

Master Trust Survey Results to 31 March 2002

Investment Returns

The average return by Master Trusts for the last year was -0.5%! Over the 12 months to 31 March growth funds on average lost 2.6%, balanced funds lost 0.50% and conservative funds returned 2.8%. Over 5 years all 3 groups continue to have similar net returns with growth funds returning 5.2%, balanced funds 5.0% and conservative funds not being far behind with 4.7%, slightly ahead of the cash benchmark of 4.2%. So at present the reward for risk is small.

We are surprised that so few members are investing in conservative funds which make up just 13% of the total \$2.7 billion surveyed.

International investments during the quarter were affected by a rise in the New Zealand dollar and slight falls in most of the major international share markets. It will be interesting to see whether the effect of the high New Zealand dollar will continue through to the end of the next quarter. Most managers have some hedging in place for their international equities.

We expect the returns for growth funds to continue to be subdued for some time yet, as major corporates struggle for growth and investors shy away from exposure to high-risk investments.

This survey we welcome AXA's Business Superannuation Master Trust. To date we have been reporting on AXA's Goldline Superannuation which is now only available to employees of existing participating employers. In future we will report on both products.

We have been asked how the surveyed funds are selected. We survey those funds which we are informed are available under an employer master trust. In some cases those funds are also available as retail products, usually at slightly higher fees. The returns we show are for employer schemes. The fund sizes shown are intended to be for employer funds only, however in some cases providers cannot split between retail and wholesale funds so the combined total is shown.

Economic Commentary

In our opinion the US economy is now over the worst of the downturn, although it is still weak and could easily fall back into recession. Much of the first quarter growth has come from companies rebuilding inventories run down at the end of last year and consumer spending. Meanwhile business investment remains weak, technology spending is low, and consumer debt is high.

Concern also remains over company financial reporting after the Enron collapse and this is contributing to unease over the true value of some share prices.

The credit squeeze on corporates has increased the level of corporate failures. The default rate on corporate debt last year was the highest ever. It exceeded that of the great Depression of 1929-33.

Recognising the fragility of the revival, Alan Greenspan has so far decided to keep interest rates constant until the U.S. recovery is more certain and the economy is better able to cope with higher rates.

The IMF is more optimistic than at the beginning of the year and has raised its estimate of worldwide growth for the year to 2%, based on a growth revival occurring first in U.S. then Europe and perhaps the recently industrialised Asian economies. Overall, it sees sensible Government policies and lower than anticipated effects from September 11 as the reasons for a shorter-term downturn. The Japanese Government has still not made any significant progress in reforming their economy. The risk of future terrorist attacks still looks real, and oil supplies could be restricted by political instability in the Middle East.

Dr Brash's resignation to join the National Party list for the election was unexpected but has not caused any significant market reaction. His timing is very interesting.

This year the New Zealand economy has continued to be driven less by the local sharemarket and more by strong consumer spending and the local housing market, which has been strong across much of the country because of higher inwards migration post September 11.

Inflation for the 12 months to 31 March 2002 was 2.6%, just within the Reserve Bank's target range of 0-3%. As a result the Reserve Bank has lifted the Official Cash Rate to 5.25% in order to keep local demand in check, making New Zealand one of only 3 Western countries (along with Sweden and Canada) to raise rates this year. What is wrong with a bit of growth?

Political Commentary

The National Party has been trying to differentiate itself from Labour with the release of the first part of its economic policy, which includes tax cuts as an alternative to Labour's ring-fenced superannuation fund.

Superannuation policy appears to be undeveloped with National apparently hoping that economic growth will somehow be strong enough for future funding to somehow become possible.

The self-destruction of the Alliance may affect the timing of this year's General Election, which Labour may well win again.

