

IN PRIVATE

NEWSLETTER WINTER 2009
NEW ZEALAND EDITION



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WELCOME TO THE WINTER ISSUE OF IN PRIVATE.

With global economies coming out of the downward spiral and equity markets recovering the world looks a lot more optimistic than when we wrote the last issue. We continue to believe in the economic and markets recovery story as global fiscal and monetary policy settings stimulate demand and Guy Fisher, our Head of Investments, details our thinking in this issue.

The NZ story remains difficult with low interest rates fuelling a fragile housing recovery but a high currency and low agricultural prices combining to constrain real growth and wealth generation for NZ Inc. The difficulty is how we avoid this cycle and part of the answer lies in the RBNZ cutting interest rates again and aggressively trying to undermine the recent strength in the currency.

JOHN BODY

Managing Director, Private Bank

A change of view

IN SUCCESSFUL INVESTING, STRATEGY IS EVERYTHING – AND ANZ PRIVATE BANK'S STRATEGY ON GLOBAL SHAREMARKET INVESTMENT IS A GOOD EXAMPLE.

Head of Investments Guy Fisher says that for some time, Private Bank's Investment Committee had been recommending a reduced exposure to growth assets. "Global sharemarkets were becoming overheated and value was increasingly scarce," says Fisher. "In fact, by October 2007, we assigned growth assets their lowest ever weighting in Private Bank portfolios."

As October 2007 may have been when markets reached their peak and began to decline, that decision has been a beneficial one. It was one of the reasons most Private Bank portfolios had positive returns in 2008, despite the turmoil in financial markets around the world.

However, Fisher says sharemarkets are now a long way from the overheated levels of previous years and value opportunities are emerging. "We believe sharemarkets are entering a cyclical bull

market, albeit within a longer term bear market. As a result, we've now moved to an overweight position in growth assets across most regions of the world."

"We think the current rally we're seeing in global sharemarkets will be fairly sustainable. Most cyclical bull markets typically last 12-18 months. We believe this one may well last longer than most analysts are predicting," says Fisher.

"At the same time, we don't believe the longer term bear market is finished yet. It's a matter of continuing to monitor events closely, and continually reviewing our weightings. For the moment though, we believe there are some good opportunities in equity markets to add value to client portfolios."

GUY FISHER

Head of Investments

Feeling the pressure

BUILDING PERSONAL WEALTH THROUGH YOUR BUSINESS

A barometer measures pressure – and the recent ANZ Privately Owned Business Barometer suggests there is some real pressure building amongst business owners looking to exit their business over the next few years.

The Barometer surveys business owners in all sectors and regions and the 2009 Barometer highlighted some revealing trends:

- › New Zealand business owners are an ageing population. 60% of New Zealand business owners are over 50 and 25% are over 60.
- › Nearly half of business owners (45%) plan to retire in the next five years.
- › Despite this, only 10% have a formal succession plan in place.

National Director Private Clients Nigel Scott, who was involved in the survey, says these results indicate that around 10,000 businesses may be coming onto the market over the next five years. “The question is, who is going to buy those businesses, and at what price?”

Scott says, without a plan, business owners run the risk of not achieving the financial outcomes they want. “The reality is a lot of business owners exit their business in adverse circumstances – for example, because of health or relationship issues, or a difficult economic environment.” A well-thought out succession plan is one way to mitigate these risks.

“While most business owners are very astute business people, they’re not always so good at transferring wealth from their business into other investment markets. Quite often the majority of their wealth is tied up in their business. That’s a high risk strategy as they are effectively only investing in one asset class,” says Scott.

That lack of diversification brings significant risks. In the current climate many businesses are undergoing significant revaluations. Owners looking to exit their business now are having to adjust their expectations, and their options, accordingly.

“To build their personal wealth more effectively, business owners need to be better at understanding what the options are when it comes to extracting capital from the business and subsequently managing and protecting that wealth. But while they know everything about their business, the world of investment markets is often a bit foreign to them.”

Good succession planning takes time to put in place and carry out – and the earlier business owners start, the better off they’ll be when it comes time to retire. They’ll also have more options. For instance, owners who don’t want to simply step away from their business could plan a staggered release of time, capital and control.

Scott says Private Bank is uniquely placed to assist business owners with both managing the transfer of wealth out of their business, and managing and protecting that wealth.

“Clients come to us with varying levels of knowledge or interest in investment markets. We work with them to understand their goals and ambitions along with their attitude to investing. That enables us to develop an investment strategy for each client that allows them to realise their goals.

“We can also introduce clients to Business and Corporate Finance specialists within the wider bank who can assist with effective succession planning, including setting up structures for the successful transfer of wealth out of their business.”



As with most things in business, planning is the key. “With 10,000 business owners planning to exit their business in the next five years,” says Scott, “it’s clear that the most successful will be those who have a plan – and there’s no better time to start developing one than now. It’s about starting with the end in mind.”

