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Investors lose faith in equity cult

By ELLEN READ

Despite improved performances, managed funds continued to haemorrhage money in the final months of last year as investors withdrew their dollars.

In the December quarter, a net \$349.8 million was pulled out of funds, the largest outflow since recording began in 1990, said research house FundSource.

A time lag in investor response to the doom and gloom of early last year meant people were cashing out just when things were picking up, FundSource research head Tim Anderson said.

"It's ironic that funds outflow was the highest seen despite actual positive performance for the quarter," he said.

If investors continued to realise their losses and exit at what was potentially the bottom of the curve, then this pattern could continue to depress fund flow for the next six to 12 months, Anderson said.

Money was being shifted into cash or mortgage funds, which were seen as more stable and capital secure.

The figures show net funds under management fell from \$18.16 billion to \$17.83 billion in the December quarter - a \$323 million, or 1.8 per cent, drop.

The improved showing by the international equity sector ensured that the total fund pool shrank by less than the amount withdrawn.

National Bank topped the managers' table with a \$39 million inflow, largely attributable to \$52.4 million flowing into its Thoroughbred Cash Fund.

ASB followed with an inflow of \$25.6 million, again due to flows into a single fund, the ASB Residential Mortgage Trust.

Third place went to NZ Funds Management with an inflow of \$15.9 million. NZ Funds' main business is diversified funds, and it was the only manager to receive inflows in that sector.

Of the 29 fund managers surveyed, 20 recorded net outflows in funds.

Tower posted the highest net outflow of \$92.8 million.

Despite this, Tower retained its position as the largest fund manager in the country with a 9.5 per cent market share.

AMP and ING are second and third respectively with 8.7 and 8.6 per cent market shares.

Analysed by asset class, New Zealand mortgage funds recorded an \$87.2 million inflow.

International fixed interest, New Zealand equity, New Zealand cash and New Zealand diversified funds all reported net outflows.

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