

## Master Trust Survey Results to 30 June 2004

### Investment Returns

The results for the June 2004 quarter were lower than recent quarters, suggesting that returns are flattening out after the good results of the last year. Inflation has also increased. The net real rate of return has fallen back to more realistic long-term levels. This is considerably above the cash rate.

Compared to the last survey (in brackets) average 12-month conservative fund returns were 3.4% (4.7%); balanced funds returned 9.1% (13.5%) and growth funds 11.9% (18.5%). The 12-month return was 8.6% (12.9%) giving an overall 6.2% (11.3%) real rate of return. This was partly the result of 0.8% inflation over the quarter which in turn increased the 12-month rate from 1.6% last quarter to 2.4% this time.

The total value of funds surveyed rose marginally. The split between fund types remained largely unchanged over the quarter as well. This is a change from recent quarters which have seen funds surveyed steadily increasing by more than 15% in the preceding nine months.

This survey includes AMP's five new Lifestep funds for the first time (the historical returns shown are based on returns from the underlying funds). At the same time, we have removed the AMP ANZ balanced fund which has now been discontinued.

### Economic Commentary

Interest rates in N.Z., the U.S., Australia and the U.K. have started to creep up again as governments outside Europe become more concerned about inflation.

Western European economies are still sluggish with no real sign of an upturn emerging. France and Germany are now confronting the possibility that workers may have to make significant sacrifices if their industries are to be competitive against Asian and East European competition. An early casualty appears to be the short working week. Siemens, for example, recently obtained union agreement to increase its working week from about 35 hours to around 40 hours at two plants with no increase in pay.

While the developed economies are coping with high oil prices reasonably well so far, this might not be the case if prices rise further or remain at this level into the Northern hemisphere winter. On the supply side, a number of major oil producers seem increasingly vulnerable to disruption. The Russian Government is playing hard with Yukos, Saudi

supplies could be affected by terrorism or internal unrest, and Iraq's supply is still subject to terrorist disruption.

Japan's economic recovery is continuing with expectations that it will be sustained by domestic consumers – after an initial kick-start from Chinese import demand and the U.S. revival.

### Superannuation News

The new State Sector superannuation scheme commenced on July 1, with those employees who joined by the deadline having their employer contributions backdated to April. We understand that over 44% of those eligible have joined – which is a great start. We congratulate the state sector organisations involved as well as AMP, ASB and AXA on their efforts to date.

We welcome the appointment of the Finance Minister's taskforce on superannuation and hope it signals that the Government's attention is now moving to private sector employer schemes. For our own part, we consider the State Sector scheme to be an excellent model for private sector employers and hope that the taskforce considers this option.

In another move, former head of BT New Zealand, Craig Stobo, is to report to Dr. Cullen on options for taxing investment income. Conceptually the risk free rate of return has great appeal.

Several law changes affecting superannuation schemes came into effect in April 2004. These include a relaxation of the requirement for many employer schemes to have a prospectus, and related changes to investment statements and annual reports. Following the discovery of various technical shortcomings in the changes to the Securities Act, an Exemption Notice was issued in July as an alternative means of exempting eligible superannuation schemes from the Prospectus requirement. Whew!

