

ERIKSEN & ASSOCIATES LTD

Actuaries & Business Consultants

Master Trust Survey Results to 30 September 2001

Investment Returns

International share markets fell during September after the US terrorist attacks and had not recovered by the end of the quarter. This is reflected in the results of this survey. Over 12 months growth funds lost on average 16.0% and balanced funds 7.9%. Conservative funds made 2.4% on average.

These losses were the main reason for the 7% overall fall in the amount invested in the funds surveyed.

Average annual returns for the growth, balanced and conservative funds are now almost identical when averaged over three, four and five years, while conservative funds lead over one and two years.

Many of the extra gains made by higher risk funds since the mid 1990's have now been lost. It underlines the value of a flexible investment strategy when markets are volatile.

Conservative funds benefited last year from a higher exposure to international bonds at a time when declining interest rates made them attractive. Many fund managers have adopted the Lehman Bros Global Bond Index which has more emphasis on corporate debt.

Passive funds meanwhile have suffered from both not getting their tax advantage while they are making a loss, and the inflexibility of their investment style.

With overseas share markets continuing to decline investors are looking for alternatives, including commercial property in NZ and overseas.

Tower has removed its 3 existing ANZ funds from its master trust and replaced them with a new balanced fund managed by ANZ Funds Management.

Economic Commentary

Prior to the terrorist attacks in September 2001 global growth was slowing and share markets had been falling for more than a year as investors allowed for reduced profit expectations.

In the US businesses were reporting lower profits, unemployment was rising and consumer demand was declining, in spite of several interest rate cuts by the US Federal Reserve. Japan was moving back into recession and economic activity in the rest of Asia and Europe was also slowing down.

Economic signals since the terrorist attacks have been mixed. Fund managers have used historical examples to argue that any downturn would be short term.

Share markets initially fell sharply amidst predictions of a global recession, and fears that political instability would contribute to the existing economic downturn. Airlines have been particularly hard hit with fears that increased security would both increase costs and discourage people from travelling.

International share prices have further recovered in October, but are likely to be volatile for some time. New Zealand and Australia have so far been affected very little.

In our opinion, the medium to long term outlook for financial markets remains stable, with share values having fallen in the short term before recovering. Markets are likely to remain depressed for several months, and possibly another year or so, although the prospects of a major recession seem unlikely given the massive liquidity stimulus from Government Central Banks.

Governments are keen to maintain confidence. Interest rate cuts and extra spending are now seen as being more important than containing potential budget deficits. Additional spending could be on defence and security, social welfare, or assisting troubled industries, such as airlines.

We expect the global economy to come out of recession around the middle of next year unless the terrorist movement has more major surprises in store. However the recovery is fragile and could easily succumb to further attacks or a series of natural disasters.

Legislative Changes

The legislation for the selection and appointment of the Guardians to oversee the funded New Zealand Superannuation Fund has now been passed. The implementation process is now well under way!

The latest Government Actuary's report to 30 June 2001 advises that only 15% of employees are members of superannuation schemes and confirms that the trend is downwards. This is an ominous signal for our voluntary retirement savings provisions.

Housekeeping

Just a reminder that we have moved our Auckland office to Level 1, 443 Lake Road Takapuna. All our other contact details are the same as before.

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Eriksen's Master Trust Survey Results to 30 September 2001

