

## Master Trust Survey Results to 31 December 2002

### Investment Returns

Results for the quarter to the end of December continued the downward trend for the year. Average 12 month returns for the growth funds were -15.0%, balanced funds averaged -8.6% and conservative funds returned 1.7%. Over all fund types the total loss was -8.7% compared with the average losses of around 15% quoted for overseas pension funds.

The total amount invested in the funds surveyed fell by less than 1% in contrast to the sharp fall of the previous quarter. Over the full year the overall funds under management dropped by 13%.

We note with some interest that the proportion of conservative funds has risen from about 11% a year ago to 16% in this survey. This gain has been mainly at the expense of balanced funds. Growth funds have stayed largely constant at around 18% - 20%. This suggests that either growth investors are undeterred by their losses and intend to maintain their investment strategy, or that they are unwilling to take their losses and move to a less aggressive strategy at this time. Some growth investors seem to be dollar averaging.

### Economic Commentary

2002 was a year most investors will want to forget. Pension funds internationally fell by substantial amounts (due mostly to further falls in global share prices), there were major corporate accounting scandals in the U.S., economic growth was lacklustre in the major economies and the U.S. dollar fell against other major currencies.

New Zealand's economy was relatively buoyant, although falling commodity prices and a high dollar are expected to depress export incomes in 2003.

While President Bush has attempted to stimulate the U.S. economy, the prospect of war in Iraq has raised fears of sharply increased oil prices, retaliatory terrorist strikes, an increased U.S. budget deficit and falls in consumer confidence.

With the fiscal stimulation of tax cuts, residential housing prices in many centres are rising. The inflationary effects of the pump priming are reflected in gold and oil prices but masked by other deflationary pressures.

Looking forward into 2003, the big question for investors is which asset classes are likely to perform well over the medium term, especially as risk taking is now out of fashion.

Low interest rates have generated fresh interest in both commercial and residential property. Share returns are still low and bonds are starting to look expensive.

Infrastructure, property, private equity and other alternative asset classes are receiving attention. Hedge funds have had mixed performances but are still receiving substantial capital inflows. Some have lived up to their promises of good returns with reduced volatility while others have not. Overall the number of hedge funds has fallen as managers have found that the generous performance based fees resulting from rising markets vanish once returns turn negative.

Diversification is the key. We believe fund of fund hedge funds can provide some valuable alternative investments.

Once again we remind investors to take a longer-term strategic view, to be wary of short-term investment trends and to remember the basics. Rapid communications mean that fashionable new ideas can be hyped up very persuasively by vendors and the news media today and yet be discredited and gone tomorrow.

### Eriksens News

Jonathan Eriksen has completed his project for the Russian government and is now back working full-time for our Australasian clients.

The project gave Jonathan an opportunity to study recent superannuation policy developments in other countries, especially those which are working to pre-fund their state pension schemes in a similar manner to New Zealand. He believes that pre-funding is the way for New Zealand to go. It also provides a pool of capital which can be partly invested in the New Zealand economy and local infrastructure.

The difficulty Jonathan sees with pre-funded schemes is that they can discourage private saving if people think that the state pension will meet all of their retirement needs. For this reason Jonathan favours the introduction of a compulsory occupational scheme funded by both employers and employees.

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## Eriksens Master Trust Survey Results to 31 December 2002

