



Clients and

CONTINUITY PARAMOUNT

“SUCCESS AT PRIVATE BANKING STEMS FROM UNDERSTANDING THAT THIS IS A CLIENT-FACING BUSINESS,” SAYS NIGEL SCOTT, WHO HAS RECENTLY BEEN PROMOTED TO GENERAL MANAGER. “CLIENTS ARE THE CENTRE OF EVERYTHING WE DO. IN THAT REGARD THERE’LL BE ABSOLUTELY NO CHANGE AT ALL.”

Nigel follows in the footsteps of Kieran Forde and John Body, who have moved on to other roles in ANZ’s Wealth division, of which Private Bank is a major part. “As head of the Wealth division, John is still very much in the picture and clients will still see him,” says Nigel.

Though Kieran may not see clients as often as before, he still works closely with the team, continuing the pattern laid down over many years.

Nigel has had senior roles in Private Banking for the last five years, including being Auckland Regional Manager until his appointment as GM. Before that, he concentrated on helping clients with sophisticated needs, as well as setting up a team to serve ultra high net worth clients.

Earlier in his banking career, Nigel worked in retail, commercial and institutional banking, dealing with everything from client relationship management to credit, capital markets, investment product origination and wealth management, in both New Zealand and the UK.

While the technical expertise of people like himself, the team within Private Banking and the wider bank is extremely valuable, Nigel believes that ultimately the business is about relationships.

“From a client perspective, their relationship is still with their banker, regional manager, with me and John. So for all intents and purposes life continues as before.”

Nigel confesses that talking to clients is a part of the job he really loves. “I enjoy talking to people about markets, there’s always so much happening.”

Whatever is happening in the market, he believes there is always opportunity. “As managers, we have to understand the trends and how best to make use of them. We have derisked portfolios for a while now and we are comfortable with that.”

At the moment, investors face a lot of uncertainty in the global economy.

“People can’t help but be swung by what we think of as the noise in the market. As Private Banking, we always focus on the long-term, being well diversified, being disciplined and sticking to your investment strategy.”

He says in difficult times it is more important than ever for investors to remember their objectives.

“Rather than react to what you see in the market now, consider the long term and stick to your investment strategy.”

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HOW TO FIND SAFETY NOW AND *when to change tack*

THE KEY QUESTIONS IN THE CURRENT CRISIS ARE HOW TO FIND SAFETY AND WHEN TO START MOVING OUT OF THE SAFETY FIRST MINDSET, SAYS HUGH HODGES, CIO OF ANZ TRUSTEES IN AUSTRALIA AND DEPUTY CHAIRMAN OF THE REGIONAL INVESTMENT COMMITTEE.

"The question of what is a safe investment comes up time and again," says Hugh. "We often get asked why we don't just cash up. However, for a long-term investor, having all assets in cash is very risky with absolutely no diversification. It also depends on what investors see as 'risky': capital volatility, lack of income certainty, not keeping up with inflation, or something else."

The dangers are illustrated by the fact the income from cash in Australia fell by nearly 70% during the GFC. A high-quality diversified portfolio including shares and bonds performed much better from an income perspective.

A number of other supposed 'safe' options have also proved to be risky:

- Gold has much more price volatility than a diversified share portfolio.
- The US dollar has seen its value relative to most other currencies declining, but is still seen as 'safe'.
- 10 year US Treasury bonds are sitting at the lowest yield for centuries, with the exception of a few months in 1945, and a small increase in yield can produce a negative return.

"The message from all of this is that there is no such thing as an absolutely safe investment," says Hugh.

"The safest investment strategy is diversification with tilts in one direction or another. Our current stance is biased towards wealth preservation, so we keep higher than normal levels of cash. But even now we still have more than half our benchmark position invested in equities."

With this defensive position established, the second question is when to move, what signs to read in the market.

"The market is firmly in fear mode, but there is still some hope left. This is clear from the fact that investors can still be disappointed, as we've seen in the strong adverse reaction to the US not introducing QE3 and when the latest figures from China were released," says Hugh.

"It would seem we are still some distance from all hope being expunged from the markets. It's only when investors give up all hope of improvement and have priced in an even worse outcome that there is scope for a meaningful turn in the markets."

He expects that the time for such a reversal will come well before any solutions are generally perceived.

"What we focus on is the psychology of the market and the investors as they react to the news. In fact, news at around that time may be the worst we have seen to date, but it will be less bad than investors had feared. That is when markets will rally."

GOVERNANCE A KEY PART OF

investment decisions

INVESTORS NEED TO CONSIDER THE PROCESS BY WHICH INVESTMENT MANAGERS ARE MAKING DECISIONS RATHER THAN SIMPLY THE PERSONALITIES INVOLVED.

"As an investor, you have to understand the organisation you're dealing with," says Simon Botherway, General Manager Investments for ANZ Wealth.

"Some investors are attracted to firms that are personality driven, but it's important to remember that those people aren't there forever. You have to look for an organisation that will be there for the long haul, and how their decision making is governed."

Simon himself is a respected personality in investment circles, attracting attention as a share market activist earlier in his career. Before joining ANZ, he was a member of the Securities Commission and chairman of the Establishment Board of the Financial Markets Authority (FMA).

"We have good people and processes at the bank," says Simon. "We're looking to build capability and service on high-integrity offerings that are in the best interests of our clients."

Among the key governing principles at Private Bank is the process by which investment decisions are made in tiers.

Tactical asset allocation decisions are made by the Regional Investment Committee. This body consists of investment experts across the wider bank group in New Zealand and Australia, as well

as invited external consultants. Together, they bring an incredible amount of experience and insight to bear.

