

Master Trust Survey Results to 30 September 2002

Investment Returns

The quarter to the end of September was another disappointing one for investors. Average 12 month returns for the growth funds surveyed were -9.8%. Balanced funds did little better with -4.4% while conservative funds were in positive territory with 2.4%. While capital assured funds have done well over the last couple of years, some will be starting to exhaust their reserves and will need better future investment results to top them up.

The poor returns over the last quarter are reflected in the total amounts invested in the funds surveyed which have dropped 10.1% over the last year (over 7% of which was in the last quarter). This puts the total value of the funds surveyed back to where it was in early 2000.

Economic Commentary

The economic events of the quarter continued the downward trend seen earlier in the year with all of the major share markets falling, although most made a partial recovery of the quarter's losses during October. Expectations of low global growth rates and poor company results kept international share prices and bond yields down.

It appears that those US companies requiring capital are finding it harder to get. The value of both debt and equity corporate securities being issued is low, with indications that banks have become extremely risk averse. Junk bonds now command high risk premiums, public offerings of shares are almost nonexistent and interest rates on back up credit lines have risen sharply.

Raising capital by means of special purpose entities (in which a parent company sets up the SPE, then sells it receivables to be used as security for its borrowing) has also fallen into disrepute after Enron's shenanigans.

We continue to see the US recovery as fragile and confined to specific industries. Consumer demand has been sustained by house price inflation and low interest deals on motor vehicles, but could easily fall if these stimuli are removed, or unemployment rises.

The continuing fall off in corporate spending is seen quite dramatically in the information technology sector which only three years ago was booming from the Y2K frenzy and the dotcom bubble. In the late 1990s the knowledge economy was where the action was and computing qualifications were a high paid meal ticket for the future. Now computer and software suppliers are

struggling to find sales and contractors are out of work. Once again we remind our readers that these are unpredictable times, and to stay flexible

The threat of instability from terrorist attacks and civil unrest now hangs over much of the world, including the South Pacific. Some economic uncertainty can now be expected in regions which have hitherto been unexposed to this threat. The recent US sniper attacks also illustrate how one or two individuals can create an unforeseen threat which disrupts the social and economic fabric of a large community.

Europe struggles with inflexible labour laws and other restrictions which make structural reforms difficult. The stability and growth pact restrains France and Germany from providing the fiscal stimulus they need for growth, while the European Central Bank prefers preset inflation targets to increased monetary stimulus.

Our expectations for this quarter continue to be cautious in spite of the gains seen earlier in October. A strong international recovery would be welcomed by all, however we see it as unlikely.

The Russian Job

As many of you will know Jonathan Eriksen, our Managing director and Principal Consultant, is currently working in Russia as a member of a project team assisting the Russian Government in developing its public pensions policy. A key point is that part of the state pension will be funded in individual accounts. For those who are interested, the project working group's draft papers are published on their website at: www.tacis-medt.ru.

We understand from Jonathan that the work is demanding but rewarding. With Winter starting to draw in (the first snow fell in Moscow on 1 October) we know that he is looking forward to the New Zealand summer on his return in December.

