

## Master Trust Survey Results to 30 June 2002

### Investment Returns

Last quarter was poor for international investment funds due mainly to substantial falls in both U.S. share prices and the U.S. dollar. New Zealand master trust returns reflected this.

The overall 12 month net return to 30 June for all NZ master trusts was -5.7%. Growth funds lost 11.7%, balanced funds lost 5.7% and conservative funds gained 2.1%.

Over a rolling 5-year period the net returns were 2.0%, 3.0% and 4.3% respectively. Compared to an average annual inflation rate of 1.9%, and a net return of 4.1% for cash in the bank, the conservative funds returned only marginally more than bank deposits. Balanced funds were about 1% p.a. behind bank deposits and about 1% above inflation, while growth funds were marginally above the CPI and about 2% p.a. behind bank deposits.

Overall, the total value of the funds surveyed fell by 4.5% during the quarter and 9.5% during the last 12 months, the largest annual drop since we began the survey.

In spite of these results there are no indications that members are moving from growth to less risky investment options. Growth funds still make up about 18% of the total, balanced funds have dropped a little to 67%, while conservative funds have risen to 14%.

The recent demonstration that markets go down as well as up reinforces our belief that active management is a better defensive strategy than passive management.

### Economic Commentary

Since the end of the quarter there has been continued volatility and further falls in international share prices.

We believe that markets have bottomed out from this particular bout of investor lack of confidence and look forward to reporting improved results next time. Standard and Poors did not help the wave of selling by removing Royal Dutch Shell, Unilever and five Canadian companies (including Nortel) from their index earlier in the month.

Capital inflows from foreign investors to the U.S. have declined, putting pressure on the U.S. dollar. The low dollar in turn is putting pressure on the U.S. trade deficit.

President Bush has realised the effect of a continued economic downturn on the Republican Party's chances during the mid-term elections this year, and has roundly condemned those CEOs who inflated their share prices for just long enough to cash in their options. He has however stopped short of a commitment to any significant reform.

The U.S. economy is still sound and the low dollar should bring opportunities for U.S. exporters. The U.S. government is likely to provide what support it can, but may find its opportunities limited.

There will be continued discomfort for those investors with significant exposure to the U.S. markets, especially those reaching the end of their current hedging contracts. Although some investors have been looking elsewhere for growth, opportunities are currently limited. European growth is sluggish and reform in Japan looks as far away as ever.

With the flight from equities and low interest rates, residential property markets are booming all over the world. This could provide the next bubble to burst as interest rates and economic pressures rise.

### Eriksens News

Eriksens have some recent exciting news. We have formed a strategic alliance with Bendzulla Actuarial Pty in Australia, which extends our reach within Australasia and provides us with access to further expertise and other resources.

On a more international level Eriksens are part of a team of experts assisting the Russian Government with its pension reforms. As a consequence Jonathan Eriksen will be spending much of his time over the next 3 to 4 months in Moscow.

In the meantime we are still committed to serving our NZ customers. Contact Ian Gatland (Auckland), David Benison (Wellington) or Graham Osborn (Sydney) if you require assistance.

