

Media Release

20 JULY 2011

'Wall of worry' continues to loom large over markets

The "wall of worry" will see share markets remain volatile in the near term according to Dr Shane Oliver, AMP Capital Investors' Chief Economist and Director of Investment Strategy.

It's little wonder investors became concerned again," said Dr Oliver at AMP Capital's quarterly briefing for media. "While shares often climb a wall of worry, the list of worries has become more perturbing over the last three months."

In response to concerns about Greek solvency and the slowdown in global growth, risk appetite deteriorated and global equity markets and commodity prices lost ground. At the same time, the weaker economic data and rise in risk aversion drove global bond yields sharply lower over the quarter.

In contrast to moderating global growth momentum, the local data showed underlying economic resilience along with rising inflation expectations. And despite bouts of risk aversion, the New Zealand dollar rallied strongly as the domestic economic outlook improved.

After a volatile ride, global shares ended the quarter moderately down and New Zealand shares performed broadly in line with the global share market.

AMP Capital's own Unhedged Global Equities Fund returned -7.5% for the quarter and 9.4% for the year while the Hedged Global Equities Fund returned 2.4% and 31.5% respectively; and New Zealand Equities average return was -1.2% for the quarter and 16.7% for the year.

New Zealand bonds outperformed global bonds during the quarter.

AMP Capital's New Zealand Fixed Interest Fund returned 3.6% for the quarter and 7.2% for the year while its Global Fixed Interest Fund returned 3.1% and 5.0% respectively.

AMP Capital's Conservative Fund returned 1.5% for the quarter and 8.7% for the year, its Balanced Fund returned 0.3% for the quarter and 13.0% for the year and its Growth Fund returned -1.0% and 17.1% respectively. The Balanced Responsible Investment Fund returned 1.2% for the quarter and 13.8% for the year.

Dr Oliver said that the New Zealand share market remains of good value, relative to bonds, but expensive relative to global share markets.

"In our view, the global recovery is on track but still looks fragile. The outlook for the New Zealand economy for the next six months however is quite favourable."

	To 30 June 2011	To 30 June 2011	To 30 June 2011	To 30 June 2011
	Quarter Return	1 Year	3 years p.a.	5 years p.a.
Individual Sectors – Before Tax and Fees				
Strategic Equity Growth	-1.8%	15.2%	5.5%	2.5%
NZ Equities Active	-0.5%	18.3%	5.7%	3.1%
NZ Equity (Average)	-1.2%	16.7%	5.6%	2.8%
Global Equities - Unhedged	-7.5%	9.4%	-4.0%	N/A
Global Equities - Hedged	2.4%	31.5%	-3.2%	N/A
Property	1.6%	-0.3%	-14.6%	-0.6%
New Zealand Fixed Interest	3.6%	7.2%	10.7%	8.7%
Global Fixed Interest	3.1%	5.0%	N/A	N/A
Cash	0.9%	4.2%	5.1%	6.5%
Global Property	6.1%	39.1%	4.1%	N/A
Australian Equities	-7.4%	17.8%	2.1%	4.8%
Managed Funds – Before Tax and Fees				
Conservative Fund	1.5%	8.7%	6.9%	6.8%
Balanced Fund	0.3%	13.0%	4.1%	4.5%
Growth Fund	-1.0%	17.1%	0.7%	1.9%
Balanced Fund - Responsible	1.2%	13.8%	N/A	N/A
Passive Funds – Before Tax and Fees				
Global Equities – Passive	-7.3%	8.8%	-1.1%	-3.0%
Index Performance				
MSCI Gross Index - Unhedged	-7.2%	8.7%	-2.2%	-3.7%
MSCI Gross Index - Hedged	-0.2%	24.3%	0.8%	2.5%
NZSX50 Comp w/IC's	0.5%	17.5%	4.0%	0.8%
NZX Bills Gross Index	0.7%	3.1%	4.0%	5.8%
NZX Bond Index	3.2%	6.8%	8.2%	7.1%
Citigroup World Government Bond Index	2.1%	3.5%	7.9%	N/A

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