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## Eriksen's Master Trust Survey Results to 30 June 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	
<b>Growth Funds</b>							
AMP High Equity	132.5	15.90	5.40	-2.50	-3.40	-0.40	526
AMP Lifesteps Establishment	0.1	15.70	5.20	-2.60	-3.70	-0.60	10
Tower Focus International Shares	24.1	15.50	3.90	0.10	-1.60	-0.10	299
AXA SMT Multi-Mgr NZ & Aust Equities	8.4	15.40	9.90	8.30	7.60		
Tower Focus NZ Shares	57.1	14.80	11.80	8.30	8.00	7.90	304
Sovereign ESP Australasian Equities	0.3	14.40	9.20	4.90	6.70	6.50	
AMP Lifesteps Growth	0.3	13.60	4.90	-1.80	-2.70	-0.10	13
Mercer Shares	10.5	13.10	3.80	-2.10	-2.60	0.10	
ASB Group Investments Growth	4.7	13.10	5.10	-0.50	-1.80	1.50	
Tower Growth	3.3	12.70	4.10	-0.20			293
Tower BT International Shares	3.6	11.50	-0.60	-6.30			293
GRT Individual Retirement Plan Growth	15.9	11.40	4.60	-0.40	-1.10	1.10	
AXA SMT Multi-Mgr High Growth	31.8	11.20	2.60	-2.50	-3.00		
AXA SMT AXA Centred High Growth	7.2	10.30	1.60	-2.50	-3.20		
Jacques Martin Growth Fund	44.2	9.90	3.20	-3.10	-3.70	-0.40	245
Mercer Growth	66.5	9.20	3.90	0.10	-0.10	1.50	
WestpacTrust Dynamic	135.9	9.20	2.10	-3.50	-3.40	-0.80	60
Sovereign SERP Dynamic Growth	2.1	7.80	2.20	-2.50			
AXA SMT Multi-Mgr Intl Equities	13.0	7.80	-1.80	-8.00	-8.40		
Sovereign SERP Sovereign Dynamic Growth	1.8	7.70	1.00	-1.70			
Tower BNZ Dynamic Growth	5.9	7.00	1.00	-3.20	-2.70	-0.30	293
Sovereign ESP Special Values	1.3	6.90	1.70	-1.30	-0.80	1.70	
Sovereign SERP Sovereign Managed Growth	3.2	6.70	2.60	1.00			
Sovereign ESP International Equities	1.0	5.90	-1.60	-4.90	-4.90		
<b>All Growth Funds</b>	<b>574.8</b>	<b>11.90</b>	<b>4.30</b>	<b>-1.20</b>	<b>-1.60</b>	<b>0.80</b>	
<b>Balanced Funds</b>							
Tower BT Managed Growth	27.2	13.00	5.90	2.40	1.90	4.00	293
Tower ING SIL Balanced Fund	2.1	12.90	6.50	3.10			293
AMP ING Balanced	46.1	12.60	5.80	2.10	0.60		444
AXA SMT Multi-Mgr NZ Listed Intl Property	3.1	12.50	10.50	8.90	8.70		
ING SIL Balanced	237.7	12.40	6.00	2.60	1.10	2.60	12
AMP Lifesteps Progression	0.2	11.80	4.60	-0.90	-1.60	0.50	90
Mercer Active Balanced	13.2	11.00	5.90	2.10	1.60	2.80	
ASB Group Investments Balanced	10.2	10.10	4.70	0.30	-0.30	1.90	
AMP Balanced	297.6	9.90	3.90	-1.00	-1.10	0.60	585
AMP Lifesteps Consolidation	0.2	9.80	4.30	-0.10	-0.60	1.10	10
MCA Superlife Aim60	58.0	9.40	3.80	-0.50	-1.00	0.50	71
Asteron Managed Fund	75.9	8.70	6.00	3.00	2.20	3.40	
AMP ASB Balanced	4.7	8.70	3.80	-0.30			196
Tower ANZFM Balanced	3.1	8.40	4.90	1.90			293
GRT Individual Retirement Plan Balanced	27.8	8.30	4.50	1.10	0.60	1.90	
WestpacTrust Balanced	180.0	7.80	3.20	-1.30	-1.30	0.60	60
Tower Balanced	388.4	7.80	4.30	2.60	2.80	3.20	334
AXA SMT Multi-Mgr Balanced	94.5	7.70	2.80	-0.50	-0.80		
AMP BT	42.1	7.30	3.00	0.50	0.40	2.40	370
Jacques Martin Balanced	72.5	7.20	3.70	0.60	0.50	1.90	245
Jacques Martin Asset Growth	13.7	7.00	2.90	0.50	1.30	2.70	245
Tower BNZ Balanced Growth	5.7	7.00	2.60	-1.20	-0.70	0.90	293
AXA SMT AXA Centred Balanced	31.8	6.80	1.60	-0.50	-1.00		
AMP Tower Balanced	30.3	6.50	3.50	1.90	2.10	2.60	401
Sovereign ESP Balanced Growth	5.4	6.40	3.10	0.90	1.40	3.00	
<b>All Balanced Funds</b>	<b>1,671.5</b>	<b>9.10</b>	<b>4.30</b>	<b>1.00</b>	<b>0.60</b>	<b>2.00</b>	

