

Eriksen's Master Trust Survey Results To 30 June 1998

The average annual return after tax and expenses was 6% p.a. compared with inflation of 1.7%. A real 4% is excellent but much less than the 10% plus which funds were earning just three months ago. The dip in investment returns was caused by mainly a fall in the New Zealand Stock Market. The last quarter's returns were negative for many balanced funds. International stock markets continue to perform reasonably well, especially in Europe. Will the Asian crisis drag down the rest of the global economy?

The average manager out performed the 90 day bill rate of 5.6% by 0.4%. Professional investment is better than leaving money in the bank. Both are better than investing in the Auckland residential property market despite its current tax advantages.

Funds under management increased by 20% per annum over the last quarter. AMP again experienced significant growth as many of its stand alone superannuation clients joined the New Zealand Retirement Trust. Tower (because of its pending demutualisation) and National Mutual have been slower to encourage their corporate superannuation clients to go down the master trust route.

We have added a new column to this quarter's survey covering Fund Type. This is to assist readers appreciate the approximate level of risk. "C" refers to Capital Stable funds, approximately 30% in growth assets, "B" refers to Balanced Funds, approximately 50% in growth assets, and "G" refers to growth funds with approximately 70% in growth assets, namely shares and property.

New Zealand is experiencing a harsh downturn as the dynamics of the global economy interact with the deepening Asian crisis and diminished confidence. In our view the major political risk is China devaluing. If that happens the pressure on Japan will be intolerable despite their change of leadership. Another \$5 billion of US tax payers money wouldn't help.

We must all tighten our belts. The Government's lack of support for savings makes the position worse. Despite the obvious interest in passive vehicles for corporate superannuation schemes they have now decided to tax Group Investment Funds. The pending abolition of IR5 returns makes a compulsory scheme a more practical possibility.

The financial services sector of the New Zealand economy is struggling. Despite the launch of Auckland International Airport shares, the New Zealand Stock Exchange is not an efficient way to raise capital. Sovereign, for example, deferred its listing several times to try and achieve a smooth entry. Many fund managers have reverted to an Australasian benchmark for domestic equities with 15% - 35% of their equities in the Australian market. Prudential moved their funds management operation to Sydney a few years ago. ANZ Bank is considering it. It seems inevitable that New Zealand funds management operations will become a branch of their Australian counterparts.

The Securities Commission did not extend the exemption for superannuation schemes to provide an investment statement and prospectus another three months. As a result a number of employers had to temporarily close their schemes to new members. This risked potential industrial relations problems.

Master trusts are an ideal vehicle to facilitate retirement savings for employers. They have not been exempted from the Government's scrutiny. The Securities Commission' Multi Employer Scheme Exemption Notice requires each participating employer's board of directors to sign a certificate confirming that the investment statement contains no misleading information. Does the Securities Commission expect a small manufacturer to know whether the investment statement of a professionally managed master trust complies with the legislation? Would you sign such a certificate if you were a director?

When will common sense prevail and the Government give some practical support to help people to save for retirement? The TOLIS draft legislation has just been reported back to Parliament largely unchanged. If passed into law it will become the final nail in the coffin of employer sponsored superannuation schemes.

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

(c) Eriksen & Associates Ltd, 1998. All rights reserved.

Eriksen's Master Trust Survey Results To 30 June 1998

Fund Name	Fund Type	Fund Size \$ million	Annual Returns (Net of Tax & Expenses)				No. of Employers
			1 Year	2 Year	3 Year	4 Year	
Armstrong Jones							
SIL Balanced	B	245.7	8.7	11.7	10.5	9.5	
AMP							
AMP Balanced	B	145.1	7.6	10.1	9.4	8.0	633
AMP Capital Assured Fund	C	22.0	5.5	5.4	4.9	4.5	180
AMP Capital Stable Fund	C	24.2	5.3	7.3	7.1	6.5	214
AMP High Equity	G	33.8	10.6	13.2	12.0	9.3	410
ANZ Funds Mgmt Balanced	B	42.2	3.3	8.3	8.7	7.5	382
BT	B	9.9	3.1	8.1	9.0	7.4	211
AMP Indexed	B	7.6	2.6	6.6	6.2	5.6	114
Jacques Martin NZ Ltd							
Balanced Fund	B	53.1	5.2	8.3	7.6	6.8	
Capital Stable Fund	C	32.5	4.8	6.7	6.0	5.4	
Cash Management Fund	C	6.9	5.6	5.6	5.4		
CIM Asset Growth	G	9.8					
Growth Fund	G	19.4	8.2	10.9	10.5	8.2	
National Mutual							
Balanced Portfolio	B	20.2	2.7	6.8	6.8	6.2	
Capital Protected	C	28.6	4.5	4.2	4.2	4.4	
Low Risk	C	20.1	3.2	6.6	7.1	6.5	
Managed Portfolio	B	24.9	2.4	6.8	6.7	6.0	
Spread Managers	G	50.9	3.0	6.9	7.0		
Norwich / Royal Sun Alliance							
Deposit Fund	C	46.8	5.0	5.2	5.5	5.5	28
Managed Fund	B	88.6	5.5	9.0	8.1		38
Prudential							
Balanced Growth Portfolio	G	17.6	2.5	8.4	8.2	8.1	
Conservative Portfolio	C	0.5	5.7	5.4	5.2		
International Bond Portfolio	C	0.3	5.9	7.8	7.5		
International Equities Portfolio	G	1.5	9.1	11.8	12.7		
NZ Equity Management Portfolio	G	0.1	-12.3	1.9	3.3		
NZ Fixed Interest Portfolio	C	0.1	3.8	8.4	6.0		
Special Values Portfolio	G	4.4	5.6	10.8	10.6	9.2	
Tower							
BT Managed Growth	G		2.5	8.3	9.2		3
Endurance Fund	C	0.6	4.8	7.1	6.4		17
Explorer Fund	G	0.8	9.6	12.7	11.8		19
Focus Cash	C		4.8	5.5	5.6	5.5	1
Focus Fixed Income	C		4.7	7.9	5.9	5.9	2
Focus International Shares	G	0.2	22.2	18.8	17.7	14.0	3
Focus NZ shares	G		-9.0	5.5	7.0	5.7	3
Tower Market Balanced	B	0.4	10.7	11.8	10.7	9.7	3
Opportunity Fund	B	2.9	9.2	10.9	9.5		25
Pioneer Fund	G	4.2	11.1	12.6	11.1		25
WestpacTrust							
Accumulation Fund	C	58.6	5.0	5.4	5.0	5.1	
Balanced Fund	B	198.8	5.3	6.8	5.7	5.1	
Dynamic Fund	G	126.1	5.7	7.9	6.5	5.5	
All Funds							
		1,349.4	6.0	8.5	7.8	6.9	
Cash Benchmark (Net)							
			5.6	5.8	5.9	5.9	
CPI							
			1.7	1.4	1.6	2.3	

Fund Types: C = Conservative, B = Balanced, G = Growth

The material presented here has been compiled from publicly available sources and information from the respective Master Trust providers. Eriksen & Associates accepts no liability for any errors herein, or any decisions made as a consequence of the information shown. Investment decisions or comparisons should not be based on past performances in isolation from other factors.