

Master Trust Survey Results to 30 June 2005

Investment Returns

Last quarter showed a modest improvement over the March quarter annual returns with conservative funds returning 4.8% p.a. (3.8% last quarter), balanced funds 7.9% p.a. (6.5%) and growth funds 7.6% p.a. (6.3%). The total 12-month return of 7.2% (5.9%) gave a real rate of return of 4.3% over all the funds surveyed. An excellent result.

Total funds surveyed over the quarter increased by 4%, with the proportion of each type of fund remaining constant. This is in contrast to the trend over the last year in which balanced funds have decreased as a proportion of total funds from 61% to 58% while conservative funds have increased from 18% to 20% and growth funds have increased from 21% to 22%.

Economic Commentary

The price of crude oil continues to rise and has recently topped US\$60, with the likelihood of further rises. To date New Zealand and Australia have been partially buffered from this by their relatively high currencies, however any further falls against the U.S. dollar can be expected to flow directly into pump prices. To date consumers seem to have weathered the petrol price rises relatively well, although the transport, fishing and airline industries are showing signs of nervousness.

The general effect on share prices has also been muted, although recent research suggests that the impact lags oil price rises, so they may be seen later in the year. However, global growth continues to act as a buffer to support share prices.

China's recent linking of the yuan to a basket of currencies was not unexpected and can be seen as a sop to U.S. demands to remove the yuan's peg against the U.S. dollar. The initial move of 2.1% between these currencies was a token one and it will be interesting to see how far the Chinese will allow it to move in the future.

Meanwhile, U.S. domestic attention has moved to the possibility that China might divert some of its foreign exchange reserves from U.S. Government bonds to the purchase of physical assets in the U.S., much as Japan did in the 1980's. The contested Chinese bid for Unocal (a US oil company) is a likely precursor of this.

NZ Superannuation Developments

The 2005 election campaign is now underway with indications that superannuation will be less of an issue during the campaign, with any changes possibly coming more as the result of post-election coalition negotiations with the minor parties.

The 2005 Budget included an announcement of KiwiSaver, a Government-sponsored work-based savings scheme which is intended to commence in April 2007 (assuming that Labour forms the next Government).

With its introduction, it will be compulsory for employers to offer all new permanent employees access to a superannuation scheme. Savings will be primarily for retirement and will be locked in until the age of eligibility for N.Z. Superannuation, except in cases of financial hardship, permanent emigration or a deposit on a first home.

New employees will be automatically enrolled in KiwiSaver but will have the option to withdraw after 8 weeks. Contribution rates will be either 4% or 8% of salary. These rates are relatively high. Rates of 3% and 6% would be preferable in our view.

Employees will not be required to contribute but will be encouraged to contribute by a one-off contribution of \$1,000 from the Government. First home buyers will be able to withdraw their funds for a house deposit after three years and will receive a \$3,000-\$5,000 subsidy. Employees will be able to take their accounts with them if they move jobs. Employers need not contribute.

Automatic enrolment will not apply where an employer already has a work-based scheme, provided that scheme is portable, is open to all permanent employees and has a total (employer plus employee) contribution rate of at least 4%. Members of these schemes will be able to access the KiwiSaver home deposit subsidy. However, KiwiSaver is difficult to integrate with existing employer sponsored superannuation schemes.

Inland Revenue will receive all contributions from employers, direct them to each individual's chosen fund, and distribute information about the scheme to employers for distribution to employees.

Also, from April 2007, the Government is proposing to permit existing superannuation schemes to pay tax on investment income at the marginal tax rate of each member by electing to become a collective investment vehicle (CIV). Comments on the proposal should be made by 30 September 2005.

We now await the election result to see whether these proposals become reality.

