

ECONOMIC COMMENTARY

We expect the low interest rate environment to continue for the rest of this year. We also estimate the risk of an equity market correction to be quite high, in the range of 30% - 60%.

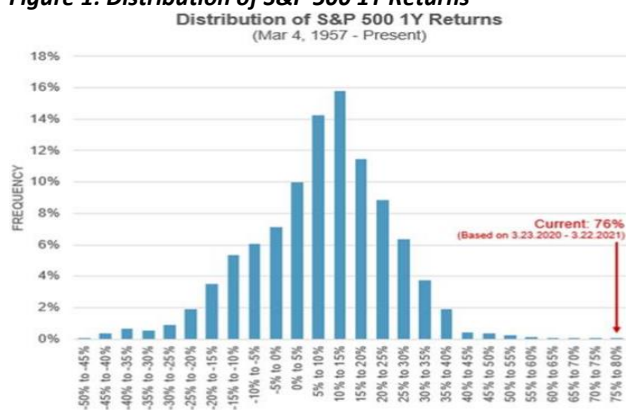
Retail investors, supply and demand for capital and supply chain disruptions can drive markets up and down. It is likely significant chunks of Americans' stimulus cheques will be sunk into the equity markets.

FINANCIAL MARKETS

The New Zealand 10-year bond yield spent about a week below the US 10-year Treasury, on the back of the residential investment property tax announcement. Also, the NZ dollar dropped 2 cents relative to the US dollar in response to the new measures, which suggests the demand for NZ investment from overseas buyers decreased. The RBNZ reduced its bond purchasing program from \$630m to \$440m per week during March. We expect short to medium term NZ government bonds to rise slightly in response to these measures. We are also seeing the long end of the yield curve rise more steeply. Long term inflation pressures are increasing.

It has also been one year since the market plummet in March 2020 which has since spurred the largest 12-month rally in the history of the S&P 500 (see Figure 1).

Figure 1: Distribution of S&P 500 1Y Returns



Source: Franklin Templeton

The selling pressure on Technology stocks may facilitate a rotation to Energy, Manufacturing, Consumables and Financials. Since most momentum models look back 12 months: starting next month, on a lookback basis, value stocks should have much stronger momentum. With inflation expectations rising and, by proxy, higher associated interest rates, value and defensive stocks may make a comeback.

Other lifelines to equity momentum include the US and UK ramping up their vaccine roll out. They still need to beat the next wave of cases. The direction of future interest rates will likely depend on whether this is successful or not in the short term. The PMI for manufacturing, services and nonfarm

payrolls were higher than expected, with President Biden's infrastructure package contributing to momentum in the following months.

MARKET RISK

The collapse of Archegos Capital Management spotlighted family offices. Archegos was little known until a drop in the value of its leveraged equity bets sparked a liquidity crisis at the fund, setting off a scramble among Wall Street banks who financed the trades to start unwinding them. The margin calls on the derivatives triggered a sell off and caused massive losses to the banks who were the main losers. Credit Suisse and Nomura appear to still be counting their losses. This was a one-off governance issue, but we remain curious to see wider effects. Regulatory and legal scrutiny may well increase for family offices after this incident.

GEOPOLITICAL

The US-China tensions remain a key part of the geopolitical landscape. Tariffs imposed by Trump and the subsequent trade war remain a restraining factor in current relations. US Trade Representative Katherine Tai commented that the US is not ready to withdraw tariffs but is open for discussions and will use it as leverage in negotiations to increase the presence of US made goods. Expect to see trade battles continue.

SUPPLY CHAIN DISRUPTIONS

The recent blockage of the Suez Canal caused a raft (pun intended) of disruptions. This incident showed how vulnerable world trade is, as it halted thousands of suppliers and buyers. Consider other waterways such as the Straits of Malacca, Strait of Hormuz and the Panama Canal – how well stress tested are these areas for similar issues such as piracy, traffic, weather, crew or political risk? It only takes one episode to trigger a worldwide choking point as we have learned recently.

KIWISAVER

We are waiting for the Government to announce the new KiwiSaver default providers. It will be interesting to see if AMP retains its status.

INVESTMENT RETURNS

Total Master Trust FUM rose by \$82.2 million over the quarter due to positive fund returns. All fund categories saw a positive average return over the one-year period. The one-year weighted average return for all Growth funds was 28.7%; Balanced funds gained 20.5%; and Conservative funds saw a return of 9.5%.

Inflation for the year was 1.5%. Deflation is less likely in the short to medium time period. Inflation annualised for the three and ten year time horizons respectively has been 1.8% and 1.3%.

