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## Kiwī investors hurt by double whammy in '97

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THE October "correction" on world sharemarkets and Asia's financial woes have had a significant impact on the performance of managed funds for 1997, according to latest figures from IPAC Securities.

And once again funds investing in New Zealand shares have been hit worse than others, excepting those funds investing solely in the former "tiger" economies of South-east Asia.

In the year ending September 1997, the average unit trust investing in New Zealand shares returned 16.45%. In the year to December 1997, that fell to zero.

Part of the reason for the discrepancy in those figures is that the last quarter of 1996 was a relatively good one for the New Zealand market.

Take that quarter out and substitute the December quarter for 1997 (when the the average unit trust investing in New Zealand share fell by just over 7%), and the hapless investor is hit by a double whammy.

Even so, Australian, regional and global unit trusts fared better than their New Zealand counterparts.

Unit trusts investing in Australian shares returned an average 24.5% in the year to September; during calendar '97 that had fallen only to 10.89% -- still a drop, but some way off zero.

Global share trusts were least affected by the October correction, although favourable currency movements helped here.

Global share trust returns fell from 18.69% to 16.30%, helped by the fact that around 45% of many global share trust assets are held in United States stock, which held up reasonably well through the events of October (the Standard & Poors 500 Index ended up a whisker under 60% for the year).

European sharemarkets had also held up comparatively well during that time.

IPAC general manager David van Schaardenburg said, in New Zealand dollar terms, the British market had gone up by 10% in the last quarter of 1997, and the US market by 12%.

That had helped global fund performance for Kiwi investors, "but you wouldn't want to build a long-term portfolio on those considerations", he said.

Share trusts investing in regions of the world economy had also held up well when comparing September and December year results -- down from an 11.6% average return to 4.37%.

But variation in performance among regional share trusts showed what a topsy-turvy time share investors are having.

Prudential's Japanese Opportunities Trust fell 41.59% in the December year; its Asia-Pacific trust fell by 23.78%. In contrast, Prudential's North American Opportunities Trust was 18.39% ahead for the year, and its European trust by almost as much.

Tower's Spotlight trust investing in Latin America was up 26.63% for the December year.

Those investors who took refuge either in New Zealand diversified funds or in fixed interest, or even cash trusts, weathered a wobbly 1997 much better.

The average diversified balanced New Zealand trust returned 6.81% for the December year (but still down from 12.16% in the September year). The diversified balanced super trust fell by around the same figures.

New Zealand fixed interest trusts returned 3.58% in the December year, and cash trusts 4.91%.

Top-performing New Zealand share trusts for 1997 were Guardian Trust's Small Companies Fund (7.2%), BNZ's New Zealand Blue Chip share trust (5.05%), New Zealand Funds Management's New Zealand Equity Trust (4.86%), Prudential's equity trust (4.48%) and Coronet Equity Trust (3.34%). Returns were after tax and fees.

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CAPTION:

VAN SCHAARDENBURG . . . exchange rates helped

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