fixed Interest	2.7%	(1.9%)	4.4%	(1.8%)
	<i>3.5%</i>	<i>(2.2%)</i>	<i>4.8%</i>	<i>(0.9%)</i>
International Equities	9.0%	(4.0%)	9.9%	(2.6%)
	<i>9.4%</i>	<i>(5.1%)</i>	<i>9.8%</i>	<i>(1.1%)</i>
Inflation Rate	2.6%	(1.1%)	2.6%	(0.3%)
	<i>3.3%</i>	<i>(1.4%)</i>	<i>2.7%</i>	<i>(0.5%)</i>

Contributors to the survey were:

AMP Capital Investors
BT Asset Management Limited
Devon Funds Management
First NZ Capital

Harbour Asset Management Limited
OnePath (NZ) Limited
Tower

- Notes:
- Participants were asked for their estimate of the annual rate of investment return before tax and expenses for a New Zealand dollar investor. The figures shown are the average of all responses received. Figures in brackets give a measure of the dispersion of responses, and are equal to the second highest response less the second lowest.
 - The figures in italics are the results of our July 2011 survey.
 - These results may be reprinted in whole or in part, but attribution to Aon Hewitt would be appreciated.
 - The information contained in this report is provided for general information purposes only. It is given without knowledge of your individual circumstances and should not be used as a substitute for you seeking your own independent professional advice. No liability will be accepted for loss resulting from reliance on information contained in this report which proves to be inaccurate and/or incomplete.

The Aon Hewitt Economists' Survey

Conducted during October 2011

	In 1 year's time		In 4 years' time		In 7 years' time	
	Average	Dispersion	Average	Dispersion	Average	Dispersion
Inflation rate as measured by CPI	2.5%	(0.3%)	2.5%	(0.4%)	2.4%	(0.4%)
	<i>2.8%</i>	<i>(0.2%)</i>	<i>2.7%</i>	<i>(0.4%)</i>	<i>2.5%</i>	<i>(0.6%)</i>
Rate of increase of Average Weekly Wage	2.6%	(0.6%)	3.4%	(0.3%)	3.1%	(0.4%)
	<i>2.7%</i>	<i>(0.7%)</i>	<i>3.5%</i>	<i>(0.9%)</i>	<i>3.4%</i>	<i>(0.8%)</i>
Real interest rate (i.e., yield on 10 year Govt stock, in excess of inflation)	2.9%	(1.1%)	3.5%	(0.5%)	3.6%	(0.5%)
	<i>4.2%</i>	<i>(2.9%)</i>	<i>4.7%</i>	<i>(2.4%)</i>	<i>4.6%</i>	<i>(2.4%)</i>
Rate of growth of real GDP	2.8%	(0.4%)	2.4%	(0.2%)	2.4%	(0.3%)
	<i>3.4%</i>	<i>(1.4%)</i>	<i>2.5%</i>	<i>(0.2%)</i>	<i>2.5%</i>	<i>(0.9%)</i>
Trade Weighted Exchange Rate (TWI)	71.0	(1.5)	68.0	(2.0)	66.8	(8.1)
	<i>68.6</i>	<i>(4.0)</i>	<i>65.3</i>	<i>(5.8)</i>	<i>63.7</i>	<i>(3.0)</i>

Contributors to the survey were:

ANZ Bank (NZ) Limited
Deutsche Bank (NZ) Limited
First NZ Capital

NZIER
UBS NZ Limited

- Notes:
1. The figures shown are the average of all responses received. Figures in brackets give a measure of the dispersion of responses, and are equal to the second highest response less the second lowest.
 2. The figures in italics are the results of our July 2011 survey.
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