ERIKSENS MASTER TRUST SURVEY: RESULTS TO 31 MARCH 2021

GROWTH FUNDS

Manager Name	Fund Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)						
			%						
			1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
AMP	Aggressive	328.7	28.9	9.8	9.1	8.6	9.1	8.3	7.5
AMP	Growth	275.4	26.0	9.2	8.6	8.1	8.5	7.7	7.0
AMP	ANZ Growth	19.1	29.4	10.7	9.5	8.9	-	-	-
AMP	ASB Growth	19.5	25.7	9.0	8.3	8.2	-	-	-
AMP	Nikko AM Growth	27.8	31.9	11.4	9.1	9.7	-	-	-
Aon	ANZ Growth	19.0	29.6	10.8	9.4	8.7	8.3	8.5	8.7
Aon	Milford Active Growth Wholesale	18.5	33.6	13.8	11.2	11.5	10.8	10.2	12.2
Aon	Nikko Growth	3.7	31.3	12.0	9.5	10.4	9.7	10.6	9.2
Aon	Russell LifePoints Growth	5.5	28.0	10.9	9.3	9.3	9.5	9.5	9.2
Aon	Russell LifePoints Target Date 2045	1.6	26.1	10.4	8.9	9.0	9.2	9.3	9.1
ASB	Growth	499.0	27.2	9.5	9.2	9.0	9.3	9.3	8.4
Fisher Funds	LifeSaver Growth	115.5	30.3	13.6	11.6	10.5	10.1	9.3	8.7
Mercer	Growth	175.3	25.0	8.8	7.7	7.7	8.0	8.0	7.3
Mercer	High Growth	33.1	30.3	10.4	9.0	9.0	9.4	9.2	8.3
SuperLife	Growth	49.1	32.7	9.7	9.1	8.1	9.0	9.2	-
SuperLife	High Growth	124.1	40.7	10.9	10.1	9.0	9.9	10.0	-
Total Growth Funds		1,715.1	28.7	9.9	9.1	8.7	9.1	8.8	7.9

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)						
		%						
		1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
AMP	670.6	27.7	9.6	8.9	8.4	8.8	8.0	7.3
Aon	48.4	30.9	12.0	10.1	10.0	9.5	9.4	10.1
ASB	499.0	27.2	9.5	9.2	9.0	9.3	9.3	8.4
Fisher Funds	115.5	30.3	13.6	11.6	10.5	10.1	9.3	8.7
Mercer	208.4	25.8	9.1	7.9	7.9	8.3	8.2	7.5
SuperLife	173.2	38.4	10.6	9.8	8.7	9.6	9.8	
Total Growth Funds	1,715.1	28.7	9.9	9.1	8.7	9.1	8.8	7.9

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BALANCED FUNDS

Manager Name	Fund Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)						
			%						
			1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
AMP	Moderate Balanced	297.2	15.2	6.0	5.9	5.6	5.7	5.6	5.3
AMP	Balanced	889.8	18.8	7.2	6.9	6.5	6.7	6.3	6.0
AMP	Koru Balanced	123.8	26.7	9.1	7.4	7.5			
AMP	Ethical Balanced	7.0	22.8	8.0	7.4	6.8			
AMP	Global Multi-Asset	2.0	13.3	3.7	2.2	2.3			
AMP	ANZ Balanced Plus	297.5	23.9	9.5	8.6	8.0	7.7	8.0	8.1
AMP	ASB Balanced	99.0	19.4	7.5	7.1	7.0	7.1	7.4	6.8
AMP	Mercer Balanced	146.9	18.2	7.1	6.5	6.5	6.5	6.7	6.4
AMP	Nikko AM Balanced	182.1	23.8	8.8	7.4	8.0	7.5	8.1	7.5
Aon	ANZ Balanced	91.2	21.9	8.9	7.7	7.1	6.8	7.0	7.2
Aon	Nikko Balanced	6.7	23.3	9.0	7.9	8.3	7.6	8.2	7.4
Aon	Russell LifePoints Balanced	7.3	23.0	9.6	8.2	8.2	8.2	8.4	8.2
Aon	Russell LifePoints Target Date 2035	1.9	20.3	8.7	7.5	7.6	7.8	8.1	8.1
ASB	Balanced	931.9	20.2	8.0	7.7	7.6	7.7	7.9	7.2
Fisher Funds	Lifesaver Balanced	326.4	20.4	9.8	8.9	8.1	7.9	7.6	7.1
Mercer	Balanced	306.4	17.9	6.9	6.2	6.2	6.4	6.6	6.3
SuperLife	Balanced	353.8	25.5	8.7	8.2	7.3	7.9	8.2	8.1
SuperLife	Castle Point 5 Oceans	1.2							
SuperLife	Ethica	24.7	29.3	12.3	10.7	8.9	8.3	9.9	8.9
Total Balanced Funds		4,096.6	20.5	8.0	7.4	7.1	7.2	7.2	6.8

