

Master Trust Survey Results to 31 March 2004

Investment Returns

The first quarter of 2004 continued the excellent returns from last year. Average 12-month conservative fund returns were 4.7%; balanced funds returned 13.5% and growth funds 18.5%. The overall 12-month return was 12.9% and represents a very pleasing 11.3% real rate of return. One reason for the rise in the rolling 12-month returns has been not only that the most recent quarters have had good returns, but also that poorer returns were being dropped off at the other end. Now that we have had a full year of good returns, we wonder whether they will stabilise.

The total value for funds surveyed again rose by 5% for the quarter to continue a trend which has seen a rise of more than 22% in the last year.

The proportion of funds invested in each risk category has reversed recent trends with the proportion in balanced funds (60.7%) rising at the expense of both conservative funds (18.8%) and growth funds (20.5%).

Economic Commentary

With such issues as the high price of oil and other raw materials, the increasing threat of terrorist attacks in the West, the threat of Chinese inflation and the high U.S. dollar, one might imagine the world economic scene to be distinctly gloomy. However it is not as bad as it seems.

Internationally, the IMF now expects growth this year to be the highest for four years and the U.S. dollar is starting to recover. Alan Greenspan is laying the groundwork for an interest rate rise (perhaps as early as August) and some pundits are suggesting that short-term U.S. rates will have risen to 3.5% by the end of 2005. Nevertheless some questions have been asked about the true strength of the U.S. recovery, especially in view of the weaker than expected job market. One recent study has suggested that annualised U.S. economic growth in the 2 years to the end of 2003 has only been 2.8%, 0.8% less than the accepted figure. At issue is the method of calculation, since different methods are now giving less consistent results than in the past. One possibility is that the official statistics count as U.S. productivity, value actually added by foreign outsourcers.

The U.K. has generally been performing well, although slightly below expectations during the last quarter. Since excessive inflation is still a concern,

interest rates are expected to rise again, perhaps to 4.5% next month. Of special concern is the U.K. housing market, which the IMF has warned could become overheated.

The Japanese economy continues to strengthen with increasing export volumes offsetting the Yen's rise against the U.S. dollar over the last year, due largely to increased spending in the U.S. and China. At home too Japanese consumers are starting to spend. Seasonally adjusted retail spending was up by 1.7% in February.

Chinese economic overheating may stimulate global inflation as domestic demand increases and the price of Chinese goods internationally rises. A partial revaluation of the Yuan may provide relief, however there is some doubt as to whether the Chinese banking system would be robust enough to cope.

As the Chinese demand for raw materials put pressure on international supplies there have been some intriguing consequences. Various English cities are reporting thefts of manhole covers for scrap metal value, an Antarctic scientific drilling project has been postponed due to a lack of suitable equipment (it is all being used for mineral exploration in China), and abandoned car bodies in N.Z. suddenly have an economic value.

Master Trust News

We understand that the new State Services master trust implementation to be on track, with the selected providers being AMP, ASB, AXA and GRT. In Chile the initial list of preferred providers thinned fairly quickly. We wonder if the same thing will happen here.

AMP is to withdraw their ANZ Balanced Fund in May and in its place introduce 'Lifesteps', an investment option in which the risk profile is automatically adjusted according to each member's age group.

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Eriksens Master Trust Survey Results to 31 March 2004

