

Eriksen's Master Trust Survey Results To 30 June 1999

The global economy stabilised during the last quarter. The war in Kosovo became a political and resettlement issue. Interest rates rose on positive growth forecasts and increased consumer confidence and demand. Food scares in Europe and the US tariffs on Australasian lamb imports tempered the increasing optimism.

The Euro fell to 1.02 against the US dollar but has strengthened a little since. The Japanese central bank spent over US\$25 billion buying the greenback and selling yen to make Japanese exports more competitive but the US dollar ended up around 118Y regardless! Contrary to traditional investment theory when Alan Greenspan raised interest rates ¼% the Dow rose 150 points! Normally a rise in interest rates causes a fall in equity prices but US investors were encouraged by successfully predicting Greenspan's move. All international markets have come off their recent highs after the end of the quarter, but not before the Dow set a new record.

The New Zealand economy continues to struggle with falling commodity prices and depressed export sales. Rationalising the dairy industry is a major undertaking which will help the export sector, but the meat industry continues to suffer. Increased petrol prices as a result of OPEC managing to lift crude oil prices will further depress the New Zealand economy.

Telecom shares dropped as international investors sought better gains from faster growing Asian economies. The Government may be embarrassed by Contact Energy shares trading at below their issue price. Forestry recovered ground.

The lower interest rates reduced the returns for balanced and conservative funds. New Zealand equities funds performed well. With inflation for the year -0.4% funds performed well with an 8% real rate of return on average. This was also over 4% p.a. better than the cash rate.

We are pleased to welcome the Global Retirement Trust which is a multi employer master trust for the state sector into our survey. The GRT was set up to provide a superannuation vehicle for public servants when the Government Superannuation Fund was closed to new entrants in 1992.

Armstrong Jones are launching a new wholesale master trust at the end of August. The Mercer Retirement Trust

has also been set up. It will be interesting to see how Mercer Consultants manage their conflict of interest.

The range of returns for all three categories of fund has widened. This shows how unpredictable markets can be and also reflects the effect of different investment styles. It is important to select the right managers and funds to meet your risk profile and return aspirations. We expect the rationalisation of financial services institutions will continue on a global basis.

The Tower, AMP and WestpacTrust master trusts are growing strongly as more employers pull out of trying to battle with red tape and stop running their own schemes. The number of stand alone employer sponsored schemes is still falling at more than 10% p.a. despite more employers realising how important saving for retirement is for their staff.

Statistics New Zealand are planning to distort the CPI figures to exclude the costs of housing and mortgage interest from their figures. This will help Don Brash rationalise not having to increase interest rates if there is another housing boom.

Employers have adapted to returning employees income to the IRD monthly despite computer difficulties. Having monthly data on earnings makes the implementation of a compulsory superannuation scheme a very simple matter because the IRD has the ability to generate or reconcile the contributions monthly.

The Taskforce 2000 launched their publicity campaign late in July. They are keen to hear from concerned New Zealanders about the issue of retirement savings. Whilst the Taskforce represents yet another committee formed to resolve the issue, time is running out. How different the New Zealand economy would be if Sir Rob Muldoon had not bribed the electorate to scrap the Labour compulsory superannuation scheme of 1975. Will the wheel turn full circle in November?

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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						
Colonial Life NZ Equity Management	0.2	13.9	0.2	5.9	6.0	
Tower Focus NZ Shares	2.1	13.0	1.4	7.9	8.5	61
Jacques Martin NZ Growth Fund	27.5	12.4	10.0	11.2	11.0	262
AMP High Equity	52.6	12.4	11.3	12.6	11.7	470
Global Retirement Trust Growth	5.9	11.6	10.0	11.4	10.0	
WestpacTrust Dynamic	172.7	8.3	7.4	8.3	7.2	
Jacques Martin NZ Asset Growth	11.3	7.9				262
Colonial Life International Equities	1.3	7.8	8.4	10.4	11.5	
Colonial Life Balanced Growth	16.1	7.7	5.0	8.2	8.1	
Tower BT Managed Growth		7.6	5.0	8.0	8.8	12
National Mutual Spread Managers		7.5	5.2	7.1	7.1	
Colonial Life Special Values	3.9	6.6	6.1	9.3	9.6	
Tower Explorer	1.1	6.2	7.9	10.5	10.4	19
Tower Pioneer	4.8	5.0	8.0	10.0	9.5	24
Tower Focus International Shares	7.2	3.9	12.7	13.6	14.1	62
<i>All Growth Funds</i>	<i>362.3</i>	<i>9.0</i>	<i>7.8</i>	<i>9.2</i>	<i>8.5</i>	
Balanced Funds						
AMP ANZ Balanced	55.2	10.6	6.6	8.7	8.8	422
AMP Indexed	9.8	10.3	6.2	7.5	6.9	161
Armstrong Jones SIL Balanced	303.0	8.9	8.8	10.8	10.1	
Global Retirement Trust Balanced	11.4	8.8	8.2	9.6	8.2	
Jacques Martin NZ Balanced	68.4	8.7	7.1	8.6	8.1	262
AMP Balanced	243.2	8.5	7.8	9.2	8.8	679
National Mutual Managed	29.7	8.1	5.2	7.2	7.1	
National Mutual Balanced	22.8	7.6	5.1	7.1	7.0	
Royal Sun Alliance Managed Fund	88.1	7.5	6.5	8.5	7.9	20
WestpacTrust Balanced	282.3	7.4	6.6	7.1	6.3	
AMP BT	17.9	6.9	4.8	7.4	8.1	281
Tower Investment Linked	34.3	5.0	7.8	9.5	9.3	111
Tower Opportunity	3.1	4.8	7.0	8.8	8.3	24
<i>All Balanced Funds</i>	<i>1,169.1</i>	<i>8.2</i>	<i>7.4</i>	<i>8.9</i>	<i>8.3</i>	
Conservative Funds						
Jacques Martin NZ Capital Stable	38.7	6.8	6.5	7.3	6.8	262
Colonial Life NZ Fixed Interest		6.8	5.3	7.8	6.2	
National Mutual Low Risk	21.1	6.6	4.9	6.6	7.0	
AMP Capital Stable	47.6	6.3	5.5	6.7	6.5	245
Global Retirement Trust Stable	2.3	6.2	6.6	8.1	6.8	
WestpacTrust Accumulation	64.7	5.7	5.5	5.6	5.3	
Colonial Life International Bond	0.4	5.3	5.4	6.8	6.8	
Tower Focus Fixed Income	3.2	5.3	5.0	7.0	5.8	56
AMP Capital Assured	32.7	5.1	5.1	5.0	4.6	210
Colonial Life Conservative	2.0	4.7	5.2	5.2	5.1	
Royal Sun Alliance Deposit Fund	30.1	4.1	4.5	4.8	5.1	20
National Mutual Capital Protected	26.6	4.0	4.2	4.1	4.1	
Tower Focus Cash	1.9	3.3	4.1	4.8	5.0	49
Tower Endurance	0.6	2.6	3.7	5.6	5.5	14
Jacques Martin NZ Cash Management	5.9	2.4	4.2	4.7		262
Tower ANZ Capital Stable	0.3					3
<i>All Conservative Funds</i>	<i>278.0</i>	<i>5.5</i>	<i>5.3</i>	<i>5.8</i>	<i>5.7</i>	
Total Funds	1,809.4	8.0	7.1	8.5	7.9	
Cash Benchmark (Net)		3.3	4.5	5.0	5.3	
CPI		-0.4	0.7	0.8	1.1	

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