Copies of this year’s Business Barometer are available on request from your Private Banker.

NIGEL SCOTT

National Director Private Clients

Investment update teleconference

KEEP UP TO DATE WITH MARKET EVENTS IN THESE CHANGING TIMES WITH OUR MONTHLY INVESTMENT UPDATE TELECONFERENCE CALL. HEAR DIRECTLY FROM OUR INVESTMENT EXPERTS. THE CALL WILL RUN FOR 20 MINUTES AND THERE WILL BE AN OPPORTUNITY TO ASK QUESTIONS AT THE END.

The next calls will be on 13 August and 10 September at 10:30am. The dial in details are: 083033 PIN: 928609

International callers please contact your Private Banker for the details.

From Australia, you can dial 1800 830 341 and use the PIN 928609.

As a courtesy to all participants please dial in on time and ensure you MUTE your phone. To mute or unmute your phone dial *6.

IN PRIVATE

Spotlight on Investment Services

AN INDIVIDUAL EXPERIENCE

Many of you have told us that you'd like to know more about the services we can offer you as a Private Bank client. To address this we'll be running a number of articles to highlight some of our key services. We'll start by putting the spotlight on our investment services, which are at the heart of what we do.

As a client you have access to a wide range of investment services and can choose to invest the way you want to:

- › If you would like us to manage your investments for you, our **Investment Management Service** delivers a fully managed portfolio tailored to meet your personal financial requirements.
- › If you would prefer to take direct control of your assets, our **Investment Advisory Service** can provide you access to capital markets and other investment opportunities that might not usually be available to you as an individual investor.
- › Our **Execution-Only Service** gives you the flexibility to buy individual products on a no-advice, purely transactional basis through your Private Banker.

You'll find our approach a little different. Your Private Banker will work with you to understand your personal situation and investment goals. We will then design an investment portfolio tailored specifically to meet your needs. No two investment portfolios look the same.

Our macro investment views are lead by the advice of a Regional Investment Committee. Its members include

the Head of Investments, Head of Fixed Interest, Head of Markets, Chief Economist of ANZ National and their broad equivalents from the ANZ Group. To provide an external perspective, independent investment experts from New Zealand and Australia also sit on the committee.

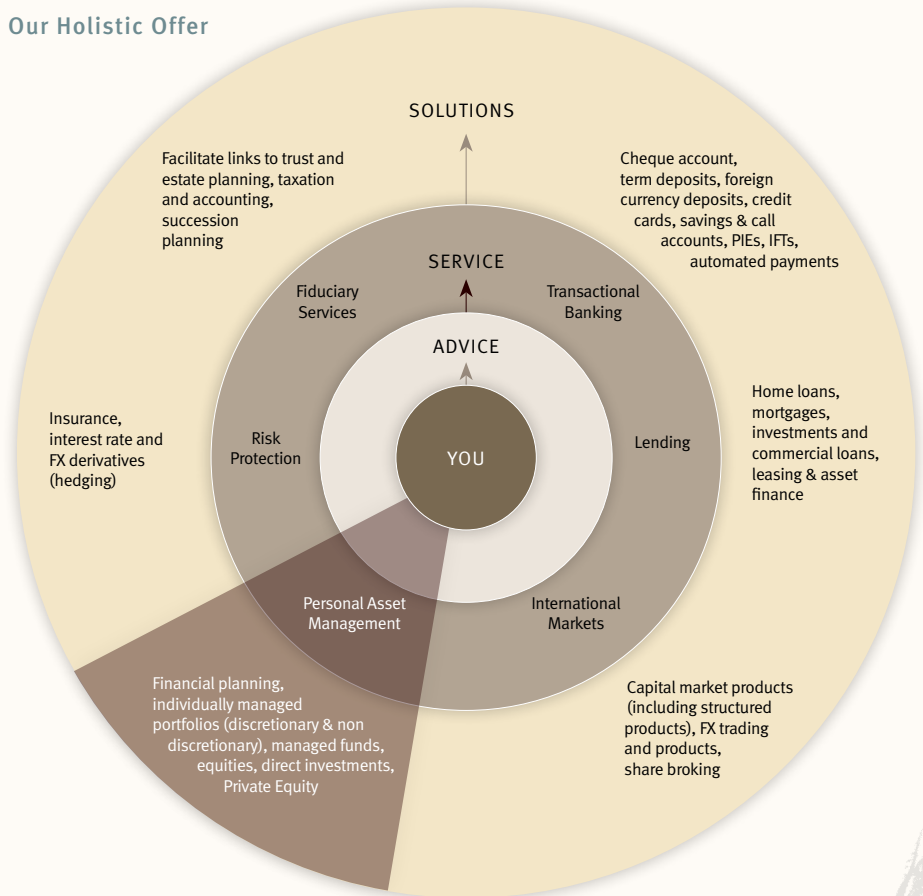
The Investment Management Committee then implement this broad view and

carefully select the most appropriate investments that will best fit our clients' investment needs. The Investment Management Committee have the freedom to select products outside of the Bank's, should those be unsuitable.

