

Master Trust Survey Results to 31 December 2001

Investment Returns

Our last survey came at the end of a quarter in which international share markets had made heavy losses. This quarter most of those losses were reversed by a strong rebound, although most international indexes still showed substantial falls for the year.

A change from recent years was that the best performing growth funds were those with substantial proportions of Australasian rather than international shares.

In the year to December 31 2001, growth funds made average losses of 3.3% after tax and fees, while balanced funds were close to breaking even at -0.4% and conservative funds made an average of 3.1%.

Conservative funds are now also the best performing over two and three years, while over four years all three fund risk groups have had much the same average return at around 4.4% p.a.

Although the conservative funds are currently about 0.8% p.a behind the growth and balanced funds over five years, we expect this margin to close during the coming year as earlier high performing quarters are replaced by upcoming periods of much more modest growth.

Conservative funds make up less than 12% of total New Zealand master trust funds, with just over 70% being in balanced funds and 18% being in growth funds. Overall the total value of the funds surveyed fell by 6% during the year, including a gain of 3% during the last quarter.

Economic Commentary

Opinions about the international economic outlook for 2002 largely focus on the likelihood of the US emerging from recession during the year.

Since the greater part of US economic activity arises from consumer consumption, much of the discussion has centred on likely consumer behaviour. Economists are divided, with many picking a weak recovery during the year as US consumer confidence returns. They point out that inflation is still low, stock levels are now manageable and technology driven productivity improvements are continuing.

Others however are less positive, pointing to the dampening effect of unemployment on household spending and the current high consumer and corporate debt levels. Recent buying incentives to liquidate high

stocks have brought forward sales of cars and other goods, with the result that buyers may be scarce for a while. The recent bankruptcies of Bethlehem Steel, K Mart and Enron have also added to the uncertainty.

Recent comments from the Federal Reserve Chairman, Alan Greenspan, have been bullish. Although no change was made in January, further interest rate cuts are likely even though the current low rate (1.75%) leaves limited room to move.

The US budget surpluses forecast a year ago have now been significantly reduced as the slowing economy, the costs of the war on terrorism and President Bush's tax cuts take effect; thus reducing the potential for further expenditure without incurring a budget deficit.

Europe has made a successful transition to the new Euro currency and has generally (outside Germany) been affected less by the worldwide slowdown than North America.

The Argentine debt default was widely anticipated and had few international flow on effects, although it is likely to result in considerable internal political and financial turmoil for some time yet, and to have an effect on those foreign companies investing there (including the cinema chain owned by our own Force Corporation).

In Japan the Koizumi government has so far failed to make the structural reforms originally hoped for. The economy continues to stagnate as prices fall and the banking system fails to extricate itself from the huge number of bad loans resulting from the 1980's asset price bubble. Japanese exports are still competitive internationally but asset values are falling and the Japanese are buying gold in an attempt to preserve their wealth.

Other News

This quarter we welcome the Mercer Retirement Trust to the Eriksen's Master Trust Survey.

Following a Treasury report opposing widespread tax incentives for retirement savings, Dr Cullen has ruled out significant tax changes on super scheme savings although the Government might be willing to encourage employer schemes by other means such as reduced compliance costs. For the sake of elderly New Zealanders, we hope Dr Cullen will be in a position to reconsider his decision or introduce compulsion at a later date.

