

Eriksen's Master Trust Survey Results To 31 December 1997

With the financial woes in many Asian economies, and our interest rates rising to offset our falling dollar, investment returns were negative for many funds last quarter

Nevertheless the average return of funds surveyed was 5% ahead of inflation and 1% ahead of the 90 day bank bill rate after tax and expenses for the year. A healthy rate of return.

AMP has discontinued its low equity unit. Tower has announced that ANZ, BNZ and BT have agreed to participate as investment managers this year. Jacques Martin reviewed their asset mixes, not their managers. Norwich has closed its fund to new employers.

Some managers are now showing the number of employees participating which is of interest to the Retirement Commissioner and others involved in the long-term provision of retirement savings.

The Todd Periodic Review Group report of December 1997 clearly states that the current level of New Zealand superannuation is unsustainable without significant increase in taxes and/or an increase in the age of eligibility. The problem is that most elderly New Zealanders rely on New Zealand superannuation as their primary source of income. So it is likely that they will suffer a reduction in income in future. Is this what people wanted when they voted 'No' in the referendum?

The Todd Group are staying with the politically correct voluntary regime and

recommending some form of means testing. Means testing is a strong disincentive to save. It is also demeaning to have to ask for a State handout. It will require an army of bureaucrats to police. More work for lawyers, accountants and consultants to shelter people's assets and incomes.

Most working New Zealanders don't earn enough to save much. 75% of workers earn \$40,000 or less!

The answer is still a compulsory scheme possibly with modest tax 'incentives' such as a flat rate of tax of 25% rather than the TOLIS option of the tax credit system which would be an administrative nightmare to implement. Unfortunately both Treasury and IRD supported by Mr Birch are still developing the tax credit system.

A better form of incentive for the compulsory scheme would be to change to a TET regime (exempt investment income) for locked in funds purchasing an inflation indexed annuity to replace New Zealand superannuation at retirement.

Visit our web site for more detailed commentary and an analysis of the Todd Periodic Review Group's final report.

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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	
Armstrong Jones						
SIL Balanced	212.8	8.5	8.9	9.8	6.3	
AMP						
AMP Balanced	94.6	9.2	8.0	9.0	6.2	506
AMP Capital Assured Fund	16.3	5.6	5.1	4.5	4.4	133
AMP Capital Stable Fund	14.5	6.4	6.4	7.3	5.5	165
AMP High Equity	20.9	11.9	9.7	10.4	6.4	315
ANZ Funds Mgmt Balanced	31.1	8.0	8.6	9.8	6.3	308
BT (ex BZW - BT appointed 30/9/97) *	4.4	2.4	5.5	6.7	3.7	128
Southpac Balanced	7.0	5.3	5.6	7.0	3.9	93
						263
Jacques Martin NZ						
Balanced Fund	44.0	6.8	6.7	7.5		
Capital Stable Fund	29.7	5.1	5.5	6.1	4.3	
Cash Management Fund	5.9	4.8	5.2			
Cornerstone Fund	2.5	4.4	4.8	5.6		
Growth Fund	14.1	10.2	8.6	9.3		
Pathfinder Fund	9.4	5.9	5.8	6.5		
Vanguard Fund	2.3	6.0	5.7	6.9		
National Mutual						
Balanced Portfolio	18.2	-2.1	3.2	5.7	3.4	
Capital Protected	28.8	4.2	4.1	4.1	4.5	
Low Risk	17.9	-0.5	4.5	6.5	4.0	
Managed Portfolio	22.2	-3.2	2.5	5.3	3.0	
Spread Managers	45.2	-0.4	3.9	5.5		
Norwich Union						
Deposit Fund	51.4	4.8	5.4	5.7	5.4	10
Managed Fund	97.8	7.3	6.9	8.1		4
Prudential						
Balanced Growth Portfolio	16.7	6.2	6.9	8.6	5.8	
Conservative Portfolio	0.5	2.5	4.1	4.4		
International Bond Portfolio	0.2	7.9	6.3	6.2		
International Equities Portfolio	1.0	5.7	6.4	8.2		
NZ Equity Management Portfolio	0.1	2.1	5.8	5.5		
NZ Fixed Interest Portfolio		4.9	5.5	5.4		
Special Values Portfolio	3.9	7.7	9.0	9.5	6.9	
Tower						
Endurance Fund	1.0	5.8	6.1	6.7		15
Explorer Fund	0.8	10.4	10.0	10.8		20
Opportunity Fund	2.5	8.4	8.1	8.7		25
Pioneer Fund	3.4	9.9	9.2	9.8		25
Westpac						
Accumulation Fund	59.8	3.9	4.6	5.1	4.3	
Balanced Fund	190.1	6.8	5.2	5.9	3.8	
Dynamic Fund	118.3	8.6	6.1	6.7	4.2	
	1,189.0	6.6	6.5	7.4	5.0	
All Funds						
Cash Benchmark (Net)		5.3	5.9	6.0	5.5	
CPI		0.8	1.7	2.1	2.3	

* Past performance primarily attributable to BZW and Guardian Trust.

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