So if you would like to know more about our Investment Services offering contact your Private Banker today.

IN PRIVATE

Our Holistic Offer



Investments Online now available

IN RESPONSE TO FEEDBACK FROM OUR CLIENT SURVEY, WE'RE VERY PLEASED TO ANNOUNCE THAT INVESTMENTS ONLINE IS NOW AVAILABLE FOR YOU.

This service will allow you to access your Portfolio Position and Cash Ledger reports online. These will be updated monthly, giving you a more timely view of your portfolio than the current quarterly monitoring reports, should you require it. You will continue to receive your quarterly monitoring reports in the mail.

Your privacy and security are paramount, so to register for Investments Online, please contact your Private Banker. They will explain how the service works, answer any questions you may have and arrange access for you.

Development of the service is continuing and we will over time look to further enhance this service. If you have any questions or any suggestion on how we can improve this service, please contact your Private Banker.

IN PRIVATE

Investment insights

HOW DO MARKETS REALLY WORK?

Why do financial markets behave as they do? There's an increasing acceptance that successful investing requires us to understand more than just the numbers. We also need to understand the investors.

The academic theory behind this idea is called Behavioural Finance. It provides some fascinating and useful insights into what's happening in financial markets today – and where opportunities may be found in the future.

"The traditional thinking about financial markets is that they operate efficiently," says Private Bank Head of Portfolio Management Rosemary Hambling.

"In other words, the price of a particular asset like a share is based on all the information investors have about it.

So with more and more information now freely and instantly available, markets – and investors – should behave in a highly rational way.

"But they don't," says Hambling. "Over the last few months, for example, we've seen market swings of 5% or more in a single day. Huge one-day swings like this aren't rational. They're a result of investors over-reacting to the noise and emotion of the markets."

This implies that the way investors perceive and react to market information may be just as important as the information itself. Studies show that regardless of how rational we may think we are, most people have innate biases

which affect how we interpret information and make decisions.

These biases explain why many find it difficult to realise a loss in an investment, and switch into something else that all the available information indicates is more likely to produce a better return.

For example, for many years IBM was considered a 'bellwether' stock by U.S. investors. With the rise of personal computing in the 1990s though, IBM's dominance – and share price – sagged. But many investors continued to hold on to their IBM shares. They had become 'anchored' in their perception of IBM as untouchable, even when the evidence told them they would be better off switching to something with better prospects.

That may also explain why many investors see things more optimistically than the evidence warrants. That's particularly true in boom periods. Investors come to expect the good times to last forever, and ignore evidence that challenges that view.

Finance professionals can be just as vulnerable as anyone else to filtering information through their own biases. For example, in July 2007 the International Monetary Fund issued their World Economic Outlook, predicting that the global economy would continue to grow strongly with a growth rate of 5.2% for 2008. This was just before the global financial crisis hit in earnest.

Yet the clouds on the horizon were there – if you were prepared to look for them. At around the same time as the IMF report, the Private Bank Investment Committee was recommending the lowest ever weighting for shares in Private Banking portfolios, in response to overheated global sharemarkets.

According to legendary investor Warren Buffet, successful investing needs "a sound intellectual framework for decisions – and the ability to keep emotions from corroding that framework." But as Behavioural Finance shows, our biases are often unconscious – which is why keeping emotions out of investment decisions can be hard, particularly for individual investors. That's where Private Bank comes in, says Hambling.

"As investment professionals our role is to screen out the noise and challenge perceptions. We're there to ensure that investment decisions are aligned with each client's asset allocation and made solely on the basis of what is best for their needs.

"Our investment process is the key and underpins our whole approach. The robust discussion and rigorous discipline we apply helps us avoid the biases that Behavioural Finance principles highlight. That's why we value it so highly – and guard it so jealously."

ROSEMARY HAMLING

Head of Portfolio Management

Client Satisfaction Survey 2009 – we'd like to hear from you

If you have previously participated in our client satisfaction survey, then you will know that we are serious about what you think and appreciate when you take the time to raise any concerns with us. Our goal is always to provide excellent service and we can only do this by being aware of, and responding, to your needs. You will have recently received a copy of the survey either via email or in the mail. The online responses for the survey close on 26 July or if you would prefer to complete the survey in writing, these must reach us by 7 August 2009.

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A copy of the Bank's, John Body's, Guy Fisher's, Rosemary Hambling's, Nigel Scott's and your Private Banker's Disclosure Statement, prepared under the Securities Markets Act 1988 is available on request from your Private Banker free of charge.

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