

## Master Trust Survey Results to 31 December 2004

### Investment Returns

The December 2004 quarter continued the steady returns of recent surveys. Over the calendar year average 12-month conservative funds returned 4.1%, balanced funds returned 8.1% and growth funds 9.2%. The total 12-month return was 7.6% for a real rate of return of 4.9% over all the funds surveyed. This is a good result which was helped by the good performances of share markets on both sides of the Tasman.

There have been some changes to the funds surveyed this quarter: At AXA's request we have reinstated the SMT cash fund which was removed last time, and Superlife's single sector funds have been added. Sovereign have renamed their SERP Cash and Dynamic Growth funds as the Defensive and Growth funds respectively, as part of wider changes to their investment funds which include the introduction of a multiple managers with multiple styles to some SERP funds and the addition of an absolute return sector to the SERP Balanced and Growth funds.

### Economic Commentary

The N.Z. economy finished 2004 well with company profits, employment rates and shares up, with expectations that 2005 will be another good year. Given the high N.Z. dollar this is an indication of just how far local exporters have come in their ability to cope with a fluctuating currency. Unlike some of its predecessors, the Labour government has been restrained in its spending of its share of the increased wealth. This is reflected in the healthy amounts being put aside for the New Zealand Super Fund.

One business cost which has remained fairly stable in recent years has been wages. However it looks as though this will be the year that workers see some of the productivity gains in their pay packets. Low unemployment has increased the competition for workers who are increasingly aware that their incomes have not increased with the inflation or rises in company profits of recent years.

Now that Mr. Bush has been inaugurated for the second time, attention has moved to his likely economic policies; which are expected to initially concentrate on Social Security changes (making individuals responsible for their own health care and pensions), and broad tax reform (simplifying the regulations and continuing his first term tax reductions). The big question is how the Bush administration will finance these changes while at the same time meeting a campaign promise to halve the budget deficit within five years.

As both trade and the budget deficits grow it may become less attractive for foreign investors to invest in the U.S., especially in the face of potential currency

losses if the dollar falls further. There are a range of possible outcomes. At one extreme there is the possibility that foreign countries will continue to prop up the twin deficits in order to support their own export led growth – and that the U.S. government and consumer will be able to continue their profligate ways almost unchecked. At the other extreme it has been suggested that foreign governments might choose to take their reserves out of the U.S. triggering a massive collapse in the US dollar and disruption in world investment markets. As always the most likely scenario is likely to be somewhere in between, with consumers being encouraged to spend less.

In December the U.S. Federal Reserve increased its interest rate to 2.25% amidst concerns of inflation and cheap money encouraging investors to seek more risk. Further increases are likely, perhaps reaching 3.5% at the end of the year. This is likely to depress domestic demand while providing an incentive for foreign investors.

Meanwhile Asian (particularly South Korean) companies continue to be active in creating global brands which can sell their goods at premium prices in western markets. Samsung and Hyundai are Korean brands which have gained significantly increased respectability in recent years.

The Chinese are not far behind in their assault on world markets. One Chinese company is getting ready to sell its cars in the U.S., while another is in the process of acquiring Britain's ailing MG Rover car company for its product engineering expertise.

Both China and India are working hard to gain long-term access to oil and other raw materials to support their booming domestic economies.

IBM's PC business was recently purchased by a Chinese company, in which IBM also took an equity stake. This was seen by most as IBM finally quitting an industry which it founded but which had long been unprofitable for it. Less obvious was that it also represents a significant strategic partnership for IBM, allowing it to concentrate on building its own very profitable high-end servers while also acquiring a potential distribution network for them in China.

Hopefully this year will also see further increased support from Government for workplace superannuation.

### Contact us at:

Auckland [auckland@eriksensglobal.com](mailto:auckland@eriksensglobal.com) Ph 64 9 486 3144  
Wellington [wellington@eriksensglobal.com](mailto:wellington@eriksensglobal.com) Ph 64 4 470 6144  
Sydney [sydney@eriksensglobal.com](mailto:sydney@eriksensglobal.com) Ph 61 2 9223 3747  
AFSL 254364

