

Eriksen's Master Trust Survey Results To 31 March 1999

The global economy is delicately poised. Some optimists consider that, with the rise in oil prices, commodity prices in general should rise and the world business machine gradually grow with greater productivity and commensurate rewards and economic stability. Others look at the continual decline of the Euro against the US dollar, the world trade protectionist issues and the difficulties the European union is experiencing in rationalising its labour, tax and economic positions in the eleven member nations as they seek to become a major economic bloc.

Within the New Zealand economy there are also conflicting signals. In an election year the Government is obviously keen to paint a rosy picture and has put a lot of effort into boosting the economy. The export sector is still struggling because commodity prices worldwide are falling and the demand for New Zealand made goods undercut by more competitive Asian and South American products. Some parts of the New Zealand domestic economy are improving, others are really struggling as are the lower paid and beneficiaries.

It still pays to save. The average investment return net of tax and fees was 6.7% which is more than 2.5% better than leaving your money in bank term deposits or cash.

The wide range of returns shows that some investment managers are more canny or skilful than others. On average the balanced fund returns with less in aggressive assets than growth funds performed better. So much for the theory: greater risk, greater returns.

The rate of inflation for the year ended 31 March 1999 was officially -0.1%. However if you take the effect of interest rate cuts off that, the rate was 1.0%. A 5% real rate of return after tax and fees is an excellent result for the year.

The master trust industry continues to expand strongly. Both the AMP and Tower master trusts have increased their number of participating employers and funds under management considerably. Much of the growth is employers accepting that the costs of the Disclosure Regime is too high for them to bear or expect their employees to wear in a stand alone superannuation scheme. They are turning to master trusts for the solution.

The number of registered employer sponsored schemes is down to only 1,000!

The Reserve Bank's change to monetary policy in setting the cash rate at 4.5% increased interest rates marginally. The New Zealand dollar has appreciated. Given our very high balance of payments deficit and the political uncertainty surrounding the election this is unlikely to be sustained.

The Asian crisis is not yet over. Thailand and Korea in particular have substantially recovered. Indonesia is still very much in the doldrums. The number of tourists to New Zealand is up but mainly from the wealthier nations such as North America and Europe.

The spate of take-overs and mergers continues as companies try to rationalise and seek economies of scale to support their shareholders expectations of return. The biggest potential merger at present is between the German and Italian telephone companies.

The major US stock index, the Dow Jones, is at record levels around the 10,700 mark. Interestingly at the same time the Standard and Poors 500 index, which lists the value of the stocks in the top 500 US companies has been falling. Earlier in April the strong rise in the Dow lead other global stock markets to rise rapidly to record levels. Almost all of those have fallen back in the last few weeks.

The war over Kosovo has boosted the global economy because of the need for munitions manufacturers to purchase commodities and boost production. Another reason for the Dow reaching record levels is that 15 April was the last day in which US investors could receive a tax deduction for their retirement savings that fiscal year.

New Zealand investors may be envious to learn in the US an individual can get a tax deduction from the IRS (IRD) for putting gold into their IRA (Individual Retirement Account).

Although Alan Greenspan is reportedly relaxed the high tech stocks prices have fallen but cyclicals taken up the charge. The underlying reason for the Dow's continued rise is demand from American investors who are saving billions through mutual funds.

We believe the Dow will correct at some point. The big question is when?!!

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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	46.5	11.8	16.4	12.8	12.2	
Jacques Martin NZ Growth Fund	25.4	10.5	12.9	10.4	10.7	
Jacques Martin NZ Asset Growth	10.8	6.6	0.0	0.0	0.0	
Tower BT Managed Growth	0.4	6.0	7.9	8.0	9.0	10
WestpacTrust Dynamic	164.4	5.5	9.7	7.5	7.4	
Tower Pioneer	4.6	4.7	10.0	9.3	9.5	24
Prudential NZ Equity Management	0.2	4.3	6.0	5.5	5.6	
Tower Focus NZ Shares	1.9	3.9	5.7	7.1	9.0	71
Prudential Balanced Growth	15.9	3.5	6.9	6.8	7.9	
Tower Explorer	1.0	3.4	10.2	9.4	10.2	19
Prudential International Equities		3.3	9.3	7.5	9.9	
Prudential Special Values	4.0	1.4	8.0	7.8	8.7	
Tower Focus International Shares	6.4	1.2	14.2	11.7	13.2	72
National Mutual Spread Managers	56.3	1.0	7.7	6.5	7.1	
<i>All Growth Funds</i>	<i>339.3</i>	<i>5.8</i>	<i>10.4</i>	<i>8.4</i>	<i>8.5</i>	
Balanced Funds						
Jacques Martin NZ Balanced	65.0	9.4	9.5	8.4	8.4	
AMP Balanced	202.3	9.0	11.8	9.8	9.6	
AMP Indexed	9.7	8.6	8.8	7.6	7.6	
Armstrong Jones SIL Balanced	261.3	8.4	11.8	10.5	10.8	
AMP ANZ Balanced	52.2	7.5	9.3	9.0	9.6	
Royal Sun Alliance Managed Fund	88.9	6.9	9.4	8.0	8.3	34
AMP BT	15.4	5.9	7.6	7.9	9.0	
WestpacTrust Balanced	257.6	5.8	8.1	6.4	6.5	
Tower Opportunity	3.3	5.6	9.0	8.5	8.5	24
Tower Market Balanced	30.8	5.4	9.9	9.0	9.4	104
National Mutual Balanced	21.6	3.4	7.9	7.0	7.6	
National Mutual Managed	27.7	1.7	8.0	6.9	7.5	
<i>All Balanced Funds</i>	<i>1,035.9</i>	<i>7.3</i>	<i>10.1</i>	<i>8.6</i>	<i>8.8</i>	
Conservative Funds						
Tower Focus Fixed Income	3.3	9.1	7.8	7.1	6.5	52
Prudential NZ Fixed Interest	0.6	8.2	6.7	7.1	6.1	
Jacques Martin NZ Capital Stable	37.0	8.1	7.7	7.1	7.0	
AMP Capital Stable	31.8	7.3	8.0	7.4	7.4	
AMP Capital Assured	27.2	5.7	5.7	5.5	4.9	
WestpacTrust Accumulation	67.5	5.4	5.5	5.4	5.3	
Royal Sun Alliance Deposit Fund	41.5	4.6	4.8	5.1	5.4	21
Prudential International Bond	0.4	4.4	6.9	6.4	6.3	
Tower Focus Cash	2.0	4.3	4.4	5.0	5.2	44
National Mutual Capital Protected	27.4	4.2	4.3	4.2	4.1	
National Mutual Low Risk	20.8	4.1	7.5	6.6	7.6	
Prudential Conservative	1.9	3.7	5.3	4.6	4.6	
Tower Endurance	0.6	3.5	5.5	5.6	5.8	14
Jacques Martin NZ Cash Management	6.0	3.5	4.5	4.8	0.0	
Tower ANZ Conservative	0.3		0.0	0.0	0.0	2
<i>All Conservative Funds</i>	<i>268.2</i>	<i>5.7</i>	<i>6.0</i>	<i>5.8</i>	<i>5.8</i>	
Total Funds	1,643.4	6.7	9.5	8.1	8.3	
Cash Benchmark (Net)		4.0	4.7	5.3	5.5	
CPI		-0.1	0.6	1.0	1.3	

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

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