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 International Shares	23.8	25.10	-0.80	0.70	-1.90	1.00	297
AXA SMT Multi-Mgr NZ & Aust Equities	7.9	24.50	8.60	9.00	7.90		
Tower Focus NZ Shares	55.7	23.40	10.00	9.10	8.00	7.50	302
AMP High Equity	128.4	21.20	-1.20	-2.40	-4.30	-0.70	526
Tower BT International Shares	3.6	21.00	-5.70	-5.70			291
Sovereign ESP Australasian Equities	0.3	20.80	5.20	8.10	7.50	5.70	
ASB Funds Management Growth	4.5	18.90	-0.60	-0.80	-2.40	1.30	
Mercer Shares	10.1	18.70	-3.20	-2.90	-3.10	-0.20	
Tower Growth	3.0	18.60	-0.80	-0.60			291
GRT Individual Retirement Plan Growth	15.0	18.20	0.20		-1.60	1.30	
WestpacTrust Dynamic	136.7	17.40	-3.20	-3.90	-3.40	-0.90	60
Jacques Martin Growth Fund	43.3	16.70	-1.90	-2.70	-3.80		249
AXA SMT Multi-Mgr High Growth	30.0	16.20	-3.10	-2.90	-2.90		
AXA SMT AXA Centred High Growth	6.8	15.20	-3.40	-2.80	-2.90		
Mercer Growth	64.1	13.80	-0.20	-0.20	-0.20	1.40	
Sovereign ESP Special Values	3.0	12.30	-2.00	-0.10	-0.90	2.20	
Sovereign ESP International Equities	1.0	12.10	-6.50	-4.30	-5.30	0.80	
Sovereign SERP Sovereign Dynamic Growth	1.4	12.00	-3.10	-0.80			
AXA SMT Multi-Mgr Intl Equities	12.5	11.30	-8.90	-8.40	-8.20		
Sovereign SERP Sovereign Managed Growth	3.0	10.40		1.60			
Sovereign SERP Dynamic Growth	1.9	10.20	-3.00	-2.90			
Tower BNZ Dynamic Growth	5.5	7.80	-3.90	-3.40	-3.00	-0.40	291
All Growth Funds	561.5	18.50	-0.70	-1.20	-1.90	0.70	
Balanced Funds							
Tower BT Managed Growth	27.5	19.80	3.60	2.80	2.20	4.00	291
Tower ING SIL Balanced Fund	1.9	17.20	3.40	2.20			291
MCA/Superlife Aim60	56.2	17.00	-0.40	-0.40	-1.20	0.50	71
ING SIL Balanced	206.4	16.70	2.90	1.80	0.10	1.90	12
AMP ANZ Balanced	58.3	16.30	2.60	2.00	2.20	2.70	407
Mercer Active Balanced	5.2	16.00	2.40	1.80	1.60	2.70	
WestpacTrust Balanced	183.0	15.80	-0.50	-1.80	-1.10	0.60	60
AMP ING Balanced	17.7	14.70	2.60	1.90	-0.30		259
Asteron Managed Fund	75.1	14.00	4.20	3.10	2.20	3.30	
AMP ASB Balanced	3.5	13.50	-0.10	0.50			181
Tower ANZFM Balanced	3.8	13.50	2.30				291
GRT Individual Retirement Plan Balanced	26.6	13.40	1.70	1.30	0.40	1.90	
AMP Balanced	296.3	13.30	0.10	-0.80	-1.60	0.40	590
Asteron Managed Fund	74.0	12.50	3.50	2.60	1.90	3.10	
AMP BT	41.7	12.00	0.90	0.70	0.40	2.30	370
Jacques Martin Balanced	72.6	11.90	1.10	0.70	0.80	1.90	249
Tower Balanced	352.0	11.60	2.30	2.70	2.70	3.30	333
AXA SMT Multi-Mgr Balanced	91.3	11.30	-0.80	-0.80	-0.60		
Jacques Martin Asset Growth	13.3	10.90	0.40	1.40	1.50	2.80	249
Sovereign ESP Balanced Growth	8.0	10.80	0.50	1.90	1.40	3.40	
AMP Tower Balanced	81.1	10.50	1.60	2.00	2.10	2.70	19
AXA SMT AXA Centred Balanced	29.6	10.40	-1.10	-0.70	-0.70		
Tower BNZ Balanced Growth	5.4	8.10	-1.50	-1.30	-0.80	0.80	291
Sovereign SERP Balanced	9.3	6.10	1.30	0.90			
All Balanced Funds	1,665.6	13.50	1.30	0.90	0.50	1.90	

Eriksen's Master Trust Survey Results to 31 March 2004

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							
AXA SMT Multi-Mgr NZ Listed Intl Property	2.9	18.10	10.80	9.50	8.90		
ASB Funds Management Balanced	8.9	15.00	0.80	0.20	-0.60	1.80	
ASB Funds Management Conservative	0.8	11.20	3.20	4.00	2.90	3.50	
GRT Individual Retirement Plan Stable	7.3	8.50	3.40	2.80	2.60	3.00	
AMP Capital Stable	41.2	8.30	2.40	1.70	1.40	2.10	240
Mercer Conservative	30.5	7.70	3.50	3.40	3.60	3.70	
Asteron Deposit Fund	19.3	6.80	5.70	5.20	5.00	4.70	
Sovereign ESP Conservative	1.5	6.40	3.20	3.50	3.30	3.50	
Jacques Martin Capital Stable	28.2	6.30	2.20	1.40	1.60	2.60	249
AXA SMT Multi-Mgr Conservative	17.3	5.90	2.40	2.20	2.50		
Sovereign SERP Sovereign Conservative	1.5	5.40	2.20	2.60			
AXA SMT AXA Centred Conservative	13.2	5.30	2.10	2.20	2.40		
Sovereign SERP Conservative	0.9	4.30	1.80	1.40			
Asteron Deposit Fund	19.0	4.30	4.50	4.40	4.40	4.20	
AXA SMT AXA Centred Low Risk	21.4	4.20	3.30	3.10	3.50		
AXA SMT Multi-Mgr Intl Fixed Interest	2.5	4.20	4.80	4.10	4.60		
Sovereign ESP Global Fixed Interest	0.3	4.00	5.40	4.40	4.80	4.60	
AXA SMT Multi-Mgr NZ Fixed Interest	9.9	4.00	5.00	4.10	4.80		
Tower Focus Fixed Income	23.3	3.60	4.60	3.60	4.20	3.50	301
AMP Capital Assured	105.6	3.60	4.10	4.40	4.60	4.60	345
AXA SMT Cash	25.1	3.40	3.70	3.70	3.80		
WestpacTrust Accumulation	45.6	3.30	3.30	3.40	3.80	3.50	60
Tower Focus Cash	32.3	3.20	3.30	3.20	3.40	3.40	305
Tower BNZ Conservative	4.5	3.20	1.00	0.70	1.50	1.50	291
Sovereign SERP Cash	1.8	2.90	3.00				
Mercer Cash	11.0	2.70	3.20	3.40	3.60	3.70	
Tower Capital Preservation	41.7	2.50	2.50	3.10	4.00	4.70	291
Jacques Martin Cash Management	15.6	1.90	4.60	4.20	4.50	4.30	249
All Conservative Funds	513.9	4.80	3.40	3.30	3.50	3.70	
Total Funds	2,741.0	12.90	1.30	0.90	0.60	2.00	
Cash Benchmark (Net)		3.60	3.70	3.70	3.90	3.80	
CPI		1.60	2.00	2.20	2.40	2.20	

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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