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)						
		%						
		1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
AMP	2,045.3	19.9	7.6	7.1	6.8	6.8	6.7	6.4
Aon	107.1	22.1	9.0	7.7	7.3	7.0	7.2	7.3
ASB	931.9	20.2	8.0	7.7	7.6	7.7	7.9	7.2
Fisher Funds	326.4	20.4	9.8	8.9	8.1	7.9	7.6	7.1
Mercer	306.4	17.9	6.9	6.2	6.2	6.4	6.6	6.3
SuperLife	379.6	25.7	8.9	8.4	7.4	8.0	8.3	8.1
Total Balanced Funds	4,096.6	20.5	8.0	7.4	7.1	7.2	7.2	6.8

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CONSERVATIVE FUNDS

Manager Name	Fund Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)						
			1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
AMP	Capital Assured	112.4	2.7	3.2	3.7	4.1	4.4	4.8	4.2
AMP	Conservative	320.0	7.7	3.7	4.0	3.7	3.7	3.9	3.9
AMP	Moderate	185.2	11.7	5.0	5.1	4.8	4.9	4.8	4.7
AMP	Income Generator	2.9	16.3	5.9	6.4	5.6			
AMP	ANZ Conservative	17.4	7.3	4.4	4.3	3.9			
AMP	ASB Moderate	18.3	11.7	4.4	4.7	4.7			
AMP	Nikko AM Conservative	18.7	11.8	5.2	5.1	5.2			
Aon	ANZ Capital Stable	2.0	1.5	2.0	2.2	2.2	2.0	2.6	2.8
Aon	ANZ Conservative	19.9	7.4	4.7	4.2	3.9	3.7	4.2	4.5
Aon	Nikko Conservative	1.2	5.4	1.8	2.6	2.7	2.4	3.2	3.2
Aon	Russell LifePoints Conservative	2.8	9.6	5.1	4.5	4.6	4.5	5.2	5.5
Aon	Russell LifePoints Moderate	3.6	16.1	7.2	6.3	6.4	6.4	6.8	6.9
Aon	Russell LifePoints Target Date 2025	2.8	13.5	6.5	5.7	5.8	5.9	6.5	6.7
ASB	Moderate	257.8	12.3	5.1	5.5	5.4	5.4	5.9	5.6
Fisher Funds	LifeSaver Conservative	41.2	9.1	4.9	4.9	4.7	4.6	4.9	4.8
Mercer	Conservative	76.4	6.5	3.5	3.5	3.4	3.5	4.0	4.0
Mercer	Moderate	124.6	11.2	4.9	4.6	4.6	4.6	5.3	5.2
SuperLife	Conservative	49.0	14.3	6.0	6.2	5.7	6.0	6.4	
Total Conservative Funds		1,256.0	9.5	4.5	4.6	4.5	4.5	4.9	4.7

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)							
		1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	
AMP	674.8	8.2	4.1	4.3	4.2	4.2	4.3	4.2	
Aon	32.2	8.7	4.9	4.4	4.2	4.1	4.6	4.9	
ASB	257.8	12.3	5.1	5.5	5.4	5.4	5.9	5.6	
Fisher Funds	41.2	9.1	4.9	4.9	4.7	4.6	4.9	4.8	
Mercer	201.0	9.4	4.4	4.2	4.1	4.2	4.8	4.7	
SuperLife	49.0	14.3	6.0	6.2	5.7	6.0	6.4		
Total Conservative Funds		1,256.0	9.5	4.5	4.6	4.5	4.5	4.9	4.7

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DEFENSIVE FUNDS (SINGLE SECTOR)

