

Eriksen's Master Trust Survey Results To 31 December 1999

The investment returns for the last quarter of the century were excellent thanks to the continued growth in the US market and investor confidence. The New Zealand stock market was fairly flat but selected equities performed well during the quarter. However on an annual basis the returns for the year ending 31 December 1999 were a little lower than those for the previous quarterly survey. The real rate of return on average after tax and inflation has dropped to 8.3%, which is still an extremely good result.

Growth funds with high exposure to equities led the way with an average return of 12.4% net. Balanced funds achieved 8.8% net which is the same as the total average but low risk funds yielded just 4.1%. This is only 0.8% above the cash rate.

The global economy has moved forward steadily this year without the fears of Y2K problems. The fact that Y2K appears to have been a non-event boosts investors confidence and encourages consumers. None the less the global stock markets and the US market in particular are still volatile. The US market although it achieved record highs earlier this year has fallen back to between the 10,500 and 11,500 levels which suggest a little more stability.

The central banks are increasing interest rates to reduce demand and control inflation. The Federal Reserve announced another 0.25% increase in rates last week. Australia earlier raised theirs by 0.5%.

Don Brash has already raised his cash rate by one quarter of a percent, which puts the New Zealand economy more under pressure. By applying the brakes early he risks reducing the growth we had been enjoying recently possibility tipping it the other way. The Labour Government with its increase in the State Pension will boost the rate of spending since the elderly tend to spend rather than save their incomes.

Recently the Bank Of England sold another twenty-five tonnes of gold. This was well anticipated by the market and the gold price barely flickered. It is currently around the \$US280 mark and still has the stronger upside than down side. The other commodity whose price is holding up well is oil. With a relatively cold European winter OPEC has had no trouble extracting its price from the oil companies and consumers in the Western World.

The New Zealand dollar has dropped to about 50 cents US. Don Brash has acknowledged that his monetary policy cannot control the exchange rate. New Zealand and Australia are being lumped in together and our currencies are at the mercy of off shore investors.

The lower New Zealand dollar will benefit exporters. The problem is to try and reduce the current account deficit. As a country used to spending more than we save this is difficult.

The Master Trust Market is developing steadily. AMP has announced the inclusion of an Armstrong Jones balanced fund in the NZRT. This is a welcome addition to the already strong investment management offerings in that fund. However the Trustee Fee charged by the NZRT is also to increase. It brings small groups closer to the fees charged by retail savings products.

The three fastest growing Master Trusts are still AMP, Tower and Westpac. Mercer was invited to participate in our survey this quarter but declined.

The Labour Government has started off well by fulfilling its election promises to increase New Zealand Super and the maximum marginal tax rate. Higher paid individuals can protect part of their income by getting their employers to pay additional employer contributions to their superannuation scheme by way of salary sacrifice. The rate of SSCWT remains 33%.

The Government is still having trouble managing its bureaucrats. This was a real problem for the previous administration.

As a country New Zealand is running out of time to address the retirement savings problem. The baby boomers will soon be retiring en masse. Unless a solution is found in the next five years it will be difficult for a funded arrangement to be become mature enough to make a difference. For this reason we support Labours proposed scheme.

We would prefer a voluntary TET regime under which there is a gross accumulation of investment income but the benefit is locked in to retirement age and must be taken in the form of an inflation proof pension which is surtaxed against New Zealand superannuation at the rate of 20cents in the dollar up to 50%. This generous tax incentive would help New Zealand to catch up to the other English speaking Western economies who have already funded their baby boomers retirements.

We wish our readers a profitable year.

