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**INDUSTRY COMMENT ON CONSUMER ARTICLE – BALANCED MANAGED FUNDS REMAIN A SOUND INVESTMENT**

"The review of a selection of balanced funds released by Consumer today takes a very narrow focus and does a disservice to savers seeking useful financial analysis. Consumer has reviewed approximately 5% of a \$44 billion industry", said Vance Arkininstall, CEO, Investment Savings and Insurance Association.

"The item compares returns achieved over the past 10 years including the negative returns over the past three years which are widely acknowledged as the worst equity downturn since the 1930s", said Mr Arkininstall.

Many investors have during this period diversified into specific sector investment funds such as mortgage, cash management and fixed interest unit trusts, which have provided good protection for investors from the difficult trading conditions over this period. However, the fact remains that balanced investment funds represent the most suitable investment vehicle for many people. We hope that the Consumer article does not encourage investors to abandon their balanced fund products. These are excellent long term investments. Now would be totally the wrong time to consider change", said Mr Arkininstall.

"The Consumer article draws attention to the importance of fees but fails to analyse the changes in fee structure and the increased transparency within the industry over the past 10 years", said Vance Arkininstall.

"Greater flexibility, reductions in fees, discounting of fees and a move by advisers to charging for service have become features of industry development", said Mr Arkininstall.

"It is particularly disappointing that Consumer did not comment on the impact that 'timing' has on this review. For example, had Consumer measured performance over the period 1993 to 2000, the return for all balanced funds would have been 5.40%. 70% higher than the average return Consumer quote", said Mr Arkininstall.

"The industry encourages financial analysis of its products and performance but the narrow focus in this case provides limited value to investors. We are however, encouraged by Consumer's final comment "*Whatever you do, don't give up saving and investing*" – we think Consumer got it right on this point", said Vance Arkininstall.

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