Manager Name	Fund Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)						
			%						
			1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
AMP	Cash	82.1	0.0	0.5	0.7	0.9	0.9	1.3	1.5
ASB	NZ Cash	59.5	0.3	0.7	1.0	1.2	1.3	1.6	1.7
Mercer	Cash	40.6	(0.1)	0.4	0.6	0.7	0.9	1.2	1.4
SuperLife	NZ Cash	121.7	1.1	1.7	2.0	2.1	2.2	2.7	3.0
SuperLife	UK Cash	1.0	(5.7)	0.5	(0.3)	2.1	(1.6)	0.2	
Sub-Total: Cash		304.9	0.4	1.0	1.3	1.4	1.5	1.9	2.1
AMP	NZ Fixed Interest	7.6	(0.3)	1.3	2.3	2.5	2.2	3.1	
AMP	International Fixed Interest	2.1	0.7	2.6	2.6	2.2	1.9	2.4	
ASB	NZ Fixed Interest	6.3	(0.4)	1.3	2.4	2.5	2.3	3.0	3.1
ASB	World Fixed Interest	2.9	1.6	2.3	2.4	2.1	2.1	2.7	3.0
Fisher Funds	LifeSaver NZ Fixed Income	10.8	0.4	1.9	3.2	3.3	2.8	3.5	3.5
Fisher Funds	LifeSaver Preservation	38.3	0.8	0.9	1.2	1.3	1.4	1.7	1.9
SuperLife	S&P/NZX NZ Government Bond	0.1							
SuperLife	Income	73.4	4.6	4.0	4.2	4.1	4.0	4.6	
SuperLife	NZ Bonds	87.7	3.7	4.1	4.5	4.6	4.4	5.2	5.5
SuperLife	Overseas Bonds	48.1	5.0	4.9	4.4	4.2	4.3	5.0	5.3
SuperLife	Overseas Non-Government Bonds	35.0	7.0	3.9	4.1	3.6	3.7	4.2	5.5
SuperLife	Global Aggregate Bond	0.1							
Sub-Total: Bonds		312.3	3.8	3.6	3.8	3.7	3.6	4.3	4.7
Total Single Sector Defensive		617.3	2.1	2.3	2.5	2.6	2.6	3.1	3.2

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)							
		%							
		1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	
AMP	91.8	0.0	0.6	0.9	1.0	1.1	1.5	1.5	
Aon									
ASB	68.6	0.3	0.9	1.2	1.3	1.4	1.8	1.9	
Fisher Funds	49.1	0.7	1.1	1.7	1.8	1.7	2.1	2.2	
Mercer	40.6	(0.1)	0.4	0.6	0.7	0.9	1.2	1.4	
SuperLife	367.1	3.5	3.4	3.5	3.5	3.5	4.1	4.5	
Total Single Sector Defensive		617.3	2.1	2.3	2.5	2.6	2.6	3.1	3.2

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ERIKSENS MASTER TRUST SURVEY: RESULTS TO 31 MARCH 2021

AGGRESSIVE FUNDS (SINGLE SECTOR)

Manager Name	Fund Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses) %						
			1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
AMP	Australasian Shares	17.4	31.0	10.3	11.1	10.0	10.4	8.8	
ASB	Australasian Shares	7.9	31.4	10.6	11.7	11.3	11.0	10.4	9.7
Fisher Funds	LifeSaver Trans-Tasman Equity	33.6	46.5	20.6	19.1	17.2	15.3	14.4	14.1
SuperLife	S&P/NZX 50	3.0							
SuperLife	S&P/ASX 200	3.1							
SuperLife	NZ Shares	80.2	38.0	10.8	12.9	10.7	11.0	11.0	13.0
SuperLife	Australian Shares	30.1	46.3	9.1	9.4	6.7	9.7	9.2	5.3
SuperLife	NZ Dividend	3.3	36.2	6.3	11.5	9.5	9.1		
SuperLife	NZ Mid Cap	1.6	42.5	12.3	14.3	15.6	14.5		
SuperLife	NZ Top 10	6.2	19.2	13.5	15.5	15.2	13.2		
SuperLife	NZ Top 50	12.4	40.2	14.2	15.9	16.0	14.4		
SuperLife	Australian Dividend	0.9	41.7	6.9	6.9	3.3	6.1		
SuperLife	Australian Financials	1.3	54.2	10.3	6.6	2.0	6.6		
SuperLife	Australian Mid Cap	1.8	68.6	16.1	11.0	10.4	12.1		
SuperLife	Australian Resources	4.0	62.8	11.1	15.6	15.1	19.7		
SuperLife	Australian Top 20	1.0	43.0	11.2	11.2	6.5	9.4		
SuperLife	Asia Pacific	1.3	26.8	11.9	7.2	8.1	9.0		
Sub-Total: Australasian Shares		210.0	209.2	40.2	12.4	13.4	11.6	11.9	11.1
AMP	International Shares	11.7	35.5	13.1	10.4	10.1	10.9	9.6	
AMP	Passive International Shares	15.3	35.0	13.8	11.8	10.9	11.4	10.3	
ASB	World Shares	8.5	38.6	12.6	10.5	10.4	11.6	11.1	9.6
Fisher Funds	LifeSaver Equity	65.6	40.5	17.9	15.0	13.6	13.1	11.4	9.4
Mercer	Shares	36.3	36.2	12.7	10.6	10.7	11.0	10.9	9.9
SuperLife	Overseas Shares (Currency Hedged)	113.9	48.4	11.0	8.5	8.3	10.5	9.3	10.1
SuperLife	Overseas Shares	92.6	31.5	14.3	12.2	11.3	11.1	12.0	9.8
SuperLife	Emerging Markets	15.9	33.9	11.1	6.6	8.2	9.2	8.7	3.3
SuperLife	Europe	1.4	26.4	9.4	6.4	7.4	7.1		
SuperLife	Total World	4.6	32.3	15.6	12.8	11.8	11.7		
SuperLife	Total World (NZD Hedged)	2.8							
SuperLife	US 500	3.8	30.5	18.5	17.5	14.9	14.3		
SuperLife	US Large Growth	8.4	35.8	27.2	23.8	20.4	18.4		
SuperLife	US Large Value	0.9	26.8	11.9	12.2	10.3	10.9		

