

Eriksen's Master Trust Survey Results To 31 March 2000

Despite the continued volatility of global stock markets the annual rate of return on Master Trust Funds surveyed continued to be good. The average rate of return was 8% net of tax and fees which is more than a 6% real rate of return over inflation. It still pays to save.

The annual rate of return was a little less than that reported in the previous quarter. Growth funds performance fell by 1% on average. Conservative funds performance stayed almost the same at 4%. The range of returns was also far greater for the growth funds with one fund returning almost 30% net of tax and fees and the bottom placed fund actually giving a slightly negative return!

The funds surveyed increased by \$60 million over the quarter. The amount invested in conservative funds grew by almost \$80 million whereas funds invested in balanced funds actually fell by \$30 million and growth funds only grew by 10 million. Obviously some investors in New Zealand Master Trusts are also concerned about the risks of investing in the US or global stock markets and prefer to reduce their risk.

AXA have launched a new Master Trust product which is competitive against the market leaders. Having had an outdated expensive product for some years it is good to see them competing again.

The acquisition by Royal Sun Alliance of Tyndalls in Australia has meant that the Guardian Trust investment management team has effectively taken over the investment management responsibilities for the combined group in New Zealand.

As predicted central banks including the New Zealand Reserve Bank are still increasing interest rates steadily to try to reduce inflation. Don Brash raised the cash rate another ¼% in April and will have to increase it further later this year.

The US economy got somewhat overheated in the last quarter. Many Americans are now deeply involved investing on the US stock markets often through margin trading. This has increased the level of volatility and the risks.

The US Governments determination to break up Microsoft has contributed to the uncertainty. It is ironic that the US Government pays the US Federal Reserve (and Alan Greenspan) vast sums to maintain the stability of the economy. It is prepared to risk a considerable downturn in that economy to break up what has been a monopoly of the Windows operating system linked to the Microsoft browser.

As well as Bill Gates losing a fortune a lot of ordinary investors will also suffer if this eventually occurs.

The monopoly is in the desktop operating system market (i.e. Windows). Netscape has 10% of the browser market and Linux is gaining market share. Macintosh still tries to compete. Corel Office is also positioning itself to compete more aggressively in the overall office package market.

Admittedly none have the almost universal acceptance of Microsoft products despite the fact that some Microsoft products are not as user friendly as they should be.

The global economy continues to bubble along led by the US. We are pleased to note oil prices have fallen as the Northern spring approaches and Opec opens the taps a little more. We expect other commodity prices to continue to fall through competitive pressures and the attempts by central banks to control demand and thus inflation.

The US dollar has strengthened significantly over the past quarter with the Euro down to US\$0.91. The Yen has weakened a little and both the Australian and New Zealand dollars are languishing.

Whilst many local investment managers consider the New Zealand stock market undervalued they don't appreciate that most offshore investors are not interested in what are now second tier organisations in terms of the global economy. Even a merger of the Australian and New Zealand stock markets would not change that position.

One way of observing this lack of interest is to note that US investors invested \$NZ16 billion in the Polish economy last year. That is almost twice our current account deficit!

The Government Actuary has suggested that superannuation schemes risk being deregistered if less than 85% of the benefits are paid out in retirement benefits, (a view strongly opposed by the industry).

The concern is largely unnecessary as the draft legislation limits employees use of the salary sacrifice method of protecting income over \$60,000 at the 33% tax rate using a superannuation scheme. To qualify for tax free withdrawal the funds must be kept in until the member leaves service. Members also cannot increase contributions by more than 50% within two years of leaving service.

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, 2000. All rights reserved.

