

Eriksen's Master Trust Survey Results To 31 December 1998

Fortunately for the credibility of New Zealand investment managers the roller coaster global economy finished near its peak at the end of December last year. The average annual rate of return credited to members' funds after tax and expenses was 9.8% per annum. This is more than 9% more than the rate of inflation of 0.4% per annum. It is also a full 4% greater than the 90 day bill rate benchmark return for the last year.

The total funds under management in our survey topped \$1.5 billion during the quarter. An increase of some \$150 million (11.2% for the quarter). The bulk of the growth was enjoyed by AMP, Jacques Martin and Tower master trusts. Most of that growth was in growth funds with the rest going into balanced. Again we are puzzled at why so few members are not taking the opportunity to protect their capital by choosing a more conservative investment mix.

The global economy is slowing. The United States, which is the engine room, has full employment. The flow of funds into their stock market through mutual funds has picked up again since the negative outflow last September.

Global stock markets are jittery. When Brazil's currency came under great pressure and depreciated 30% in January the DOW dropped 10%. Most of that has been picked up. We expect the DOW to fall at least 25% at some stage this year. It will probably be once more triggered by another mini collapse of another economy or possibly closer to home such as Bill Clinton being removed from office or some other political disaster like the death of King Hussein of Jordan.

Australia and some of the recovering Asian economies look like better places for secure investment. Our advice is to retire debt and seek security of capital rather than returns in these very turbulent economic times.

With the strong growth of equity markets in the last quarter, both in New Zealand and international, the growth funds tended to outperform balanced funds. Reward for risk?

The ANZ fund within the AMP's New Zealand Retirement Trust is now the ANZ Growth Fund. The CIM Asset Growth Fund operated by Jacques Martin is now the Asset Growth Fund and reflects Colonial First State's new active style. Colonial having acquired Prudential intend to continue having the Prudential master trust product in a re-branded form.

National Mutual's returns this year have been excellent. Partly this was due to the fact that late the year before last they took a hit on their international equities which were valued shortly before year end of 1997 before markets had recovered. They thus came from a lower base.

WestpacTrust Financial Services have restructured. They have outsourced their New Zealand equities to Armstrong Jones, use their Australian colleagues for Australian international equities and restrict their own activities to bonds and strategic asset allocation including currency.

With TOLIS defeated, it is time for employers and individuals to lobby for a reduced flat proxy rate of 25 cents or possibly 20 cents. We should point out to politicians and bureaucrats that the tax on capital gains suffered by investment institutions makes residential property a tilted playing field.

The Reserve Bank's control of the cash rate will push interest rates up short term and increase their intervention in the market. We suspect it may hinder rather than help the hoped for economic recovery in the longer term.

We hope you find this survey helpful and would welcome any comments you may have about the format, layout or quantity of information.

May we take this opportunity to wish all our readers a successful, if not prosperous 1999.

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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						
AMP High Equity	44.3	15.9	13.9	11.7	11.8	458
National Mutual Spread Managers	55.8	14.2	6.5	7.1	7.6	
Tower Focus International Shares	5.9	12.9	14.5	12.4	12.8	
Prudential International Equities	1.2	12.9	9.2	8.5	9.3	
Jacques Martin NZ Growth Fund	23.9	11.9	10.7	9.5	10.1	
WestpacTrust Dynamic	149.0	9.5	9.4	7.4	7.6	
Tower Pioneer	4.7	9.2	9.6	9.2	9.6	
AMP ANZ Funds Mgmt Growth	51.4	8.9	8.5	8.7	9.6	427
Tower Explorer	0.9	8.0	9.2	9.4	10.1	
Tower BT Managed Growth	0.1	8.0	7.2	8.3		
Prudential Special Values		7.1	7.4	8.3	8.9	
Prudential Balanced Growth	16.2	6.4	6.3	6.7	8.1	
Prudential NZ Equity Management	0.2	0.9	1.8	4.3	4.5	
Jacques Martin NZ Asset Growth	10.4					
Tower Focus NZ Shares	1.7	-1.1	1.8	6.3	8.5	
<i>All Growth Funds</i>	369.9	10.9	9.3	8.3	8.7	
Balanced Funds						
National Mutual Managed	26.8	15.8	5.8	6.6	7.7	
National Mutual Balanced	21.6	14.9	5.9	6.9	7.9	
AMP Balanced	197.0	11.5	10.4	9.1	9.6	691
Jacques Martin NZ Balanced	62.1	10.5	8.8	8.1	8.5	
Armstrong Jones SIL Balanced	251.4	10.4	9.9	10.0	10.8	
Royal Sun Alliance Managed Fund	90.4	9.3	8.3	7.7	8.4	36
Tower Market Balanced	27.8	9.3	9.4	9.1	9.6	
AMP BT	15.2	8.9	7.4	8.4	9.2	269
AMP Indexed	9.5	8.9	7.1	6.7	7.4	153
Tower Opportunity	3.3	8.7	8.5	8.3	8.7	
WestpacTrust Balanced	237.3	8.3	7.6	6.3	6.5	
<i>All Balanced Funds</i>	942.3	10.2	8.9	8.3	8.8	
Conservative Funds						
National Mutual Low Risk	20.7	13.0	6.0	7.2	8.0	
Jacques Martin NZ Capital Stable	36.3	9.3	7.5	6.9	7.2	
Tower Focus Fixed Income	2.8	9.2	7.1	6.5	7.0	
Prudential NZ Fixed Interest	0.1	8.5	6.7	6.5	6.2	
AMP Capital Stable	31.4	8.3	7.3	7.0	7.6	248
Prudential International Bond	0.3	8.3	8.1	6.9	6.7	
WestpacTrust Accumulation	65.8	6.6	5.3	5.3	5.5	
AMP Capital Assured	26.8	5.8	5.7	5.4	4.8	208
Prudential Conservative	1.9	5.7	4.1	4.6	4.7	
Royal Sun Alliance Deposit Fund	39.6	5.1	4.9	5.3	5.6	22
Jacques Martin NZ Cash Management	6.7	4.8	5.2	5.3		
Tower Endurance	0.6	4.6	5.2	5.6	6.2	
Tower Focus Cash	1.7	4.6	4.7	5.3	5.4	
National Mutual Capital Protected	27.8	4.4	4.3	4.2	4.2	
Tower ANZ Conservative	0.3					
<i>All Conservative Funds</i>	262.7	7.1	5.8	5.8	6.0	
Total Funds	1,574.9	9.8	8.5	7.9	8.3	
Cash Benchmark (Net)		5.7	5.5	5.8	5.9	
CPI		0.4	0.6	1.3	1.7	

AMP results are shown before deduction of the Trustee fee (which varies with fund size)

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