

NZ Funds go for value

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by Philip Macalister

New Zealand Funds Management has changed the focus of its global blue chip fund because many of the world's equity markets are considered fully priced.

It has recently shifted the \$40 million fund's investment style from passive to a value based one.

As a consequence Barclay Global Investors has been replaced as by Sanford C Bernstein as managers.

The \$40 million fund has been a relatively good performer over the past couple of years, however NZ Funds believed its focus needed to be changed to ensure it was optimised.

"The fluid nature of the investment industry is such that a continual reassessment of our products is necessary to ensure that the financial planners who use our funds, and the investors who invest in them, are provided with the optimal product," NZ Funds says.

"Despite its consistently high returns, we have been cognisant of the fact that with many sharemarkets throughout the world looking fully valued at present the passive nature of the fund could have a detrimental impact on its volatility.

"As with any passive fund the trust has no way of insulating itself from the volatility in the market and as such investors are exposed to higher degree of risk than would be the case in an actively managed fund."

NZ Funds says that because of the state of the markets it was prudent to shift management of its core international fund to a value-based style to offer more downside protection.

It says growth funds generally focus on companies that, due to their strong earnings and revenue potential offer above average prospects for capital growth they are more susceptible to market swings.

Bernstein is a highly regarded United States-based value manager with more than US\$90 billion under management.

You can read Philip's blog here: <http://www.goodreturns.co.nz/blog/>

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