

Master Trust Survey Results to 31 March 2005

Investment Returns

In the year to 31 March 2005 conservative funds returned 3.8% overall, balanced funds returned 6.5% and growth funds 6.3%. The total 12-month return was 5.9% for a real rate of return of 3.1% over all the funds surveyed. This was down on the previous quarter, mainly due to the sharp decline in equity markets in March and the strong New Zealand dollar but was still a good result.

Economic Commentary

Doubts about the strength of the U.S. economy have resulted in recent share market volatility. Particular concern is being expressed about the high oil price and the twin U.S. deficits (budget and current account). This is especially significant because of the one-sided nature of recent global growth in which the U.S. and China have performed strongly while others, notably Europe and Japan, have languished. The IMF has predicted growth in 2005 of 3.6% for the U.S. and 8.5% for China - but only 1.6% for the Euro zone and a measly 0.8% for Japan.

While Asian central banks continue to buy dollars to keep their currencies from appreciating, China seems to be quietly acquiring the capability for at least a partial float of the yuan, with several international banks joining two Chinese ones as foreign exchange market makers.

The price of oil has remained high and seems likely to remain so with the price increases starting to have an inflationary effect domestically. Aside from the obvious rise in petrol pump prices, airline fuel surcharges, bus fares and plastic products are all starting to rise. These effects would be magnified by any fall in the New Zealand dollar.

Reasons suggested for the high price of oil range from increased demand (particularly from China and India), supply constraints (with terrorism and limited refinery capacity possible culprits), speculation by hedge funds and a desire by OPEC to keep their returns up against the low U.S. dollar. Whatever the reason, there seems little hope of a significant fall in the near future.

NZ Superannuation Developments

As readers of this survey will know, we strongly favour workplace savings as a complementary form of retirement savings to New Zealand Superannuation. We recently had an internal meeting to update Eriksen's suggested policy for New Zealand which included:

- Mandatory 3% employer contribution so long as the employee contributes. The company tax rate would be reduced by 3c to compensate employers.

Interest on employer contributions would be tax free. Employer contributions would be locked in until retirement when they would be taken as a pension (probably an inflation proofed annuity).

- Employees would be able to use their contributions to pay off mortgages on owner occupied homes, student debt or medical insurance premiums.
- Members would have a choice of up to 5 approved service providers with expenses being capped at 1.5% per annum of funds under management.

See our website (www.eriksensglobal.com) for our brief position paper.

It is heartening to see progress finally being made towards a comprehensive retirement savings policy. To date the Labour government has set up the New Zealand Superannuation Fund as a means of prefunding New Zealand superannuation. Since inception the Fund has made considerable progress. It can now invest in alternative assets as well as the traditional types, and it seems assured of permanence after being endorsed by the National Party. A new employer superannuation scheme for state sector employees has also been established which we think would work for the private sector as well.

Progress is now being made towards the introduction of private sector work based superannuation and rationalisation of tax rules on investment income (last weeks announcement of tax concessions on Australian superannuation schemes was a move in that direction).

Overall, we strongly support the Labour Government's efforts to date and await their future announcements with great interest.

Eriksens News

Peter Cosseboom recently joined the team as a consulting actuary in our Wellington office. Peter has worked in the Wellington marketplace for a some time and will be familiar to many of you.

Our Sydney office has just moved to new premises at Level 9, 84 Pitt Street, Sydney, just around the corner from our previous location. Our phone, fax, email and GPO Box number are unchanged. We look forward to seeing you there.

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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							
Sovereign ESP Australasian Equities	0.3	20.0	20.4	9.9	11.0	9.9	
Aventine Superlife Property	1.0	19.7	13.9	10.1	9.5	11.7	
Tower BT International Shares	4.7	19.4	20.2	2.0			285
Tower Focus NZ Shares	12.8	13.3	18.2	11.1	10.1	9.0	295
Aventine Superlife NZ Shares	16.0	10.5	19.5	10.5	9.2	7.1	
AMP High Equity	139.8	7.3	14.0	1.6	-0.1	-2.1	584
GRT Individual Retirement Plan Growth	18.5	7.0	12.5	2.4	1.7	0.1	
AMP Lifesteps Establishment	1.0	7.0	13.8	1.4	-0.2	-2.4	113
ASB Group Investments Growth	18.0	6.7	12.6	1.8	1.0	-0.6	
Sovereign SERP Sovereign Managed Growth	3.8	6.7	8.5	2.1	2.9		
Aventine Superlife O'seas Shares Hedged	12.0	6.5	18.2	-1.0	-1.4	-5.2	
AMP Lifesteps Growth	2.5	6.4	12.3	1.8	0.4	-1.5	132
Sovereign ESP Special Values	1.3	6.0	9.1	0.6	1.4	0.4	
Tower Focus International Shares	22.4	6.0	15.1	1.4	2.0	-0.3	290
Mercer Shares	12.4	5.9	12.1	-0.2	-0.8	-1.4	
Jacques Martin Growth Fund	47.3	5.9	11.2	0.6	-0.6	-1.9	256
AXA SMT Multi-Mgr High Growth	48.6	5.9	10.9	-0.2	-0.8	-1.2	
WestpacTrust Dynamic	133.1	5.9	11.5	-0.3	-1.5	-1.6	60
Sovereign SERP Sovereign Dynamic Growth	2.3	5.8	8.9	-0.2	0.9		
Tower Growth	3.6	5.0	11.6	1.1	0.8		285
Tower BNZ Dynamic Growth	6.7	4.0	5.9	-1.3	-1.6	-1.6	285
Mercer Growth	66.6	3.9	8.7	1.1	0.8	0.6	
Sovereign ESP International Equities	0.9	2.5	7.2	-3.6	-2.6	-3.8	
Sovereign SERP Growth	2.3	2.4	6.2	-1.2	-1.6		
Aventine Superlife O'seas Shares Unhedged	12.0		9.2	-10.5	-10.2	-9.7	
All Growth Funds	590.0	6.3	12.3	1.0	0.0	-1.0	