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Fund Name	Fund Size \$ million	Annual Returns (Net of Tax & Expenses)					No. of Employers
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<b>Conservative Funds</b>							
AMP Lifesteps Stability	0.2	8.00	3.90	0.70	0.40	1.60	4
ASB Group Investments Conservative	0.9	7.00	4.50	3.80	3.10	3.60	
AMP Capital Stable	41.3	5.90	3.50	1.40	1.50	2.20	248
AMP Lifesteps Maturity		5.80	3.40	1.40	1.30	2.10	
GRT Individual Retirement Plan Stable	7.6	5.10	4.50	2.70	2.50	3.00	
Mercer Conservative	29.2	5.00	4.60	3.50	3.30	3.80	
Sovereign ESP Conservative	1.1	4.30	3.90	3.10	3.30	3.20	
Jacques Martin Capital Stable	27.5	4.00	3.50	1.30	1.30	2.40	245
AXA SMT Multi-Mgr Conservative	18.5	4.00	3.20	2.20	2.30		
Sovereign SERP Sovereign Conservative	1.2	3.90	3.00	2.10			
Asteron Deposit Fund	18.9	3.70	4.40	4.30	4.30	4.20	
Sovereign SERP Balanced	11.2	3.60	3.10	1.00			
AXA SMT AXA Centred Conservative	14.0	3.40	2.50	2.30	2.20		
AXA SMT Cash	24.8	3.40	3.60	3.70	3.80		
Tower Focus Cash	34.8	3.20	3.30	3.20	3.40	3.40	306
Tower BNZ Conservative	4.7	3.20	2.40	0.60	1.50	1.70	293
AMP Capital Assured	107.7	3.20	3.80	4.20	4.50	4.50	354
AXA SMT AXA Centred Low Risk	21.1	3.00	3.10	3.20	3.30		
Mercer Cash	11.3	2.90	3.10	3.40	3.50	3.70	
Sovereign SERP Cash	1.9	2.90	3.00	2.90			
Jacques Martin Cash Management	13.7	2.70	4.10	4.00	4.40	4.30	245
Sovereign ESP Global Fixed Interest	0.3	2.60	4.50	4.50	4.60	4.00	
AXA SMT Multi-Mgr Intl Fixed Interest	2.5	2.60	4.00	3.90	4.60		
Sovereign SERP Conservative	0.9	2.60	2.70	1.50			
WestpacTrust Accumulation	44.9	2.50	3.10	3.10	3.50	3.40	60
Tower Capital Preservation	41.8	2.50	2.50	2.80	3.70	4.40	293
Tower Focus Fixed Income	22.9	1.60	4.00	3.90	3.90	3.80	302
AXA SMT Multi-Mgr NZ Fixed Interest	9.5	1.30	3.90	4.20	4.30		
<b>All Conservative Funds</b>	<b>514.3</b>	<b>3.40</b>	<b>3.50</b>	<b>3.10</b>	<b>3.40</b>	<b>3.70</b>	
<b>Total Funds</b>	<b>2,760.6</b>	<b>8.60</b>	<b>4.10</b>	<b>0.90</b>	<b>0.70</b>	<b>2.10</b>	
<b>Cash Benchmark (Net)</b>		<b>3.70</b>	<b>3.70</b>	<b>3.70</b>	<b>3.80</b>	<b>3.80</b>	
<b>CPI</b>		<b>2.40</b>	<b>1.90</b>	<b>2.20</b>	<b>2.50</b>	<b>2.40</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 legal or investment 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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