Eriksen's Master Trust Survey Results to 31 March 2002

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	14.20	9.80	6.00	5.60	6.00	265
Tower Focus NZ Shares	57.3	7.40	6.00	5.80	5.30	5.80	
Sovereign SERP Colonial Managed Growth	1.4	5.00					265
Sovereign SERP Colonial Dynamic Growth	0.6	4.10					
Tower Focus International Shares	22.3	3.80	-2.90	2.20	1.90	6.80	265
Sovereign ESP Special Values	3.6	3.70	0.20	5.00	4.10	6.20	
Sovereign ESP International Equities	0.9	0.20	-4.10	6.00	5.30	7.30	265
Tower Growth	0.5	-0.10					
GRT Individual Retirement Plan Growth	11.4	-0.40	-3.30	2.00	3.40	6.30	265
Mercer Diversified Growth	25.2	-0.50	-0.40	2.20			
ASB Funds Management Growth	2.1	-1.30	-4.10	2.60	4.20		265
AXA SMT - AXA Centred High Growth	4.1	-1.60	-2.40				
Tower BNZ Dynamic Growth	2.0	-2.50	-2.10	2.00	1.90		265
Mercer Shares	5.6	-2.60	-3.30	1.60			
AXA SMT - Multi-Mgr High Growth	18.8	-2.60	-2.60				265
Sovereign SERP Dynamic Growth	1.4	-2.60					
Jacques Martin Growth Fund	46.5	-4.30	-5.70	1.30	3.50	5.80	254
AMP High Equity	129.9	-4.70	-7.30	-0.40	2.40	5.80	528
WestpacTrust Dynamic	185.5	-5.30	-3.60	0.70	1.90	4.20	265
Tower BT International Shares	1.0	-5.80					
All Growth Funds	520.1	-2.60	-3.40	1.30	2.70	5.20	
Balanced Funds							
Sovereign ESP Balanced Growth	9.6	4.60	2.20	5.40	4.90	6.00	254
Jacques Martin Asset Growth	15.0	3.60	2.60	4.50	5.00		
Tower Balanced	385.3	3.40	3.10	3.90	4.30	6.30	265
AMP ASB Balanced	1.2	1.60					95
AXA NZ Balanced	17.9	1.30	-0.30	1.80	2.20	4.20	265
Tower BT Managed Growth	21.5	1.20	0.80	4.20	4.60	5.70	
Royal & Sun Alliance Managed Fund	80.2	0.90	0.30	2.80	3.80	5.40	173
AMP AJ Balanced	10.3	0.70	-3.10				
AMP ANZ Balanced	55.1	0.60	1.70	2.70	3.70	5.10	395
GRT Individual Retirement Plan Balanced	20.4	0.50	-0.90	2.10	3.50	5.60	352
AMP BT	38.8	0.30	-0.20	3.20	3.70	4.70	
AXA SMT - AXA Centred Balanced	11.3	0.30	-0.20				265
Sovereign SERP Balanced	6.1	0.10					
Tower ANZFM Balanced	2.4						265
Tower AJ SIL Balanced Fund	0.7	-0.10					265
Jacques Martin Balanced	88.8	-0.20	0.50	2.50	4.20	5.20	254
ING SIL Balanced	258.6	-0.50	-2.60	1.20	3.00	5.40	15
Planit Plans Diversified	39.3	-0.60	-2.10	1.10			265
AXA NZ Managed	25.1	-0.70	-0.30	2.60	2.40	4.70	
AXA SMT - Multi-Mgr Balanced	41.7	-0.80	-0.40				265
ASB Funds Management Balanced	4.2	-0.80	-2.00	2.50	4.50	5.80	
Tower BNZ Balanced Growth	2.9	-1.10	-0.10	2.30	2.10		265
AXA NZ Spread Managers	59.1	-1.60	-2.40	2.40	2.10	4.50	632
AMP Balanced	355.5	-2.40	-3.20	0.60	2.50	4.80	
WestpacTrust Balanced	301.3	-4.20	-1.70	1.30	2.50	4.00	632
All Balanced Funds	1,852.1	-0.50	-0.70	2.10	3.20	5.00	

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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	
Conservative Funds							
AMP Capital Assured	59.6	5.00	5.10	4.90	5.00	5.00	240
Royal & Sun Alliance Deposit Fund	24.4	4.30	4.30	4.00	4.10	4.30	
Tower Capital Preservation	25.4	4.20	5.50	6.20	6.50	6.70	265
Sovereign ESP Conservative	2.4	3.90	3.40	3.70	3.70	4.30	
ASB Funds Management Conservative		3.90	1.90	3.20	4.50	5.10	
AXA NZ Capital Protected	18.4	3.80	3.80	3.80	4.00	4.10	
Tower BNZ Conservative	1.1	3.60	3.80	3.00	2.30		265
Jacques Martin Cash Management	8.0	3.50	4.50	4.10	4.00	4.30	254
WestpacTrust Accumulation	43.8	3.40	4.20	3.60	4.00	4.30	
Mercer Cash Plus	2.0	3.40	3.60	3.50			
Sovereign SERP Colonial Conservative	0.5	3.30					
Tower Focus Cash	8.8	3.20	3.60	3.40	3.60	3.80	265
AXA SMT - AXA Centred Low Risk	4.3	2.80	3.70				
Mercer Capital Stable	15.2	2.70	3.20	3.40			
Sovereign ESP Global Fixed Interest	0.3	2.50	4.20	4.00	4.10	5.10	
AXA SMT - AXA Centred Conservative	5.6	2.40	2.80				
AXA SMT - Multi-Mgr Conservative	9.3	1.80	2.50				
Tower Focus Fixed Income	14.1	1.60	3.90	2.90	4.40	4.80	265
GRT Individual Retirement Plan Stable	3.5	1.60	1.80	2.80	4.00	5.30	
AXA NZ Low Risk	18.5	1.40	2.30	3.30	3.50	5.00	
Sovereign SERP Conservative	0.6	0.80					
AMP Capital Stable	39.0	0.20	0.40	1.80	3.10	4.10	231
Sovereign SERP Cash	0.6						
Jacques Martin Capital Stable	36.3	-0.10	0.90	2.80	4.10	4.70	254
All Conservative Funds	341.6	2.80	3.40	3.70	4.30	4.70	
Total Funds	2,713.8	-0.50	-0.70	2.10	3.20	5.00	
Cash Benchmark (Net)		3.60	4.00	3.90	3.90	4.20	
CPI		2.60	2.80	2.40	1.80	1.70	

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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