## Eriksen's Master Trust Survey Results to 30 June 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	
<b>Growth Funds</b>							
Tower Focus NZ Shares	57.2	1.60	4.30	5.40	7.20	3.80	272
Sovereign SERP Sovereign Managed Growth	1.8	-2.10					
Sovereign ESP Australasian Equities	0.2	-3.30	4.20	4.70	6.90	2.90	
Sovereign SERP Sovereign Dynamic Growth	0.7	-7.00					
Sovereign ESP Special Values	0.5	-7.10	-3.20	1.60	2.80	3.40	
Tower Focus International Shares	21.2	-7.10	-6.70	-2.70	-1.10	3.20	267
Mercer Diversified Growth	24.3	-7.40	-4.30	-0.40			
Tower Growth	1.6	-8.30					265
GRT Individual Retirement Plan Growth	11.1	-9.80	-6.60	-1.20	1.80	3.00	
AXA SMT - AXA Centred High Growth	4.1	-10.00	-7.70				
ASB Funds Management Growth	2.1	-10.70	-8.20	-0.80	1.80		
Tower BNZ Dynamic Growth	6.4	-11.00	-6.20	-1.20			265
Sovereign ESP International Equities	0.8	-11.20	-8.10	1.00	2.70	3.90	
Sovereign SERP Dynamic Growth	1.5	-11.30					
AXA SMT - Multi-Manager High Growth	18.7	-12.00	-8.30				
Mercer Shares	5.4	-13.20	-8.90	-2.60			
WestpacTrust Dynamic	161.3	-13.60	-8.60	-2.60		1.30	
Jacques Martin Growth Fund	43.6	-14.60	-10.20	-2.70	0.90	2.20	256
AMP High Equity	118.1	-16.50	-11.50	-4.10	-0.20	1.80	526
Tower BT International Shares	2.0	-16.70					265
<b>All Growth Funds</b>	<b>482.5</b>	<b>-11.70</b>	<b>-7.50</b>	<b>-1.80</b>	<b>1.10</b>	<b>2.00</b>	
<b>Balanced Funds</b>							
Tower Balanced	376.1	-0.90	1.20	2.50	3.10	4.60	310
Royal & Sun Alliance Managed Fund	75.4	-2.80	-1.60	1.70	3.10	3.60	
Sovereign SERP Balanced	6.2	-3.10					
Sovereign ESP Balanced Growth	8.9	-3.50	-0.30	3.00	4.20	3.80	
AMP ANZ Balanced	53.1	-3.70	-0.40	1.10	3.40	3.30	400
Tower ANZFM Balanced	2.7	-3.80					265
ING SIL Balanced	240.4	-3.90	-3.60	0.30	2.40	3.60	15
Jacques Martin Asset Growth	14.7	-4.20	-0.40	2.60	3.90		256
Tower BT Managed Growth	23.1	-4.40	-2.00	2.70	3.80	3.60	265
Tower ING SIL Balanced Fund	1.2	-4.40					265
AMP BT	37.4	-4.50	-2.20	1.90	3.10	3.10	356
AXA SMT - AXA Centred Balanced	12.4	-4.60	-3.50				
AMP ING Balanced	10.3	-4.80	-4.20				194
AXA NZ Balanced	19.5	-4.90	-3.30	-0.10	1.80	2.00	
Jacques Martin Balanced	82.7	-5.40	-2.50	0.70	2.70	3.20	256
GRT Individual Retirement Plan Balanced	20.6	-5.50	-3.30	0.20	2.20	3.20	
AXA NZ Spread Managers	54.7	-6.40	-5.30	0.40	2.10	2.30	
AXA SMT - Multi-Mgr Balanced	42.2	-6.80	-4.10				
ASB Funds Management Balanced	4.5	-8.00	-5.10	0.10	2.80	3.60	
AMP ASB Balanced	1.6	-8.10					110
Tower BNZ Balanced Growth	4.1	-8.20	-3.80	-0.10			265
Planit Plans Diversified	44.0	-8.50	-5.50	-1.60			
AXA NZ Managed	22.8	-9.30	-4.90	-0.50	1.60	1.70	
WestpacTrust Balanced	253.3	-9.70	-5.60	-1.10	0.90	1.90	
AMP Balanced	328.3	-10.20	-5.90	-1.50	0.90	2.10	628
<b>All Balanced Funds</b>	<b>1,740.3</b>	<b>-5.70</b>	<b>-3.10</b>	<b>0.40</b>	<b>2.10</b>	<b>3.00</b>	

## Eriksen's Master Trust Survey Results to 30 June 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	
<b>Conservative Funds</b>							
AMP Capital Assured	61.5	5.00	5.10	5.00	5.00	5.00	256
Sovereign ESP Global Fixed Interest	0.3	4.30	4.60	3.60	4.00	4.30	
Royal & Sun Alliance Deposit Fund	28.2	4.20	4.20	4.00	4.00	4.20	
Tower Focus Fixed Income	13.9	3.90	3.90	3.60	4.00	4.20	271
AXA NZ Capital Protected	18.4	3.80	3.80	3.80	4.00	4.10	
Jacques Martin Cash Management	7.5	3.70	4.60	4.30	3.80	4.30	256
Mercer Cash Plus	2.2	3.50	3.40	3.60			
Tower Capital Preservation	37.8	3.40	4.90	5.70	6.20	6.40	265
WestpacTrust Accumulation	46.6	3.30	3.90	3.60	3.90	4.20	
AXA SMT - AXA Centred Low Risk	6.4	3.30	3.40				
Tower Focus Cash	14.1	3.10	3.50	3.40	3.40	3.70	272
Sovereign SERP Cash	0.8	2.80					
ASB Funds Management Conservative		2.40	1.80	3.00	4.10	4.40	
AXA SMT - AXA Centred Conservative	6.7	1.80	1.90				
Sovereign ESP Conservative	3.4	1.60	2.70	2.70	3.20	3.70	
Mercer Capital Stable	15.4	1.00	1.70	2.90			
Tower BNZ Conservative	1.0	0.40	2.30	2.30			265
Sovereign SERP Sovereign Conservative	0.8	0.30					
AXA SMT - Multi-Manager Conservative	10.1	0.20	1.30				
AXA NZ Low Risk	17.7	-0.40	0.90	2.70	3.60	3.50	
GRT Individual Retirement Plan Stable	3.6	-0.60	0.50	2.10	3.20	3.80	
Sovereign SERP Conservative	0.9	-1.00					
AMP Capital Stable	37.4	-2.50	-0.50	1.30	2.50	3.00	229
Jacques Martin Capital Stable	32.4	-2.80	-0.80	1.60	2.90	3.60	256
<b>All Conservative Funds</b>	<b>367.0</b>	<b>2.10</b>	<b>3.00</b>	<b>3.60</b>	<b>4.10</b>	<b>4.30</b>	
<b>Total Funds</b>	<b>2,589.7</b>	<b>-5.70</b>	<b>-3.00</b>	<b>0.40</b>	<b>2.20</b>	<b>3.00</b>	
<b>Cash Benchmark (Net)</b>		<b>3.60</b>	<b>3.90</b>	<b>3.90</b>	<b>3.80</b>	<b>4.10</b>	
<b>CPI</b>		<b>2.80</b>	<b>3.00</b>	<b>2.70</b>	<b>1.90</b>	<b>1.90</b>	

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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