

Eriksen's Master Trust Survey Results To 30 September 2000

Commentary on Results

The average annual rate of return net of fees and tax has jumped to 11.3% for the Master Trust funds surveyed. This is 3% pa over the rate reported last quarter. Although inflation has risen to 3% it is a superb real rate of return. It certainly pays to save.

The range of returns was also spectacular. There was generally a reward for increased risk with the Growth funds averaging 15%, the Balanced funds 11% and the Conservative funds almost 6%. The best return for the year was 32.90% and the worst 2.8%.

Once again International Equities performed extremely well coupled with a further fall in the exchange rate. Growth managers are still out-performing value managers but some stock-pickers with a value style came back reasonably well.

Tower, Colonial (formally Prudential) and the Global Retirement Trust are the fastest growing funds. The Global Retirement Trust predominately services Public Sector employers, but has very competitive fees and a range of individual member options as well.

Marketplace News

Dr Cullen has launched his proposed New Zealand Superannuation Fund to partially pre-fund the state pension into the future. Over the next forty years the cost of New Zealand superannuation will increase from 4% to 8% of GDP. Dr Cullen therefore proposes to centrally fund an additional 2% of GDP for the 10-20 years and thus smooth the cost of New Zealand superannuation. Not only would this give a much needed boost to the stock markets and capital retention in New Zealand (unless it is all invested off-shore) but it would give some security of benefit. Most younger people we talk to say they don't expect the government to pay them New Zealand Super when they retire. Obviously Labour's social contract means a much greater commitment to ensuring a reasonable level of future universal state pension provision in the future. This scheme if it is adopted by Parliament will go a long way to achieving that.

The legislation changing the SSCWT and providing a surtax of 5% on withdrawal of funds under certain conditions has been passed. The legislation is practical and apart from requiring administration managers to retain a lot more contribution history data, and facilitate the payment of the tax, should work reasonably well to close the loop hole without being too onerous.

Employees earning \$60,000 per year who withdraw within two years of receiving a substantial employer contribution (possibly by way of salary sacrifice) can prevent the impost of the 5% tax by deferring the receipt of their benefit by two years, or by taking out an annuity. They can also transfer their funds to another superannuation scheme in order to achieve that deferral if necessary.

As well as the introduction of the new New Zealand Superannuation Fund the Government is also going to relax the investment restrictions on the Government Superannuation Fund and the Earthquake Commission. This will effectively commit almost seven billion dollars to be invested in an arms-length commercial manner by an independent board of directors who will effectively act as Trustees and Managers of the outsourced investment management of the funds.

The opportunity of UK investment trusts may continue for a few more months as Dr Cullen has decided to not make any changes until after his policy review of taxation has been undertaken sometime next year.

Economic Commentary

Alan Greenspan has deferred changing any interest rates in the US to avoid any criticism of him influencing the result of the Presidential election on 7th November. Before the recent hike in petrol he may well have wished to increase interest rates to slow the pace of growth down. Now he may well prefer to reduce them a fraction to maintain the momentum of the US economy, which does appear to be slowing somewhat.

The strength of the US dollar (and the Yen) continues as more and more growth and expansion occurs in the northern hemisphere. Countries like Australia and New Zealand are too small and too far away to be seen as substantial investment opportunities. Our currencies are languishing along with the Euro as a result.

It will be interesting to see what happens as a result of the US presidential election and how the Japanese economy develops now that they have positive real interest rates.

The hike in oil prices has pushed up inflation as has the drop in value of the New Zealand dollar, which boosts import prices. As a result prices are increasing and business slowing. Once again Dr Don Brash has a very fine decision to make when he next reviews interest rates. The Labour Government is well passed the honeymoon stage. Now that they have their feet under the desks it will be interesting to see how well they have managed the economy and business confidence to deliver a sound economic platform on which we can base our commercial activities. We believe that an efficient infrastructure is the key to success and look forward to seeing how the economy develops.