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							
Sovereign ESP Australasian Equities	0.1	3.9	7.9	10.9	2.9	5.3	
Tower BT International Shares	0.6						253
Sovereign SERP Dynamic Growth	0.9						
Sovereign SERP Colonial Managed Growth	0.4						
Sovereign SERP Colonial Dynamic Growth	0.2						
Tower Focus NZ Shares	19.1	-0.4	5.0	8.9	1.9	5.2	256
Sovereign ESP Special Values	3.5	-9.1	4.3	5.5	3.8	5.9	
Tower BNZ Dynamic Growth	1.3	-11.2	0.4	1.4			253
Tower Growth	0.2	-11.8					253
WestpacTrust Dynamic	185.4	-13.6	-1.2	2.1	2.1	3.9	
GRT Individual Retirement Plan Growth	10.1	-13.7	-0.7	4.8	3.5	5.6	
ASB Funds Management Growth		-14.5	0.6	5.2			
Jacques Martin Growth Fund	48.6	-17.5	-1.1	4.9	3.7	5.8	254
Tower Focus International Shares	56.2	-17.5	-3.8	1.7	2.3	5.8	260
Sovereign ESP International Equities	0.7	-19.2	3.6	6.8	5.5	6.6	
AMP High Equity	113.8	-21.8	-3.0	4.6	2.8	5.7	537
All Growth Funds	441.1	-16.0	-1.7	3.4	2.5	4.9	
Balanced Funds							
Tower AJ SIL Balanced Fund	0.5						253
Tower ANZFM Balanced	1.9						253
Sovereign SERP Balanced	4.4						
AMP ASB Balanced	0.7						69
Tower Balanced	365.5	-1.5	3.1	4.3	4.5	6.3	295
Sovereign ESP Balanced Growth	8.9	-3.1	6.0	6.5	4.8	6.1	
Jacques Martin Asset Growth	13.8	-3.3	4.2	5.2			254
Jacques Martin Balanced	90.3	-4.5	2.6	4.7	4.3	5.6	254
Tower BT Managed Growth	19.2	-5.6	4.0	5.6	4.0	6.0	253
AMP ANZ Balanced	52.1	-6.2	1.0	3.9	3.0	4.7	419
Tower BNZ Balanced Growth	2.4	-6.2	1.7	1.8			253
Royal & Sun Alliance Managed Fund	80.1	-6.3	1.6	4.1	3.3	5.3	23
AMP BT	31.6	-7.2	2.5	4.3	3.1	5.0	355
GRT Individual Retirement Plan Balanced	18.2	-8.1	0.6	3.8	3.7	5.3	
AXA NZ Managed	25.1	-9.0	0.7	3.7		4.0	
WestpacTrust Balanced	315.1	-9.3	0.1	2.7	2.5	3.9	
AMP AJ Balanced	6.8	-9.6					155
Armstrong Jones SIL Balanced	295.3	-9.8	-0.3	3.1	3.5	5.7	17
ASB Funds Management Balanced		-10.6	0.4	4.6	4.0	5.8	
AMP Balanced	345.1	-12.1	-0.3	3.6	2.9	4.9	653
Planit Plans Diversified	29.3	-12.6	1.4	3.7			
AXA NZ Balanced	17.9	-12.9	-2.7	0.8		2.5	
AXA NZ Spread Managers	58.7	-13.1	0.2	2.1		3.5	
All Balanced Funds	1,782.9	-7.9	1.0	3.5	3.2	5.0	

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Conservative Funds							
Sovereign ESP Global Fixed Interest	0.4	10.4	6.6	5.0	6.0	6.3	
AMP Capital Assured	46.3	5.4	5.0	4.9	5.0	5.0	248
Jacques Martin Cash Management	4.4	5.3	4.9	3.8	4.3	4.7	254
Tower Focus Fixed Income	15.5	4.9	4.5	3.5	4.4	5.3	260
WestpacTrust Accumulation	44.4	4.8	4.1	4.0	4.6	4.6	
Royal & Sun Alliance Deposit Fund	28.9	4.2	4.1	3.9	4.2	4.4	10
Tower BNZ Conservative	1.2	4.1	3.6	2.6			253
Tower Conservative	24.2	4.0	5.7	6.3	6.6	6.8	
AXA NZ Capital Protected	19.6	3.8	3.8	3.9		4.1	
Tower Focus Cash	9.0	3.8	3.7	3.4	3.8	4.1	262
Sovereign ESP Conservative	2.8	2.8	3.8	3.9	4.0	4.1	
Sovereign SERP Colonial Conservative							
Sovereign SERP Conservative	0.2						
GRT Individual Retirement Plan Stable	3.1	-1.5	2.7	3.7	4.3	5.3	
AXA NZ Low Risk	19.1	-1.7	3.1	4.3		4.6	
Jacques Martin Capital Stable	37.9	-1.9	3.1	4.1	4.5	5.2	254
ASB Funds Management Conservative		-3.1	1.5	3.3	3.7	4.6	
AMP Capital Stable	37.8	-4.0	1.8	3.3	3.2	4.3	258
All Conservative Funds	294.9	2.2	3.9	4.2	3.9	4.9	
Total Funds	2,518.9	-8.1	0.9	3.6	3.1	5.0	
Cash Benchmark (Net)		4.1	4.1	3.8	4.2	4.5	
CPI		2.4	2.7	1.6	1.7	1.5	

This survey has been compiled from publicly available sources and information from the respective Master Trust providers. Investment decisions or comparisons should not be based on past performances in isolation from other factors. Eriksen & Associates accepts no liability for any errors herein, or any decisions made as a consequence of the information shown.

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