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## Eriksen's Master Trust Survey Results to 31 December 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>							
Sovereign ESP Australasian Equities	0.4	19.60	18.70	8.60	10.60	8.30	
Aventine Superlife Property	1.0	18.80	12.90	9.80	7.90	8.60	
Tower Focus NZ Shares	61.5	16.90	17.70	11.30	11.10	8.30	303
Aventine Superlife NZ Shares	11.0	16.50	19.30	11.90	12.60	6.30	
Tower BT International Shares	4.1	10.80	11.10	-1.20	-3.90		293
AMP High Equity	138.9	10.20	12.30	0.70	-0.30	-1.50	576
Tower Focus International Shares	24.2	10.10	13.60	2.30	-0.10	0.10	298
ASB Group Investments Growth	15.9	9.90	11.40	1.40			
AMP Lifesteps Establishment	0.8	9.90	12.00	0.60	-0.50	-1.80	97
AMP Lifesteps Growth	1.8	9.00	10.80	1.00	0.10	-1.00	104
AXA SMT Multi-Mgr High Growth	43.2	8.60	9.30	-0.80	-0.90		
GRT Individual Retirement Plan Growth	18.0	8.40	10.40	1.70	1.10	0.40	
Jacques Martin Growth Fund	46.4	8.10	10.00	-0.10	-1.20	-1.70	249
Mercer Shares	11.9	8.00	10.30	-0.50	-1.30	-1.20	
Tower Growth	3.6	7.60	10.30	0.90	1.00		293
WestpacTrust Dynamic	133.7	7.10	8.00	-1.10	-2.60	-1.60	60
Sovereign SERP Sovereign Managed Growth	3.7	7.10	6.90	1.60			
Tower BNZ Dynamic Growth	6.5	6.90	5.00	-1.80	-1.30	-1.50	293
Aventine Superlife O'seas Shares Hedged	13.0	6.90	13.80	-1.00	-4.40	-4.60	
Sovereign ESP Special Values	1.4	6.40	6.80	0.40	0.30	0.80	
Sovereign SERP Sovereign Dynamic Growth	2.2	6.10	6.60	-0.70			
Mercer Growth	64.9	5.70	7.60	0.90	0.40	0.70	
Sovereign SERP Growth	2.3	3.90	5.10	-1.80	-1.80		
Sovereign ESP International Equities	1.0	3.10	4.00	-3.50	-4.20	-2.80	
Aventine Superlife O'seas Shares Unhedged	11.0	2.50	3.90	-11.70	-10.90	-8.70	
<b>All Growth Funds</b>	<b>622.3</b>	<b>9.20</b>	<b>10.80</b>	<b>1.20</b>	<b>0.30</b>	<b>-0.10</b>	

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<b>Balanced Funds</b>							
Tower ING SIL Balanced Fund	2.3	12.60	11.40	5.20	3.40		293
ING SIL Balanced	246.2	12.10	10.90	4.70	3.00	2.20	11
AMP ING Balanced	53.8	10.70	10.00	4.20	2.60		489
Tower ANZFM Balanced	3.5	8.60	9.00	3.60			293
Asteron Managed Fund	78.3	8.50	9.50	4.70	3.80	3.20	
ASB Group Investments Balanced	33.4	8.30	9.40	2.00	1.10	0.90	
Tower Balanced	396.5	8.10	8.20	3.70	3.50	3.50	330
Tower BT Managed Growth	26.9	8.00	11.10	4.30	3.50	3.40	293
AMP Lifesteps Progression	2.1	8.00	9.50	1.40	0.70	-0.20	103
AMP BT	43.9	7.50	7.40	2.10	1.80	1.90	413
AXA SMT Multi-Mgr Balanced	139.6	7.40	7.40	0.80	0.80		
Mercer Active Balanced	24.1	7.30	9.60	3.20	2.30	2.40	
Jacques Martin Asset Growth	15.3	7.30	7.20	2.00	2.10	2.90	249
AMP ASB Balanced	5.8	7.30	8.10	1.40	0.80		253
GRT Individual Retirement Plan Balanced	30.9	7.10	8.40	2.60	2.10	1.70	
Jacques Martin Balanced	78.2	7.10	8.10	2.20	1.60	1.70	249
AMP Lifesteps Consolidation	2.0	7.10	8.30	1.80	1.20	0.60	73
AMP Balanced	293.2	6.90	7.90	0.80	0.60		626
Sovereign ESP Balanced Growth	5.6	6.80	7.00	2.20	2.30	2.50	
AMP Tower Balanced	32.7	6.80	7.40	3.10	2.90	3.00	444
Aventine Superlife Aim60	71.0	6.40	8.60	1.00	0.60	-0.10	86
WestpacTrust Balanced	175.1	6.30	7.70	0.60	-0.80	0.20	60
Tower BNZ Balanced Growth	6.1	6.00	5.40	-0.20	0.30	0.30	293
<b>All Balanced Funds</b>	<b>1,766.4</b>	<b>8.10</b>	<b>8.60</b>	<b>2.60</b>	<b>1.90</b>	<b>1.80</b>	

