

Eriksen's Master Trust Survey Results To 30 September 1999

Phew! Now that October 1999 has safely passed we can all breathe a sigh of relief. However it was touch and go. In the middle of October in one week the Dow dropped 12%! It could have fallen further but that the negative sentiment was reversed over the weekend by some positive economic news.

In our opinion the global economy is still volatile despite the relatively fragile recovery and recent improvement in most commodity prices except oil. The modest correction demonstrated that all the world stock markets are linked and also that many investors are still nervous.

It is likely that interest rates will rise at least once in the US this year and also rise shortly in New Zealand as the Reserve Bank acts to prop up the New Zealand dollar and dampen demand and inflation.

Gold has lifted off its US\$250 per ounce floor and shot up to US\$330 before dropping back to being a little below US\$300. This reflects some major plays by central banks around the world who have deferred selling parts of their large stocks. It also reflects supply and demand and that a number of producers were sold short. At US\$250 an ounce the cost of production on marginal mines makes them unproductive. It is a different story around US\$300 an ounce.

With October out of the way, the risk of a sharp correction to global stock markets has eased. However it is still hanging there a little bit like the sword of Damocles. Of more immediate concern is the cost of preparing for and later on correcting any problems arising from Y2K. We expect this to dampen profit returns for corporates around the world next year and also expect relatively flat stock market growth for the same reason.

Another issue of great interest is how the American and Japanese governments have managed their cross rate and currencies. The Japanese yen has strengthened phenomenally in the last quarter, and now almost equates to the Euro. The apparent strength of the Japanese economy and currency has given international investment managers the opportunity for good returns over the last quarter.

On an annual basis our survey returns are excellent at 10% net of tax, fees and inflation. With cash earning a lowly 3% it pays to save through a diversified portfolio. The rewards for the risk of investing in international equities have paid off to date. Once again the range of returns has

widened which demonstrates that selection of the right investment manager can pay dividends.

Master trusts are still growing strongly. AMP has discontinued its indexed fund (ex Southpac).

In October we attended the ASFA Conference in Melbourne. The corporate superannuation scheme in Australia is under threat for the same reason it is in New Zealand. The legislative and bureaucratic constraints are too onerous for most employers to stomach.

Market research commissioned by ASFA showed that the average swinging Liberal voter in Australia strongly supports the concept of compulsory superannuation. They want the system to be fair and also to ensure that people can support themselves with integrity and independence by the Government providing a level playing field without tax disincentives. In this survey 90% of those consulted wanted a compulsory superannuation scheme to relieve the burden of the state. This is in stark contrast to the New Zealand compulsory superannuation referendum a couple of years ago which had a 92% rejection rate!

However most economic commentators believe the AUD\$400 billion of funds under management in superannuation schemes supports corporate investment and boosts their economy and rate of growth. This is despite the plethora of legislative constraints which everyone at the ASFA Conference agreed had to go!

In 1991 New Zealand had one of the best infrastructures of any economy in the OECD. Now we are struggling to achieve real economic growth. Vote wisely on 27 November!

May we wish our readers every success for the balance of this year. We trust that the new millennium will not prove too traumatic and that business is profitable in 2000.

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

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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	63.8	21.4	8.9	11.9	10.2	479
Jacques Martin NZ Growth Fund	29.5	18.0	8.7	10.7	9.7	115
Colonial Australasian Equities	0.2	17.2	-1.9	3.7	4.3	
Tower Focus NZ Shares	2.5	17.1	-1.1	5.3	6.8	109
GRT Individual Retirement Plan Growth	6.3	16.6	7.8	10.1	9.0	
Tower Focus International Shares	8.0	13.9	8.8	12.7	11.2	110
Colonial International Equities	0.8	13.4	7.5	8.7	8.6	
Tower Explorer		11.1	5.1	9.2	8.5	
WestpacTrust Dynamic	179.8	9.1	5.5	7.5	6.5	40
Tower BT Managed Growth	0.6	8.8	3.9	7.3	7.7	20
Colonial Special Values	2.1	7.8	3.4	7.0	7.7	
Tower Pioneer		7.5	5.9	9.0	8.2	
Colonial Balanced Growth	9.7	7.4	3.6	6.1	6.6	
Jacques Martin NZ Asset Growth	11.6	7.4				115
Tower BNZ Dynamic Growth		3.0				
Tower ANZ Growth	0.1	2.4				9
<i>All Growth Funds</i>	<i>314.9</i>	<i>12.6</i>	<i>6.5</i>	<i>8.9</i>	<i>7.8</i>	
Balanced Funds						
AMP Balanced	323.6	11.6	6.1	8.5	7.8	682
GRT Individual Retirement Plan Balanced	12.1	10.6	6.8	8.5	7.7	
AXA New Zealand Managed	33.0	10.3	2.7	6.4	6.1	
Armstrong Jones SIL Balanced	314.4	10.1	7.3	9.8	9.5	
AMP ANZ Balanced	55.0	9.8	5.0	7.2	7.3	421
Royal & Sun Alliance Managed Fund	88.0	9.4	5.1	7.8	7.2	32
Jacques Martin NZ Balanced	73.7	8.9	6.0	7.7	7.2	115
AXA New Zealand Balanced	24.0	8.3	2.8	6.2	6.2	
WestpacTrust Balanced	309.4	7.9	5.0	6.5	5.7	40
AMP BT	18.7	7.9	3.7	6.8	7.3	287
Tower Investment Linked		7.4	6.3	8.7	8.3	
AXA New Zealand Spread Managers	55.4	6.2	2.1	5.8	5.9	
Tower Opportunity		5.5	5.5	7.9	7.3	
Tower ANZ Market Balanced		1.9				5
Tower BNZ Market Balanced	0.3	1.7				5
<i>All Balanced Funds</i>	<i>1,307.7</i>	<i>9.6</i>	<i>5.7</i>	<i>7.9</i>	<i>7.5</i>	
Conservative Funds						
AXA New Zealand Low Risk	21.3	6.7	2.8	5.7	6.4	
AMP Capital Stable	48.6	6.4	4.6	6.0	5.9	251
Jacques Martin NZ Capital Stable	40.6	6.1	5.8	6.7	6.5	115
GRT Individual Retirement Plan Stable	2.1	5.7	5.9	7.1	6.6	
AMP Capital Assured	34.9	4.8	5.1	5.0	4.7	217
Colonial Conservative	2.0	4.1	4.1	4.2	4.6	
WestpacTrust Accumulation	62.7	3.8	5.1	4.9	5.0	40
AXA New Zealand Capital Protected	27.8	3.8	4.2	4.1	4.2	
Royal & Sun Alliance Deposit Fund	30.2	3.5	4.4	4.7	4.9	19
Tower Focus Cash	2.1	2.7	3.9	4.4	4.9	72
Tower Endurance		2.2	3.0	4.9	5.0	
Colonial Global Fixed Interest	0.4	1.8	5.5	6.2	6.6	
Tower ANZ Capital Stable	0.3	1.7				3
Tower Focus Fixed Income	3.6	1.6	4.4	5.9	5.5	79
Jacques Martin NZ Cash Management	5.8	1.6	3.7	4.5	4.7	115
Tower BNZ Conservative		0.6				
<i>All Conservative Funds</i>	<i>282.3</i>	<i>4.8</i>	<i>4.7</i>	<i>5.3</i>	<i>5.3</i>	
Total Funds	1,904.9	9.4	5.7	7.7	7.2	
Cash Benchmark (Net)		3.1	4.2	4.7	5.1	
CPI		-0.3	0.7	0.8	1.2	

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