

Eriksen's Master Trust Survey Results To 31 March 1998

It pays to save!

With low inflation the average real net investment return for the year to 31 March was an amazing 10%! The four year figure was a more realistic 3.9% which is still excellent.

The investment returns for the year were boosted by a strong last quarter. International equities performed well especially in USA and Europe. The depreciation in the NZ dollar helped too. The New Zealand stock market also improved.

The sanctioning of the easing of monetary policy by the Reserve Bank caused an interesting reaction. The currency fell and interest rates went up! However, international investors had already factored in the bulk of the expected movements. The Government's difficulty is how to boost the economy in lasting and constructive ways thus raising confidence.

A consistent Retirement Savings policy would help.

Over the last twelve months the average growth in funds of Master Trusts surveyed has been 35%.

AMP's New Zealand Retirement Trust continues to be the fastest growing Master Trust. Both it and the Tower Enterprise Plan grew at over 10% during the quarter. Tower has BT as an investment manager option and is bringing in ANZ and BNZ as further investment options.

Jacques Martin has closed their Cornerstone and Vanguard Funds and converted their Pathfinder Fund to an actively managed Colonial Investment Management's asset growth fund.

WestpacTrust is considering adding other fund managers to its three balanced funds.

Employer sponsored superannuation schemes are closing at the rate of 100 per year. There are only 1,000 such superannuation schemes left. Many employers are converting their schemes to Master Trusts rather than winding up.

A number of schemes have been closed to new members to avoid the need for an investment

statement and prospectus, (if funds over \$5 million).

The draft legislation for TOLIS has created further concern amongst employers.

There are three principal issues:

1. TOLIS is a strong disincentive for employers to help their employees save for retirement. The employee has the unilateral power to ask his or her employer to treat employer contributions as member contributions. They thus become taxable income and may be taxed at 21% rather than 33%. This is a subtle way of changing a person's employment contract which normally is done by mutual consent. What about income support, vesting scales and the implied shift towards total remuneration which removes the employer's incentive to assist an employee save for retirement?
2. The cost of administration including software changes are enormous. Especially as managers are putting resources into sorting out year 2000 bugs. The timing couldn't be worse. The costs will far outweigh the benefits to individual employees, especially if the employer attributes the cost to the lower marginal rate tax paying members.
3. The attempt to accurately tax each individual at their marginal rate damages the economies of scale and cost effectiveness of current savings vehicles or investment products. It is a further hindrance to our so called voluntary savings regime. The solution is to lower maximum tax rates and keep a flat proxy tax rate for investments. If implemented TOLIS would make this solution harder to achieve.

We encourage all concerned employers and providers of financial services to make submissions to the Select Committee which must be in by 8 May.

Contact us at:

Auckland auckland@eriksensglobal.com Ph 64 9 486 3144
Wellington wellington@eriksensglobal.com Ph 64 4 470 6144
Sydney sydney@eriksensglobal.com Ph 61 2 9223 3747

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Fund Name	Fund Size \$ million	Annual Returns (Net of Tax & Expenses)				No. Employers
		1 Year	2 Year	3 Year	4 Year	
Armstrong Jones						
SIL Balanced	231.9	15.1	10.8	10.7	7.8	
AMP						
AMP Balanced	115.5	14.7	10.2	9.8	7.7	575
AMP Capital Assured Fund	17.7	5.6	5.4	4.7	4.5	156
AMP Capital Stable Fund	19.5	8.7	7.4	7.5	6.2	186
AMP High Equity	27.1	21.1	13.3	12.3	8.7	366
ANZ Funds Mgmt Balanced	38.2	11.2	9.7	10.3	7.6	345
BT	6.8	9.2	8.9	10.0	7.5	170
Southpac Balanced	7.5	9.0	7.0	7.2	5.3	99
Jacques Martin NZ Ltd						
Balanced Fund	47.4	9.3	7.7	7.8	6.2	
Capital Stable Fund	30.2	6.9	6.3	6.1	4.9	
Cash Management Fund	5.9	5.2	5.2			
CIM Asset Growth	9.4					
Cornerstone Fund	2.4	6.9	5.6	5.7		
Growth Fund	15.9	15.8	10.6	10.7	7.3	
Vanguard Fund	2.4	9.3	7.1	7.5		
National Mutual						
Balanced Portfolio	20.2	12.5	8.8	9.0	6.4	
Capital Protected	29.4	4.3	4.2	4.1	4.4	
Low Risk	19.7	11.1	7.9	8.8	6.4	
Managed Portfolio	25.6	14.5	9.6	9.4	6.5	
Spread Managers	51.5	14.7	9.3	9.2		
Norwich Union						
Deposit Fund	53.0	4.9	5.3	5.7	5.4	25
Managed Fund	99.5	12.0	8.5	8.8		41
Prudential						
Balanced Growth Portfolio	18.1	10.5	8.5	9.4	7.7	
Conservative Portfolio	0.5	6.8	5.0	4.9		
International Bond Portfolio	0.2	9.4	7.4	7.0		
International Equities Portfolio	1.3	15.7	9.8	12.2		
NZ Equity Management Portfolio	0.2	7.2	5.8	5.8		
NZ Fixed Interest Portfolio	0.1	5.2	6.6	5.4		
Special Values Portfolio	4.4	14.9	11.2	11.3	9.4	
Tower						
BT Managed Growth		9.8	9.1	10.0		1
Conservative						
Endurance Fund	1.1	7.4	6.6	6.6		16
Explorer Fund	0.8	16.9	12.3	12.4		20
Focus Cash		4.6	5.4	5.6	5.3	1
Focus Fixed Income		6.5	6.2	5.7	4.6	1
Focus International Shares	0.1	28.9	17.4	17.5	12.4	1
Focus NZ shares		7.6	8.8	10.7	6.7	1
Growth		18.4	12.9	13.1	9.9	
Market Balanced	0.2	14.5	10.9	10.8	9.0	1
Opportunity Fund	2.7	12.5	9.9	9.4		25
Pioneer Fund	3.8	15.5	11.7	11.1		25
WestpacTrust						
Accumulation Fund	58.8	5.2	5.3	5.2	4.8	
Balanced Fund	196.5	10.2	6.6	6.7	4.7	
Dynamic Fund	124.5	13.3	8.1	7.8	5.3	
All Funds	1,290.1	11.8	8.4	8.4	6.3	
Cash Benchmark (Net)		5.5	5.9	5.9	5.8	
CPI		1.3	1.5	1.8	2.3	

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