

Eriksen's Master Trust Survey Results To 30 June 2000

Commentary on Results

The annual rate of return, net of fees and tax, is 8% for the Master Trust funds surveyed. However with the petrol rises the rate of inflation has jumped to 2% resulting in a net real rate of 6%. This is an excellent long term rate of return if sustainable.

The surveyed funds increased by over \$36m during the last quarter with growth funds increasing by nearly \$20m and balanced funds by \$125m. Conservative funds dropped by \$108m. This is a turnaround from the previous quarter which saw a drop in balanced funds. It suggests a growing confidence in the global equity markets possibly as a result of the re-rating of technology stocks.

Tower, AMP and Global Retirement Trust are the fastest growing master trusts on an annual basis.

Marketplace News

Alliance Capital's acquisition of US investment manager Sanford Bernstein gives Alliance a value manager at a time when conditions seem to be favouring growth managers.

Tower have appointed Sanford Bernstein as one of their international equity managers in place of UBS Brinson

There is great debate amongst international equity manager analysts as to whether value managers will be able to compete with growth managers in future or whether the structural changes to the market are more permanent.

Australia saw the introduction of GST in July. Despite initial concerns the transition appears to have gone smoothly.

Last years relaxation of rules relating to foreign investment vehicles by the Securities Commission has seen a number of UK based funds being offered in New Zealand. So far Public Trust, AMP, Challenger and Royal Sun Alliance have all announced products with other companies expected to join the rush. No specific New Zealand investment statement or prospectus is required.

Dr Cullen is moving to remove the tax-free growth opportunity of UK investment trusts following representations from ISI.

The Government Actuary appears less concerned about the 85% level for retirement benefits following representations from the industry but the issue is yet to be resolved.

The second draft of the changes to SSCWT as a result of the rise in the top marginal rate to 0.39c have been reported back to Parliament.

The legislation has become much simpler and less administratively cumbersome although there are still a few fishhooks.

Relatively few employers are offering their employees opportunities to use a superannuation vehicle to reduce their tax rate by way of salary sacrifice

The proposed changes to the Matrimonial Property Act not only include de facto relationships in the legal net but also allow disproportionate splits and give Courts the power to overturn family trust structures and pre-nuptial agreements. Should the legislation be implemented then the best defence will be to sign your pre-nuptial agreement offshore.

Economic Commentary

The New Zealand economy is slowing. The rural sector is picking up through higher commodity prices and a lower \$NZ but urban areas apart from Wellington are struggling from the petrol hikes, concern about the Employment Relations Bill and its impact on industrial relations and emigration.

Don Brash has the difficult decision whether to raise interest rates again or risk inflation going higher still. The Reserve Bank of Australia increased rates by ¼% in late July. Offshore investment is ignoring New Zealand in favour of Australia or the growing emerging markets of Eastern Europe, Asia and Latin America.

The global economy is also delicately balanced. Investors are waiting to see if Mr Greenspan will increase short term interest rates to off set the strong reported growth in the US economy. Offshore observers are wondering if he can manage a soft handling by slowing but not extinguishing that growth.

Reverse yield curves where short term interest rates are higher than long term ones are part of the New Zealand investment scene in recent years.

However they are less common overseas because investors normally expect a higher reward for taking an increased risk by tying up their funds for longer. Will they stay around or is this another example of global volatility?