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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	5 Year	
Growth Funds							
Colonial International Equities	0.8	32.9	22.8	15.3	14.3	13.1	
AMP High Equity	125.2	20.3	20.9	12.6	13.9	12.2	531
Colonial Special Values	6.1	19.7	13.6	8.5	10.0	10.0	
Jacques Martin Growth Fund	48.1	18.5	18.2	11.9	12.6	11.4	122
Tower BT Managed Growth	1.9	14.6	11.7	7.4	9.1	9.1	30
GRT Individual Retirement Plan Growth	8.8	14.2	15.4	9.9	11.1	10.0	
Tower BNZ Dynamic Growth	0.4	13.6	8.3				6
WestpacTrust Dynamic	218.4	12.4	10.7	7.7	8.7	7.6	
Jacques Martin Asset Growth	15.8	12.3	9.8				122
Tower Focus International Shares	16.3	12.1	13.0	9.9	12.5	11.4	145
Colonial Australasian Equities	0.2	12.1	14.6	2.5	5.7	5.8	
Tower Focus NZ Shares	4.7	10.6	13.8	2.6	6.6	7.6	140
Tower ANZ Growth	0.8	9.0	5.5				19
<i>All Growth Funds</i>	<i>447.4</i>	<i>15.4</i>	<i>14.6</i>	<i>9.7</i>	<i>10.8</i>	<i>9.6</i>	
Balanced Funds							
AXA NZ Spread Managers	69.7	16.2	11.0	6.6	9.0	7.8	
Colonial Balanced Growth	12.7	16.0	11.6	7.6	8.5	8.4	
AMP Balanced	351.3	13.2	12.4	8.4	9.6	8.8	684
AMP BT	24.5	13.0	10.5	6.7	8.3	8.4	319
AXA NZ Managed	30.3	10.7	10.4	5.3	8.3	7.0	
Tower BNZ Balanced Growth	1.1	10.4	6.1				12
Armstrong Jones SIL Balanced	381.6	10.3	10.2	8.3	10.0	9.7	21
Jacques Martin Balanced	100.1	10.2	9.6	7.4	8.3	7.8	122
GRT Individual Retirement Plan Balanced	16.9	10.2	10.4	7.9	8.9	8.2	
Royal & Sun Alliance Managed Fund		10.1	9.8	6.8	8.4	7.8	
WestpacTrust Balanced	370.4	9.9	8.9	6.6	7.3	6.5	
AMP ANZ Balanced	58.3	8.7	9.3	6.2	7.6	7.6	430
AXA NZ Balanced	27.3	8.2	8.2	4.6	7.4	6.6	
Tower Investment Linked	85.0	7.9	7.3	6.6	8.3	8.0	190
Tower ANZ Market Balanced	0.2	6.7	4.3				19
AMP AJ Balanced	2.8						77
<i>All Balanced Funds</i>	<i>1,532.2</i>	<i>11.0</i>	<i>10.2</i>	<i>7.4</i>	<i>8.8</i>	<i>8.2</i>	
Conservative Funds							
Jacques Martin Capital Stable	43.8	8.4	7.2	6.7	7.1	6.8	122
AMP Capital Stable	42.7	7.9	7.1	5.7	6.4	6.3	252
AXA NZ Low Risk	24.1	7.7	7.2	4.4	6.9	6.6	
GRT Individual Retirement Plan Stable	2.7	7.1	6.4	6.3	7.1	6.7	
Colonial Conservative	3.0	4.9	4.5	4.4	4.4	4.6	
AMP Capital Assured	38.7	4.6	4.7	4.9	4.9	4.7	227
Jacques Martin Cash Management	5.6	4.5	3.0	4.0	4.5	4.7	122
Tower Focus Fixed Income	4.5	4.1	2.8	4.3	5.4	5.2	103
Royal & Sun Alliance Deposit Fund		4.0	3.7	4.2	4.5	4.7	
Tower ANZ Capital Stable	0.1	3.8	2.9				2
Tower Focus Cash	2.8	3.6	3.2	3.8	4.2	4.6	97
AXA NZ Capital Protected	23.6	3.5	4.0	4.2	4.2	4.2	
WestpacTrust Accumulation	48.8	3.1	3.5	4.4	4.5	4.6	
Tower BNZ Conservative		3.0	1.8				3
Colonial Global Fixed Interest	0.3	2.8	2.3	4.6	5.3	5.8	
<i>All Conservative Funds</i>	<i>240.5</i>	<i>5.8</i>	<i>5.4</i>	<i>5.1</i>	<i>5.6</i>	<i>5.5</i>	
Total Funds	2,220.2	11.3	10.6	7.6	8.8	8.2	
Cash Benchmark (Net)		4.2	3.6	4.2	4.6	4.9	
CPI		3.0	1.2	1.4	1.3	1.5	

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