"The committee's decision-making has been crucial to preserving wealth in the difficult market conditions of the last four years," says Simon.

In broad terms, the Private Bank portfolio profiles are created by establishing strategic weightings for a range of asset classes, bearing in mind their risks and expected returns. This includes an assessment of the prospects for different regional markets.

The Investment Management Committee then investigates the relevant markets and instruments to identify and access specific investments that would be advantageous for Private Bank clients.

"So we start with an analysis of global and regional economies and then drill down to individual sectors and securities to find the investments that are most appropriate for our clients," says Simon.

"In general, we want to exit markets when they are highly popular and have high valuations, and get involved when markets are disliked."

Private Bank's policy is to give independent advice where the client's best interest is paramount. That is why Private Bank advisers are salaried rather than working for commission.

"We're determined to stick to our processes through thick and thin," says Simon. "Because that is how we can secure the best long-term results for our clients."

A PRIVATE VIEW

STRIVING TO ACHIEVE THE HIGHEST POSSIBLE

levels of client satisfaction

"It's encouraging that client comments in our annual survey remain consistent and positive," says Nigel Scott, General Manager of Private Banking.

More than 1000 clients expressed their views in this year's survey, which has now been conducted every year since 2008. The survey gives clients a formal vehicle to provide feedback on their experience of the bank and its services, so that the necessary improvements can be made.

"One of the pleasing results in the most recent survey is that we've been able to make effective changes in response to client feedback. The 2008 survey revealed that only 76% of our clients felt they were getting the right amount of proactive contact from Private Bank. This year, the number increased to 86%," says Nigel. "If we didn't have these survey results we may never have realised that there's something we have to improve on and highlights the value of having an open exchange of views."

Whilst we are proud of this achievement, we will continue to improve as we listen to your feedback and strive for excellence in client service.

"With a preference for proactive contact, we're always looking out for our clients interests. We are also available whenever they need to contact us."

Clients gave an average rating of 89 (out of a possible 100) for the ease of contacting Private Bank and the quality of the response. The overall rating of the bank is almost as high.

"On top of that, 86% of respondents said they'll recommend Private Bank to others, up from 78% three years ago. This is really heartening to see," says Nigel.

"There are a few minor shifts in the ratings that we'll respond to, because we're committed to achieving the highest possible levels of client satisfaction."

Another change that was made as a result of feedback from clients was to make the survey itself significantly shorter and simpler. Private Bank had also considered doing these surveys less frequently, but decided that since it's so valuable to get timely results to continue with the annual surveys.

"We realise our clients typically lead full lives and we want to thank everyone who took the time to participate in the survey," says Nigel. "Client feedback is crucial for us to keep fine-tuning what we do, so that Private Bank will continue to meet client expectations."

If you have any comments on the service you receive from Private Bank or suggestions for us to consider, there's no need to wait for the next survey – simply call your Private Banker or email Kim.Versfeld@anznational.co.nz

KEEP DIFFERENT CURRENCIES IN ONE

account for online share trading

IN ADDITION TO TAKING ADVANTAGE OF HAVING A MANAGED INVESTMENT PORTFOLIO WHERE INVESTMENT DECISIONS ARE MADE BY OUR REGIONAL INVESTMENT COMMITTEE, SOME OF OUR CLIENTS LIKE TO MAKE SOME OF THEIR OWN INVESTMENT DECISIONS.

Many of these clients use our Investments Online service to carry out share and bond trading, using funds which are separate from their Private Banking Investment Portfolio.

We are now pleased to offer a new type of account through our Investments Online service called the Online Multi-Currency Account. This will make it easier for those clients to settle foreign share purchases in the currency of the purchase.

"The Online Multi-Currency Account has been designed to support those who do, or who would like to do, their own share and bond trading. This account will give clients the option to hold balances in various currencies, so they don't have to convert currency with every transaction," says Nigel Scott, General Manager of Private Banking.

"If, for instance, you sell Australian shares, you can keep the proceeds in Australian dollars for your next purchase in that market. This will not only be easier, but will mean you are not as exposed to currency fluctuations."

The Online Multi-Currency Account provides the ability to hold balances in up to 10 different currencies – New Zealand Dollars (NZD), Australian Dollars (AUD), US Dollars (USD), Euro (EUR), British Pounds (GBP), Japanese Yen (JPY), Canadian Dollars (CAD), Swiss Francs (CHF), Hong Kong Dollars (HKD) and Singapore Dollars (SGD).

Account holders can transfer funds between currencies within the account or request New Zealand Dollar withdrawals to their nominated bank account.

The Online Multi-Currency Account is available in conjunction with the share and bond trading facility offered through the Investments Online service. The account has no service fees, but a foreign exchange margin will be applied to transactions when funds are converted from one currency to another. Clients will also have the ability to earn interest on funds held in the account based on the balance in each currency, depending on the interest rate(s) applicable to the relevant currency.

"This account will make it easier to invest in overseas share markets, adding a further specialist service that we offer to our Private Banking clients," says Nigel.

If you would like to find out more about this account, or the Investments Online service, please speak to your Private Banker.

A PRIVATE VIEW



We'd like to hear from you

We welcome your feedback. Please let us know about any suggestions you might have for improving A Private View, including the type of articles you'd like to read. Contact your Private Banker or email Kim.Versfeld@anznational.co.nz

How can we help you?

For more information about National Bank Private Banking and our services, or any of the topics in this newsletter, please email us at private.banking@nbnz.co.nz or call us on **0800 500 588**.

Our offices are located in the following regions:

Auckland/ Northland

Wellington/Wairarapa/Hawkes Bay

Otago/Southland

Waikato/Bay of Plenty/Thames Valley/Taranaki

Canterbury/Nelson

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