Eriksen's Master Trust Survey Results To 31 March 2000

Fund Name	Fund Size \$ million	Annual Returns (Net of Tax & Expenses)					No. of Employers
		1 Year	2 Year	3 Year	4 Year	5 Year	
Growth Funds							
Colonial International Equities	1.1	29.5	15.6	15.7	12.7	13.6	
Jacques Martin Growth Fund	14.6	16.6	13.5	14.1	11.9	11.8	117
Colonial Special Values	2.4	15.5	8.2	10.4	9.7	10.0	
AMP High Equity	79.9	15.2	13.2	15.6	13.0	12.4	494
GRT Individual Retirement Plan Growth	7.7	13.3	10.4	13.2	10.9	10.6	
Tower Focus International Shares	14.1	13.1	7.0	13.9	12.1	13.2	125
Tower BT Managed Growth	1.0	11.4	8.6	9.0	8.9	9.4	23
Tower BNZ Dynamic Growth	0.2	10.7	6.1				4
WestpacTrust Dynamic	200.8	10.0	7.9	9.9	8.2	8.0	42
Jacques Martin Asset Growth	39.5	8.3	7.4				117
Tower ANZ Growth	0.5	7.8	4.4				13
Tower Focus NZ Shares	3.4	5.5	4.7	5.7	6.7	8.3	121
Colonial Australasian Equities	0.2	-1.2	1.5	3.6	3.8	4.2	
<i>All Growth Funds</i>	<i>365.3</i>	<i>11.4</i>	<i>9.2</i>	<i>11.7</i>	<i>9.8</i>	<i>9.6</i>	
Balanced Funds							
AXA NZ Spread Managers	65.0	12.7	6.6	9.3	8.9	8.2	
Colonial Balanced Growth	11.2	12.1	7.7	8.6	8.1	8.7	
AMP BT	21.6	10.4	7.9	8.2	8.2	8.8	295
Armstrong Jones SIL Balanced	348.4	9.4	9.0	11.1	10.3	10.6	
AMP Balanced	367.5	8.7	8.6	10.4	9.1	9.0	681
GRT Indivdl Retirement Plan Balanced	14.7	8.4	8.1	10.1	8.8	8.6	
Royal & Sun Alliance Managed Fund	91.1	7.8	7.4	8.9	7.9	8.2	30
AXA NZ Managed	32.0	7.6	4.6	7.8	8.2	7.5	
WestpacTrust Balanced	351.2	7.5	6.8	8.0	6.8	6.8	42
Tower BNZ Balanced Growth	0.8	7.1	4.4				10
Jacques Martin Balanced	5.7	6.6	8.0	8.5	8.0	8.0	117
Tower Investment Linked	63.4	5.6	5.5	8.4	8.2	8.6	168
AXA NZ Balanced	28.7	5.4	4.4	7.0	7.5	7.1	
Tower ANZ Market Balanced	0.1	4.8	3.0				13
AMP ANZ Balanced	62.0	4.6	5.8	7.4	7.5	8.2	427
<i>All Balanced Funds</i>	<i>1,463.4</i>	<i>8.3</i>	<i>7.6</i>	<i>9.5</i>	<i>8.6</i>	<i>8.6</i>	
Conservative Funds							
Jacques Martin Capital Stable	42.5	6.6	7.4	7.4	7.0	6.9	117
GRT Individual Retirement Plan Stable	2.4	5.0	6.4	7.7	7.1	7.0	
AXA NZ Low Risk	24.5	4.7	4.3	6.6	6.9	7.0	
AMP Capital Stable	48.8	4.7	5.7	6.6	6.3	6.5	241
AMP Capital Assured	38.2	4.6	4.9	5.0	4.9	4.5	214
Colonial Conservative	2.0	4.3	4.0	4.9	4.5	4.6	
AXA NZ Capital Protected	27.1	3.8	4.2	4.1	4.3	4.5	
Colonial Global Fixed Interest	0.3	3.6	4.0	5.8	5.7	5.8	
Royal & Sun Alliance Deposit Fund	29.8	3.4	4.0	4.3	4.7	5.0	17
Jacques Martin Cash Management	89.4	3.3	3.4	4.1	4.5		117
Tower Focus Cash	3.2	3.0	3.6	3.9	4.5	4.8	89
WestpacTrust Accumulation	55.7	2.4	3.8	4.3	4.6	4.7	42
Tower ANZ Capital Stable	0.3	1.8					3
Tower BNZ Conservative		1.4	0.9				1
Tower Focus Fixed Income	4.5	0.7	4.8	5.4	5.5	5.4	94
<i>All Conservative Funds</i>	<i>368.7</i>	<i>4.0</i>	<i>4.6</i>	<i>5.2</i>	<i>5.3</i>	<i>5.6</i>	
Total Funds	2,197.4	8.1	7.4	9.1	8.2	8.4	
Cash Benchmark (Net)		3.5	3.8	4.3	4.8	5.1	
CPI		1.5	0.7	0.9	1.1	1.3	

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.