

Sorting the Wheat from the Chaff

Just as the savvy buyer 'kicks the tyres' before buying a car or consults independent sources to check a proposed purpose, so too can rigorous research prior to investing improve (though not guarantee) the chances of a successful outcome.

We have all heard the woes of investors who in hindsight have bemoaned their lack of careful diligence before giving their life savings to others to invest. Many relied on advertisements or celebrity endorsement that led them to placing their money into investments based simply on short term returns or misplaced trust.

Many investors believe they neither have the skill or information to thoroughly research prospective investments.

Despite the hard lessons learned from finance company and corporate bond losses, it still appears Kiwis still retain an unduly high level of faith in the financial sector as evidenced by the almost total lack of independent professional research performed on KiwiSaver schemes that now collectively manage near \$8 billion of household savings for 1.7 million New Zealanders.

This is evident as none of the 33 public KiwiSaver providers have yet to have their portfolios independently reviewed by experts in investment fund research.

Instead it seems many New Zealanders appear to repeating past mistakes by basing their KiwiSaver scheme decision on simplistic and backward looking factors such as short term performance yet overlooking equally important forward looking issues.

Their KiwiSaver scheme selection process should include an evaluation of the company managing the fund, the key members of the investment team and the processes under which that group perform their principal duties of research and portfolio risk management.

So while it may seem like an impossible task for most people to evaluate the various KiwiSaver schemes themselves, KiwiSaver scheme providers have had available the option of having such assessments performed and published by expert fund research companies. It is disappointing that the KiwiSaver industry have not voluntarily sought to open themselves up to this external scrutiny – until now.

Breaking ranks is investment company and new KiwiSaver provider NZ Funds Management.

NZ Funds Management is the first KiwiSaver provider in the country to have its portfolios qualitatively reviewed by an external research company leading to all three of their portfolios being rated as either 'recommended' or 'highly recommended' by Lonsec, Money Management research house of the Year 2010.

This research provides vital information that clients should be including in their decision making process. It gives investors insight into the stability of an organisation, and the likelihood of it being able to repeat the performance it has generated in the past.

This is why we as a business have chosen NZ Funds Management as our preferred KiwiSaver provider.

For more information on making sure you follow a robust decision making process when choosing your KiwiSaver scheme, get in contact with us [here](#).

For further information on Lonsec's qualitative research process and NZ Funds Management's rating see the interest.co.nz interview with NZ Funds Management Chief Investment Officer Michael Lang at www.nzfunds.co.nz/kiwisaver