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SuperLife	US Mid Cap	1.0	41.1	17.3	15.3	12.8	12.6		
SuperLife	US Small Cap	1.6	56.8	17.8	15.6	13.2	13.6		
Sub-Total: Global Shares		384.1	39.3	13.9	11.4	10.8	11.4	10.6	9.5
AMP	Property	12.8	27.7	3.9	8.5	7.3	5.3	7.0	
ASB	Global Property Shares	2.6	24.5	(1.4)	4.5	3.1	2.6	6.9	6.3
SuperLife	NZ Property	6.9	27.6	11.3	15.7	13.6	10.6		
SuperLife	Australian Property	1.1	44.8	1.7	8.3	5.5	5.5		
SuperLife	Global Property	24.9	31.0	2.5	8.6	7.0	6.1	9.7	9.6
Sub-Total: Property		48.3	29.6	3.9	9.4	7.8	6.3	8.7	9.3
Total Single Sector Aggressive		641.6	38.8	12.6	11.9	10.8	11.1	10.6	10.1

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)							
		%							
		1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	
AMP	57.2	32.2	10.4	10.6	9.6	9.6			
Aon	-								
ASB	18.9	33.7	9.8	10.2	9.7	10.1	10.2	9.2	
Fisher Funds	99.3	42.6	18.8	16.4	14.8	13.8	12.4	11.0	
Mercer	36.3	36.2	12.7	10.6	10.7	11.0	10.9	9.9	
SuperLife	429.9	39.3	11.6	11.2	10.1	10.8	10.4	9.9	
Total Single Sector Aggressive		641.6	38.8	12.6	11.9	10.8	11.1	9.7	10.1

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TOTAL FUNDS

Manager Name	FUM \$ million		Annualised Returns (Net of Tax & Expenses) %						
	Q4 2020	Q1 2021	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
AMP	3,558.4	3,539.7							
Aon	187.6	187.6							
ASB	1,745.6	1,776.3							
Fisher Funds	626.8	631.4							
Mercer	783.7	792.6							
SuperLife	1,342.3	1,398.8							
Total Funds	8,244.3	8,326.5	20.6	7.8	7.3	7.0	7.1	7.1	6.7
Cash Benchmark (Net)			0.2	0.5	0.8	0.9	1.0	1.3	1.5
CPI			1.5	2.0	1.8	1.7	3.6	1.4	1.3

Fund Style	FUM \$ million		Annualised Returns (Net of Tax & Expenses) %						
	Q4 2020	Q1 2021	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
Growth	1,624.4	1,715.1	28.7	9.9	9.1	8.7	9.1	8.8	7.9
Balanced	4,077.0	4,096.6	20.5	8.0	7.4	7.1	7.2	7.2	6.8
Conservative	1,281.3	1,256.0	9.5	4.5	4.6	4.5	4.5	4.9	4.7
Defensive	646.9	617.3	2.1	2.3	2.5	2.6	2.6	3.1	3.2
Aggressive	614.7	641.6	38.8	12.6	11.9	10.8	11.1	9.7	10.1
Total Funds	8,244.3	8,326.5	20.6	7.8	7.3	7.0	7.1	7.1	6.7

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