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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Results To 30 June 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	21.9	14.6	12.8	13.2	13.5	
Jacques Martin Growth Fund	42.1	14.2	13.3	11.4	12.0	11.6	118
AMP High Equity	83.2	12.6	12.5	11.7	12.6	11.9	502
Tower BT Managed Growth	1.0	12.6	9.9	7.4	9.1	9.5	19
Colonial Special Values	2.5	11.9	9.2	8.0	10.0	10.0	
GRT Individual Retirement Plan Growth	8.2	10.5	10.8	9.9	10.8	10.3	
WestpacTrust Dynamic	210.0	10.3	9.4	8.4	8.8	7.8	
Tower BNZ Dynamic Growth	0.3	9.8	6.7				5
Jacques Martin Asset Growth	15.2	8.7	8.3				118
Tower ANZ Growth	0.5	8.4	5.5				14
Tower Focus NZ Shares	4.1	7.6	10.2	3.4	7.8	8.3	131
Tower Focus International Shares	16.3	5.9	4.9	10.4	11.6	12.4	134
Colonial Australasian Equities	0.2	5.9	9.8	2.0	5.9	6.0	
<i>All Growth Funds</i>	384.6	11.0	10.3	9.6	10.2	9.5	
Balanced Funds							
AXA NZ Spread Managers	67.3	12.5	10.0	7.6	9.6	8.2	
AMP BT	23.6	10.7	8.8	6.7	8.2	8.6	303
Colonial Balanced Growth	13.7	10.0	8.8	6.6	8.6	8.4	
Armstrong Jones SIL Balanced	355.6	8.6	8.8	8.8	10.2	9.8	
Royal & Sun Alliance Managed Fund	94.4	8.4	8.0	7.1	8.5	8.0	15
WestpacTrust Balanced	358.6	8.3	7.8	7.1	7.4	6.6	
AMP Balanced	365.8	8.0	8.2	7.9	8.9	8.6	673
AXA NZ Managed	31.6	7.8	7.9	6.0	8.5	7.2	
Tower BNZ Balanced Growth	0.9	7.5	4.9				11
Jacques Martin Balanced	94.7	7.5	8.1	7.2	8.3	8.0	118
GRT Individual Retirement Plan Balanced	15.7	7.4	8.1	7.7	8.8	8.4	
AXA NZ Balanced	27.8	5.9	6.7	5.3	7.7	6.8	
Tower ANZ Market Balanced	0.2	5.7	4.1				15
Tower Investment Linked	75.1	4.9	5.0	6.9	8.3	8.4	181
AMP ANZ Balanced	61.5	4.4	7.4	5.8	7.6	7.9	424
AMP AJ Balanced	1.8						44
<i>All Balanced Funds</i>	1,588.3	8.1	8.1	7.5	8.7	8.2	
Conservative Funds							
Jacques Martin Capital Stable	42.3	6.7	6.7	6.6	7.1	6.8	118
AXA NZ Low Risk	24.1	5.5	6.0	5.1	7.1	6.7	
GRT Individual Retirement Plan Stable	2.5	5.4	5.9	6.1	7.3	6.9	
AMP Capital Stable	44.5	5.0	5.6	5.4	6.2	6.2	243
AMP Capital Assured	39.9	4.7	4.9	5.0	4.9	4.6	218
AXA NZ Capital Protected	25.4	3.8	3.9	4.1	4.2	4.1	
Jacques Martin Cash Management	5.3	3.7	3.1	4.0	4.4		118
Royal & Sun Alliance Deposit Fund	14.3	3.6	3.8	4.2	4.5	4.8	15
Tower Focus Cash	3.0	3.3	3.3	3.8	4.4	4.7	94
Tower ANZ Capital Stable	0.3	3.2					2
Tower Focus Fixed Income	4.8	3.1	4.1	4.3	6.0	5.2	99
Colonial Conservative	2.8	2.9	3.8	4.5	4.6	4.7	
WestpacTrust Accumulation	51.0	2.6	3.8	4.3	4.7	4.6	
Tower BNZ Conservative		2.4	1.3				1
Colonial Global Fixed Interest	0.4	1.7	3.4	4.1	5.5	5.8	
<i>All Conservative Funds</i>	260.5	4.5	5.0	5.0	5.6	5.4	
Total Funds	2,233.5	8.2	8.1	7.6	8.6	8.1	
Cash Benchmark (Net)		3.9	3.6	4.3	4.7	5.0	
CPI		2.0	0.8	1.1	1.1	1.3	

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