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Fund Name	Fund Size \$ million	Annual Returns (Net of Tax & Expenses)				No. of Employers
		1 Year	2 Year	3 Year	4 Year	
Growth Funds						
Colonial International Equities	1.0	25.8	19.2	14.5	12.6	
Jacques Martin NZ Growth Fund	34.4	19.0	15.4	13.4	11.8	115
AMP High Equity	73.6	16.1	15.8	14.3	12.4	492
GRT Individual Retirement Plan Growth	7.1	14.5	12.9	11.9	10.4	
Colonial Special Values	2.3	13.7	10.3	9.4	9.7	
Tower Focus NZ Shares	3.2	13.5	6.0	5.5	8.1	115
Tower Focus International Shares	12.9	13.3	13.1	14.1	12.6	118
Colonial Balanced Growth	10.5	11.9	9.2	8.2	8.0	
Tower BNZ Dynamic Growth	0.1	11.4				1
Tower BT Managed Growth	0.7	10.1	9.1	8.2	8.8	21
WestpacTrust Dynamic	194.5	10.0	9.8	9.6	8.1	42
Colonial Australasian Equities	0.2	9.8	5.3	4.4	5.7	
Jacques Martin NZ Asset Growth	12.0	6.9				115
Tower ANZ Growth	0.1	6.4				11
<i>All Growth Funds</i>	<i>352.7</i>	<i>12.4</i>	<i>11.8</i>	<i>11.1</i>	<i>9.6</i>	
Balanced Funds						
Armstrong Jones SIL Balanced	342.3	11.4	11.1	10.5	10.4	
AXA NZ Spread Managers	61.0	9.6	11.3	7.2	7.8	
AMP Balanced	363.5	9.2	10.1	9.6	8.8	691
GRT Individual Retirement Plan Balanced	13.5	9.0	9.7	9.2	8.4	
AMP BT	22.6	8.7	8.5	7.5	8.1	292
AXA NZ Managed	35.1	8.6	11.7	6.4	7.7	
Royal & Sun Alliance Managed Fund	90.6	8.3	8.8	8.3	7.8	32
WestpacTrust Balanced	337.2	7.5	8.0	7.6	6.6	42
Jacques Martin NZ Balanced	81.7	7.4	8.9	8.3	7.9	115
Tower BNZ Balanced Growth	0.4	7.3				8
AXA NZ Balanced	25.5	6.5	10.3	5.9	7.5	
AMP ANZ Balanced	61.5	6.1	7.3	7.3	7.7	429
Tower Investment Linked	61.0	6.0	7.6	8.3	8.3	157
Tower ANZ Market Balanced	0.1	3.9				8
<i>All Balanced Funds</i>	<i>1,495.9</i>	<i>8.8</i>	<i>9.5</i>	<i>8.8</i>	<i>8.4</i>	
Conservative Funds						
Jacques Martin NZ Capital Stable	41.6	5.9	7.6	6.9	6.7	115
AXA NZ Low Risk	22.4	5.3	8.8	5.6	7.4	
GRT Individual Retirement Plan Stable	2.2	4.9	7.2	7.0	6.7	
AMP Capital Assured	39.5	4.5	4.9	5.0	4.8	218
AMP Capital Stable	50.0	4.5	6.1	6.0	6.0	246
Colonial Conservative	1.9	4.1	4.9	4.1	4.5	
AXA NZ Capital Protected	27.5	3.8	4.2	4.1	4.3	
Royal & Sun Alliance Deposit Fund	32.8	3.3	4.2	4.4	4.8	17
Tower Focus Cash	2.3	2.7	3.7	4.0	4.6	82
WestpacTrust Accumulation	59.0	2.7	4.7	4.5	4.7	42
Jacques Martin NZ Cash Management	5.8	2.3	3.5	4.2	4.6	115
Tower BNZ Conservative		1.1				
Tower ANZ Capital Stable	0.3	0.5				1
Colonial Global Fixed Interest	0.4	0.3	4.2	5.4	5.2	
Tower Focus Fixed Income	3.9	0.2	4.6	4.7	4.9	89
<i>All Conservative Funds</i>	<i>289.5</i>	<i>4.1</i>	<i>5.6</i>	<i>5.2</i>	<i>5.4</i>	
Total Funds	2,138.0	8.8	9.4	8.7	8.2	
Cash Benchmark (Net)		3.3	4.0	4.4	4.9	
CPI		0.5	0.4	0.6	1.1	

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