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		1 Year	2 Year	3 Year	4 Year	5 Year	
Balanced Funds							
Tower ING SIL Balanced Fund	2.7	10.5	13.8	5.7	4.2		285
ING SIL Balanced	250.0	10.0	13.3	5.2	3.8	2.0	11
Tower BT Managed Growth	28.1	9.3	14.5	5.5	4.4	3.6	285
Asteron Managed Fund	77.6	9.3	11.6	5.9	4.6	3.6	
AMP ING Balanced	56.3	8.5	11.6	4.5	3.6	1.4	492
Jacques Martin Asset Growth	15.8	6.9	8.9	2.5	2.8	2.5	256
Tower Balanced	137.6	6.6	9.0	3.7	3.6	3.5	319
Tower ANZFM Balanced	3.7	6.4	9.9	3.7			285
Sovereign ESP Balanced Growth	5.9	6.3	8.5	2.4	3.0	2.3	
AMP BT	44.9	6.2	9.0	2.7	2.1	1.5	418
AMP Tower Balanced	34.7	6.1	8.3	3.1	3.0	2.9	444
GRT Individual Retirement Plan Balanced	31.8	6.0	9.6	3.1	2.5	1.5	
AMP Lifesteps Progression	2.8	5.8	10.7	2.1	0.8	-0.6	117
ASB Group Investments Balanced	38.5	5.7	10.2	2.4	1.6	0.6	
AXA SMT Multi-Mgr Balanced	151.4	5.5	8.4	1.3	0.8	0.6	
Mercer Active Balanced	26.0	5.3	10.5	3.3	2.7	2.3	
Jacques Martin Balanced	79.7	5.3	8.6	2.5	1.8	1.7	256
AMP Lifesteps Consolidation	2.7	5.2	9.2	2.4	1.3	0.2	85
AMP Balanced	292.6	4.9	9.0	1.6	0.6	-0.3	624
WestpacTrust Balanced	172.6	4.9	10.2	1.2	-0.2	0.1	60
Aventine Superlife Aim60	89.0	4.6	10.6	1.2	0.9		95
AMP ASB Balanced	6.2	4.2	8.7	1.3	1.4		258
Tower BNZ Balanced Growth	6.2	3.8	5.9	0.2	-0.1	0.1	285
All Balanced Funds	1,556.9	6.5	10.2	2.9	2.0	1.2	

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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								
GRT Individual Retirement Plan Stable	8.8	4.9	6.7	3.9	3.4	3.1	58	
Sovereign SERP Sovereign Conservative	1.4	4.8	5.1	3.0	3.1			
Aventine Superlife Overseas Govt Bonds	7.0	4.8	4.5	6.0	5.3	5.6		
AMP Lifesteps Stability	1.8	4.7	7.7	2.7	1.8	1.1		
Sovereign ESP Conservative	1.2	4.5	5.5	3.7	3.7	3.5		
AXA SMT Multi-Mgr Conservative	66.9	4.5	5.2	3.1	2.7	2.9		
ASB Group Investments Conservative	6.5	4.5	7.8	3.6	4.1	3.3		
Aventine Superlife Cash	20.0	4.4	4.0	3.9	4.0	4.1		
Mercer Cash	11.7	4.3	3.5	3.6	3.7	3.8		
Aventine Superlife Overseas Non Govt Bonds	2.0	4.3						
Mercer Conservative	28.4	4.2	5.9	3.7	3.6	3.7		
AXA SMT Cash	27.1	4.1	3.7	3.8	3.8	3.9		
Jacques Martin Cash Management	13.5	4.1	3.0	4.4	4.2	4.5		256
Asteron Deposit Fund	9.1	3.9	4.1	4.3	4.3	4.3		
AMP Capital Stable	43.2	3.9	6.1	2.9	2.2	1.9		306
Tower Focus Cash	8.5	3.9	3.5	3.5	3.4	3.5		298
Jacques Martin Capital Stable	28.4	3.9	5.1	2.8	2.0	2.0	256	
Tower BNZ Conservative	4.7	3.8	3.5	1.9	1.4	1.9	285	
AMP Lifesteps Maturity	0.1	3.8	6.0	2.8	2.2	1.8	11	
AMP Capital Assured	118.6	3.6	3.6	3.9	4.2	4.4	397	
Sovereign ESP Global Fixed Interest	0.2	3.5	3.7	4.8	4.2	4.5		
Sovereign SERP Cash	2.1	3.4	3.2	3.1				
WestpacTrust Accumulation	41.6	3.1	3.2	3.2	3.3	3.6	60	
Tower Capital Preservation	42.0	3.0	2.8	2.7	3.1	3.8	285	
Tower Focus Fixed Income	9.2	2.9	3.2	4.0	3.4	4.0	294	
Aventine Superlife NZ Bonds	19.0	2.8	3.4	4.6	4.0	4.6		
Sovereign SERP Balanced	12.1	2.7	4.4	1.8	1.3			
Sovereign SERP Conservative	1.1	2.1	3.2	1.9	1.6			
All Conservative Funds	536.1	3.8	4.2	3.5	3.3	3.6		
Total Funds	2,683.0	5.9	9.5	2.6	1.8	1.2		
Cash Benchmark (Net)		4.30	4.00	3.90	3.90	4.00		
CPI		2.80	2.20	2.30	2.40	2.50		

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