Fund Name	Fund size \$ million	Annual Returns (Net of Tax & Expenses)					No. of Employers
		1 Year	2 Years	3 Years	4 Years	5 Years	
<b>Growth Funds</b>							
Tower Focus NZ Shares	48.9	-0.50	4.90	2.50	5.20	3.90	271
Sovereign SERP Sovereign Managed Growth	2.2	-8.10					
Sovereign ESP Australasian Equities	0.2	-9.00	3.10	1.90	3.90	3.30	
Sovereign ESP Special Values	2.7	-11.30	-5.90	-3.10	0.90	2.10	
Mercer Diversified Growth	61.8	-11.50	-6.60	-3.90	-0.70		
GRT Individual Retirement Plan Growth	10.7	-13.70	-7.50	-5.80	-1.10	1.30	
Sovereign SERP Sovereign Dynamic Growth	1.4	-13.90					
Tower BNZ Dynamic Growth	3.7	-13.90	-7.10	-5.50	-1.40		271
Sovereign SERP Dynamic Growth	0.9	-14.30	-8.30				
Tower Growth	1.9	-15.50	-7.50				271
ASB Funds Management Growth	2.6	-16.10	-10.20	-7.00	-1.20		
Sovereign ESP International Equities	0.9	-16.90	-11.70	-7.10	0.20	2.60	
Tower Focus International Shares	16.8	-17.00	-12.20	-8.00	-3.00		271
WestpacTrust Dynamic	137.7	-17.10	-12.20	-7.50	-3.40	-0.90	91
Jacques Martin Growth Fund	37.4	-17.60	-11.30	-8.90	-2.60	0.20	
AXA SMT - AXA Centred High Growth	4.7	-18.30	-9.70				
AXA SMT - Multi-Mgr High Growth	20.9	-18.40	-10.10				
AMP High Equity	106.8	-18.90	-11.50	-9.80	-3.90	-0.30	514
Mercer Shares	6.4	-19.30	-12.00	-8.40	-3.10		
Tower BT International Shares	2.1	-21.90	-16.90				271
<b>All Growth Funds</b>	<b>470.5</b>	<b>-15.00</b>	<b>-9.10</b>	<b>-6.50</b>	<b>-2.00</b>	<b>0.20</b>	
<b>Balanced Funds</b>							
Sovereign SERP Balanced	6.7	-4.00	-1.40				
Royal & Sun Alliance Managed Fund	70.8	-4.30	-1.70	-0.80	1.40	3.00	
Tower Balanced	343.4	-4.70	-1.00	0.50	1.90	3.30	271
Tower ING SIL Balanced Fund	1.2	-6.30	-4.00				271
Tower ANZFM Balanced	2.9	-6.50					271
AMP ING Balanced	10.4	-6.60	-4.30				210
Sovereign ESP Balanced Growth	8.0	-6.70	-2.20	-0.40	2.60	3.30	
ING SIL Balanced	198.3	-6.70	-4.50	-3.30	0.20	2.20	14
AMP ANZ Balanced	49.1	-7.40	-3.50	-1.50	0.40	1.90	405
AMP BT	37.5	-7.70	-3.50	-1.70	0.80	2.30	359
Jacques Martin Asset Growth	14.4	-7.80	-2.70	0.10	1.80		
GRT Individual Retirement Plan Balanced	20.6	-8.00	-3.90	-2.50	0.20	2.20	
Tower BT Managed Growth	22.7	-8.00	-3.60	-1.30	1.60	2.80	271
AXA NZ Balanced	11.6	-8.20	-4.30	-2.90	-0.80	-0.50	
Jacques Martin Balanced	70.7	-8.80	-4.50	-2.30		2.00	
AXA NZ Spread Managers	35.1	-9.30	-5.40	-3.20	-0.40	-0.20	
Tower BNZ Balanced Growth	4.3	-10.40	-4.70	-3.00	-0.30		271
AMP ASB Balanced	1.9	-10.70	-6.00				128
AXA SMT - AXA Centred Balanced	1.9	-11.30	-5.10				
AXA SMT - Multi-Mgr Balanced	55.9	-11.40	-5.50				
ASB Funds Management Balanced	5.3	-11.40	-6.60	-4.40	0.10	2.10	
AMP Balanced	286.4	-12.00	-6.20	-5.00	-1.60	0.80	610
WestpacTrust Balanced	215.7	-12.30	-8.50	-4.50	-1.70	0.30	91
Planit Plans Diversified	39.5	-13.30	-6.80	-4.90	-0.70		58
AXA NZ Managed	16.9	-15.80	-7.40	-4.80	-1.80	-1.30	
<b>All Balanced Funds</b>	<b>1,531.1</b>	<b>-8.60</b>	<b>-4.50</b>	<b>-2.60</b>		<b>1.80</b>	

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Fund Name	Fund size \$ million	Annual Returns (Net of Tax & Expenses)					No. of Employers
		1 Year	2 Years	3 Years	4 Years	5 Years	
<b>Conservative Funds</b>							
Sovereign ESP Global Fixed Interest	0.2	5.80	4.80	5.20	3.90	4.80	
Jacques Martin Cash Management	9.5	5.10	4.60	4.80	4.10	4.30	
AMP Capital Assured	80.1	4.80	5.00	5.00	4.90	5.00	296
Tower Focus Fixed Income	14.7	4.80	3.70	4.50	3.40	4.50	271
Royal & Sun Alliance Deposit Fund	25.3	4.40	4.30	4.30	4.00	4.20	
Mercer Cash Plus	4.3	3.40	3.40	3.70	3.40		
Tower Focus Cash	17.0	3.20	3.30	3.50	3.30	3.60	271
AXA NZ Capital Protected	14.7	3.10	3.50	3.60	3.70	3.90	
Sovereign SERP Cash	1.0	2.90					
WestpacTrust Accumulation	32.9	2.90	3.50	3.90	3.60	4.20	91
Tower Capital Preservation	40.3	2.50	3.80	4.90	5.50	5.90	271
AXA SMT - AXA Centred Low Risk	13.4	2.00	2.80				
Sovereign ESP Conservative	2.8	0.70	2.00	2.50	2.90	3.50	
Mercer Capital Stable	26.4	-0.80	0.90	2.10	2.60		
Sovereign SERP Sovereign Conservative	1.1	-0.90					
Sovereign SERP Conservative	0.9	-1.20	0.20				
AXA SMT - AXA Centred Conservative	8.9	-1.40	0.90				
GRT Individual Retirement Plan Stable	4.6	-1.50	0.30	1.20	2.10	3.50	
AXA SMT - Multi-Mgr Conservative	11.9	-1.50	0.70				
AXA NZ Low Risk	11.7	-2.70	-0.10	1.10	2.00	1.70	
Jacques Martin Capital Stable	28.1	-2.90	-1.30	0.20	1.60	3.10	
Tower BNZ Conservative	1.4	-3.40	-0.90	0.60	0.70		271
ASB Funds Management Conservative	0.2	-3.50	0.20	0.80	2.30	3.50	
AMP Capital Stable	34.2	-3.70	-1.10	-0.20	1.00	2.30	231
<b>All Conservative Funds</b>	<b>385.4</b>	<b>1.70</b>	<b>2.60</b>	<b>3.30</b>	<b>3.60</b>	<b>4.20</b>	
<b>Total Funds</b>	<b>2,387.0</b>	<b>-8.20</b>	<b>-4.30</b>	<b>-2.40</b>	<b>0.20</b>	<b>1.80</b>	
<b>Cash Benchmark (Net)</b>		<b>3.80</b>	<b>3.80</b>	<b>4.00</b>	<b>3.80</b>	<b>4.00</b>	
<b>CPI</b>		<b>2.70</b>	<b>2.30</b>	<b>2.80</b>	<b>2.30</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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