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Eriksens Master Trust Survey Results to 31 December 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	0.2	16.80	7.90	8.50	6.60	5.80	
Tower Focus NZ Shares	56.0	10.70	4.00	7.10	5.00	4.90	262
Tower Growth	0.3	1.30					259
Tower BNZ Dynamic Growth	1.6	0.30	-1.00	3.20			259
Sovereign SERP Colonial Managed Growth	1.3						
Sovereign SERP Colonial Dynamic Growth	0.4						
Sovereign ESP Special Values	3.7	-0.10	1.30	5.30	5.70	6.10	
GRT Individual Retirement Plan Growth	11.0	-0.70	-1.60	3.60	5.50	6.30	
Mercer Diversified Growth	23.7	-1.50	0.20	3.20			
Sovereign SERP Dynamic Growth	1.3	-1.90					
AMP High Equity	130.7	-3.50	-4.80	1.70	5.00	6.20	521
ASB Funds Management Growth	1.9	-3.80	-2.10	4.40			
Mercer Shares	5.4	-4.20	-2.50	3.00			
Jacques Martin Growth Fund	47.8	-4.50	-4.10	3.00	5.20	6.00	252
Sovereign ESP International Equities	0.8	-6.20	-1.80	6.70	8.20	7.70	
WestpacTrust Dynamic	191.7	-6.90	-2.30	1.60	3.60	4.70	
Tower Focus International Shares	21.3	-7.00	-3.10	2.10	4.70	6.90	267
Tower BT International Shares	0.7	-11.60					259
All Growth Funds	499.8	-3.30	-2.30	2.60	4.40	5.40	
Balanced Funds							
Tower Balanced	381.4	2.90	3.20	4.20	5.40	6.20	304
Jacques Martin Asset Growth	14.9	2.60	4.30	5.20			252
Sovereign ESP Balanced Growth	9.1	2.50	3.00	5.90	6.00	6.10	
AXA NZ Managed	26.1	1.70	1.20	3.40	2.70	4.30	
Tower BNZ Balanced Growth	2.8	1.50	1.00	3.30			259
Sovereign SERP Balanced	6.1	1.30					
Royal & Sun Alliance Managed Fund	82.7	1.10	1.10	3.40	4.90	5.40	23
Tower BT Managed Growth	20.8	1.00	2.20	5.00	5.70	5.90	259
AMP BT	38.4	0.90	1.50	3.80	5.00	5.00	344
AMP ANZ Balanced	55.2	0.50	1.70	3.10	4.40	5.00	392
GRT Individual Retirement Plan Balanced	19.7	0.40	0.30	3.10	4.90	5.60	
Jacques Martin Balanced	89.0	0.10	1.10	3.20	4.90	5.40	252
Planit Plans Diversified	38.8	0.00	-1.30	2.40			
Tower ANZFM Balanced	2.2						259
AMP Balanced	363.4	0.00	-1.20	2.10	4.30	5.20	628
AXA NZ Balanced	18.7	-0.30	-0.20	1.80	1.50	3.40	
AMP ASB Balanced	1.1	-1.10					84
AXA NZ Spread Managers	60.7	-1.30		2.70	2.30	4.20	
ASB Funds Management Balanced	4.2	-1.50	-0.70	4.20	5.70	6.10	
Tower AJ SIL Balanced Fund	0.6	-1.70					259
AMP AJ Balanced	10.0	-1.90					159
Armstrong Jones SIL Balanced	267.4	-2.10	-1.50	2.60	4.60	5.50	15
WestpacTrust Balanced	312.2	-4.60	-0.40	2.20	3.70	4.30	
All Balanced Funds	1,825.4	-0.40	0.40	2.90	4.40	5.20	

Eriksens Master Trust Survey Results to 31 December 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	
Conservative Funds							
AMP Capital Assured	58.6	5.10	5.10	4.90	5.00	5.00	233
Tower Conservative	27.2	5.10	6.10	6.60	6.80	6.90	259
Royal & Sun Alliance Deposit Fund	26.1	4.30	4.20	3.90	4.20	4.30	10
WestpacTrust Accumulation	42.1	4.10	4.40	3.80	4.60	4.50	
Jacques Martin Cash Management	7.5	4.00	4.60	3.80	4.10	4.40	252
Sovereign ESP Global Fixed Interest	0.3	3.90	4.80	3.30	4.50	5.20	
Tower BNZ Conservative	1.2	3.90	3.80	2.90			259
AXA NZ Capital Protected	18.9	3.80	3.80	3.90	4.10	4.10	
Tower Focus Cash	9.3	3.50	3.70	3.40	3.70	3.90	267
Mercer Cash Plus	1.9	3.50	3.80	3.40			
Sovereign ESP Conservative	2.7	3.40	3.40	3.60	4.10	3.80	
Mercer Capital Stable	15.3	2.70	3.60	3.80			
Tower Focus Fixed Income	14.1	2.50	4.40	3.00	4.50	4.60	266
AXA NZ Low Risk	18.4	2.50	3.00	3.60	2.80	4.50	
ASB Funds Management Conservative	7.0	2.50	2.20	3.80	4.90	5.00	
GRT Individual Retirement Plan Stable	3.5	2.00	2.50	3.30	4.80	5.20	
Sovereign SERP Conservative	0.4	1.60					
AMP Capital Stable	40.1	1.50	1.60	2.60	3.80	4.30	229
Jacques Martin Capital Stable	36.9	0.30	1.80	3.20	4.70	4.90	252
Sovereign SERP Colonial Conservative	0.4						
Sovereign SERP Cash	0.6						
All Conservative Funds	332.6	3.30	3.80	3.90	4.60	4.80	
Total Funds	2,657.8	-0.50	0.30	3.00	4.40	5.20	
Cash Benchmark (Net)		3.80	4.10	3.80	4.00	4.30	
CPI		1.80	2.90	2.10	1.70	1.50	

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.

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