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Eriksens Master Trust Survey Results to 30 September 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							
Tower Focus NZ Shares	46.5	6.60	3.10	5.50	8.30	2.80	277
Sovereign SERP Sovereign Managed Growth	2.0	-3.70					
Sovereign ESP Australasian Equities	0.2	-4.10	-0.20	3.80	7.00	1.40	
Mercer Diversified Growth	6.4	-5.30	-7.30	-1.60			
Sovereign SERP Sovereign Dynamic Growth	1.3	-6.70					
Tower BNZ Dynamic Growth	3.6	-7.50	-9.30	-2.30			271
Sovereign ESP Special Values	2.8	-7.70	-8.40	0.10	2.00	1.40	
Tower Growth	1.9	-7.80	-9.80				271
GRT Individual Retirement Plan Growth	10.7	-8.10	-10.90	-3.20	1.40	1.10	
Tower Focus International Shares	19.0	-8.30	-13.00	-5.30	-0.90	0.10	273
AXA SMT - AXA Centred High Growth	4.3	-9.00	-12.40				
AXA SMT - Multi-Mgr High Growth	19.2	-9.70	-12.80				
Sovereign SERP Dynamic Growth	0.9	-9.80					
ASB Funds Management Growth	2.4	-10.30	-12.40	-3.20	1.10		
Mercer Shares	6.1	-10.50	-13.50	-5.10			
Jacques Martin Growth Fund	40.3	-10.70	-14.20	-4.40	0.70	0.60	252
Sovereign ESP International Equities	0.8	-11.40	-15.40	-1.70	1.90	1.90	
WestpacTrust Dynamic	140.5	-12.10	-12.90	-5.00	-1.70	-0.90	
AMP High Equity	109.7	-13.90	-17.90	-6.80	-0.40	-0.80	512
Tower BT International Shares	9.0	-16.30					265
All Growth Funds	427.6	-9.80	-12.30	-4.00	0.40	-0.10	
Balanced Funds							
AXA NZ Balanced	15.4	0.80	-6.30	-1.60	0.80	0.20	
Royal & Sun Alliance Managed Fund	72.0	-0.30	-3.30	0.90	3.00	2.60	19
Tower Balanced	350.6	-0.60	-1.10	1.90	3.00	3.50	312
Sovereign SERP Balanced	6.4	-1.70					
AXA NZ Spread Managers	45.8	-1.70	-7.60	-0.50	1.20	0.50	
Tower ANZFM Balanced	2.2	-2.50					271
AMP ANZ Balanced	49.7	-2.60	-4.40	-0.20	2.20	1.90	402
AMP BT	36.4	-2.90	-5.10	0.60	2.40	1.90	360
Tower ING SIL Balanced Fund	1.2	-2.90					271
AMP ING Balanced	10.1	-3.10	-6.40				206
ING SIL Balanced	212.2	-3.40	-6.70	-1.30	1.40	2.10	14
Tower BT Managed Growth	22.7	-3.80	-4.70	1.40	3.20	2.40	271
GRT Individual Retirement Plan Balanced	20.3	-4.30	-6.20	-1.10	1.70	2.00	
Jacques Martin Asset Growth	13.7	-4.50	-3.90	1.20	2.70		252
AXA SMT - AXA Centred Balanced	14.1	-4.50	-6.40				
Sovereign ESP Balanced Growth	8.5	-5.00	-4.00	2.20	3.50	2.80	
Jacques Martin Balanced	76.0	-5.20	-4.80	-0.10	2.10	2.30	252
AXA SMT - Multi-Mgr Balanced	47.6	-5.30	-6.80				
Tower BNZ Balanced Growth	4.3	-5.60	-5.90	-0.80			271
AMP ASB Balanced	1.7	-6.20	-9.70				116
Planit Plans Diversified	42.0	-6.40	-9.50	-3.10	1.30		58
ASB Funds Management Balanced	4.5	-6.70	-8.10	-1.70	1.90	2.00	
AMP Balanced	305.5	-8.10	-10.10	-2.90	0.50	0.60	621
WestpacTrust Balanced	217.4	-8.20	-8.80	-2.80	-0.20	0.30	
AXA NZ Managed	19.9	-9.50	-9.20	-2.80	0.30	-0.70	
All Balanced Funds	1,599.9	-4.40	-6.10	-0.80	1.60	1.70	

Eriksens Master Trust Survey Results to 30 September 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	
Conservative Funds							
AMP Capital Assured	70.7	4.90	5.20	5.00	4.90	5.00	275
Jacques Martin Cash Management	7.6	4.40	4.80	4.70	3.90	4.30	252
Royal & Sun Alliance Deposit Fund	27.4	4.20	4.20	4.10	4.00	4.20	19
Tower Focus Fixed Income	14.1	3.90	4.40	4.30	3.60	4.30	277
AXA NZ Capital Protected	16.5	3.90	3.80	3.80	3.90	4.10	
Tower BNZ Conservative	1.9	3.30	2.60	2.70			271
Mercer Cash Plus	2.9	3.20	4.00	3.70			
AXA SMT - AXA Centred Low Risk	8.8	3.10	3.20				
Tower Focus Cash	8.3	3.10	3.40	3.50	3.30	3.70	279
WestpacTrust Accumulation	47.5	3.00	3.90	3.70	3.70	4.30	
Sovereign SERP Cash	0.5	2.90					
Tower Capital Preservation	40.5	2.50	4.20	5.30	5.90	6.20	271
Mercer Capital Stable	26.5	2.00	1.10	2.90			
AXA SMT - AXA Centred Conservative	7.7	1.40	1.20				
AXA SMT - Multi-Mgr Conservative	11.3	0.80	0.90				
Sovereign SERP Sovereign Conservative	0.9	0.80					
AXA NZ Low Risk	15.1	0.50	-0.60	2.20	3.30	2.50	
Sovereign ESP Conservative	2.8	0.30	1.50	2.60	3.00	3.20	
Sovereign ESP Global Fixed Interest	0.2	0.30	5.20	4.40	3.80	4.90	
GRT Individual Retirement Plan Stable	3.9	-0.10	-0.80	1.80	2.70	3.40	
Sovereign SERP Conservative	0.9	-0.30					
AMP Capital Stable	29.4	-1.60	-2.80	0.60	2.10	2.20	227
Jacques Martin Capital Stable	29.7	-1.70	-1.80	1.50	2.60	3.20	252
ASB Funds Management Conservative		-2.70	-0.10	2.00	3.20	3.50	
All Conservative Funds	374.9	2.40	2.60	3.60	4.00	4.30	
Total Funds	2,402.4	-4.30	-5.80	-0.70	1.70	1.80	
Cash Benchmark (Net)		3.60	3.90	4.00	3.70	4.10	
CPI		2.60	2.50	2.70	1.90	1.90	

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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