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<b>Conservative Funds</b>							
ASB Group Investments Conservative	6.9	6.80	7.50	3.70	3.80	3.40	45
AMP Lifesteps Stability	1.5	6.20	7.00	2.20	1.80	1.40	
GRT Individual Retirement Plan Stable	8.3	5.70	6.20	3.60	3.30	3.20	
AXA SMT Multi-Mgr Conservative	64.2	5.50	5.00	2.80	2.80		
Aventine Superlife Overseas Govt Bonds	7.0	5.30	4.60	5.60	5.40	5.60	
Aventine Superlife Overseas Non Govt Bonds	2.0	5.30					301
AMP Capital Stable	42.8	5.10	5.70	2.50	2.20	2.10	
AMP Lifesteps Maturity		4.90	5.60	2.40	2.20	2.00	7
Mercer Conservative	28.0	4.90	5.80	3.70	3.50	3.80	249
Sovereign SERP Sovereign Conservative	1.3	4.90	4.50	2.70			
Jacques Martin Capital Stable	28.4	4.90	5.40	2.60	2.00	2.30	
Sovereign ESP Global Fixed Interest	0.3	4.70	4.10	4.70	4.50	4.80	
Sovereign ESP Conservative	1.1	4.60	5.00	3.60	3.50	3.50	
Aventine Superlife Cash	14.0	4.20	3.90	3.90	4.00	4.00	
Mercer Cash	11.8	4.20	3.40	3.50	3.60	3.80	
AXA SMT Cash	26.9	4.10	3.70	3.70	3.80		
Jacques Martin Cash Management	13.4	4.10	4.10	4.40	4.30	4.50	
Sovereign SERP Cash	2.1	4.00	3.50	3.30			
Sovereign SERP Balanced	12.0	4.00	4.20	1.40	1.40		249
Asteron Deposit Fund	20.0	3.70	4.20	4.30	4.30	4.20	
Tower Focus Cash	35.6	3.70	3.40	3.40	3.40	3.50	
Tower BNZ Conservative	4.6	3.60	3.40	1.40	1.40	1.90	293
Tower Focus Fixed Income	22.3	3.60	3.60	4.00	3.60	4.10	302
Aventine Superlife NZ Bonds	13.0	3.50	3.80	4.40	4.20	4.70	397
AMP Capital Assured	115.4	3.50	3.60	4.00	4.30	4.50	
WestpacTrust Accumulation	42.8	3.40	3.30	3.20	3.40	3.70	60
Sovereign SERP Conservative	1.1	2.80	3.10	1.70	1.60		293
Tower Capital Preservation	43.5	2.80	2.60	2.60	3.20	4.00	
<b>All Conservative Funds</b>	<b>567.4</b>	<b>4.10</b>	<b>4.20</b>	<b>3.40</b>	<b>3.40</b>	<b>3.70</b>	
<b>Total Funds</b>	<b>2,956.1</b>	<b>7.60</b>	<b>8.20</b>	<b>2.40</b>	<b>1.90</b>	<b>1.70</b>	
<b>Cash Benchmark (Net)</b>		<b>4.10</b>	<b>3.90</b>	<b>3.90</b>	<b>3.80</b>	<b>3.90</b>	
<b>CPI</b>		<b>2.70</b>	<b>2.10</b>	<b>2.30</b>	<b>2.20</b>	<b>2.60</b>	

Contact us:

Auckland [auckland@eriksensglobal.com](mailto:auckland@eriksensglobal.com) Ph 64 9 486 3144  
Wellington [wellington@eriksensglobal.com](mailto:wellington@eriksensglobal.com) Ph 64 4 470 6144  
Sydney [sydney@eriksensglobal.com](mailto:sydney@eriksensglobal.com) Ph 61 2 9223 3747  
AFSL 254364

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