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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							
Aventine Superlife Property	1.9	24.30	15.90	12.30	10.90	12.10	
Tower BT International Shares	5.1	22.60	16.90	6.60	0.20		287
Sovereign ESP Australasian Equities	0.3	19.30	16.80	12.50	8.30	9.10	
Tower Focus NZ Shares	12.6	16.00	15.40	13.20	10.20	9.50	291
Aventine Superlife NZ Shares	17.8	15.60	16.80	11.80	10.80	8.80	
WestpacTrust Dynamic	134.0	8.20	8.70	4.10	-0.70	-1.20	60
GRT Individual Retirement Plan Growth	18.3	8.20	9.80	5.80	1.70	0.70	
Sovereign SERP Sovereign Managed Growth	4.1	8.20	7.40	4.40	2.80		
AMP High Equity	143.1	7.50	11.60	6.10	-0.10	-1.30	582
AMP Lifesteps Establishment	1.3	7.20	11.40	5.90	-0.30	-1.60	120
AXA SMT Multi-Mgr High Growth	52.5	7.20	9.20	4.10	-0.20	-1.10	
ASB Group Investments Growth	21.0	7.10	10.10	5.80	1.40	-0.10	
AMP Lifesteps Growth	3.0	7.10	10.30	5.60	0.40	-0.80	145
Jacques Martin Growth Fund	47.4	7.10	8.50	4.50	-0.60	-1.70	251
Aventine Superlife O'seas Shares Hedged	14.3	6.90	11.90	5.50	-1.60	-4.40	
Sovereign ESP Special Values	1.4	6.90	6.90	3.40	0.70	0.70	
Tower Focus International Shares	21.8	6.90	11.10	4.90	1.80	0.10	290
Sovereign SERP Sovereign Dynamic Growth	2.4	6.80	7.20	2.90	0.30		
Mercer Shares	12.9	6.20	9.60	4.60	-0.10	-0.90	
Tower Growth	3.9	5.90	9.20	4.70	1.30		287
Mercer Growth	67.4	5.30	7.30	4.40	1.40	1.00	
Tower BNZ Dynamic Growth	7.1	4.60	5.80	2.20	-1.30	-1.30	287
Sovereign ESP International Equities	0.9	3.50	4.70	0.10	-2.90	-3.30	
Sovereign SERP Growth	2.4	2.30	5.10	2.20	-1.40		
Aventine Superlife O'seas Shares Unhedged	15.0	-0.40	5.30	-2.30	-10.10	-9.60	
All Growth Funds	611.8	7.60	9.80	5.10	0.40	-0.60	

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Balanced Funds							
Tower BT Managed Growth	29.1	12.30	12.60	8.00	4.80	3.90	287
Asteron Managed Fund	79.4	11.50	10.10	7.80	5.10	4.00	
ING SIL Balanced	278.5	10.80	11.60	7.50	4.60	3.00	12
Tower ING SIL Balanced Fund	3.0	10.60	11.70	7.80	4.90		287
AMP ING Balanced	57.7	9.20	10.80	6.90	3.80	2.30	487
AMP BT	46.0	8.50	7.90	4.80	2.40	2.00	413
Tower ANZFM Balanced	3.7	8.20	8.30	6.00	3.40		287
Jacques Martin Asset Growth	15.4	7.90	7.40	4.50	2.30	2.50	251
Sovereign ESP Balanced Growth	6.2	7.50	7.00	4.60	2.50	2.60	
GRT Individual Retirement Plan Balanced	32.3	7.40	7.90	5.50	2.70	1.90	
Tower Balanced	139.6	7.30	7.50	5.30	3.70	3.70	297
Jacques Martin Balanced	81.1	7.30	7.30	4.80	2.20	1.80	251
WestpacTrust Balanced	169.1	7.20	7.50	4.50	0.80	0.40	60
AXA SMT Multi-Mgr Balanced	161.2	7.00	7.40	4.20	1.30	0.80	
Mercer Active Balanced	26.8	6.90	8.90	6.30	3.30	2.70	
AMP Tower Balanced	35.5	6.90	6.70	4.60	3.10	3.10	446
ASB Group Investments Balanced	44.0	6.70	8.40	5.40	1.90	1.10	
AMP Lifesteps Progression	3.6	6.40	9.00	5.20	0.90	-0.10	127
Aventine Superlife Aim60	104.0	6.30	7.80	4.70	1.20	0.50	100
AMP Lifesteps Consolidation	3.2	6.20	8.00	4.90	1.40	0.70	97
AMP ASB Balanced	6.7	5.70	7.20	4.40	1.10		264
AMP Balanced	291.4	5.60	7.70	4.50	0.60	0.20	622
Tower BNZ Balanced Growth	6.5	5.10	6.00	3.40	0.40	0.50	287
All Balanced Funds	1,623.9	7.90	8.60	5.50	2.40	1.70	

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Conservative Funds							
Aventine Superlife Overseas Govt Bonds	7.9	8.20	4.50	6.10	5.70	5.80	
Aventine Superlife Overseas Non Govt Bonds	3.0	7.70					
Sovereign SERP Sovereign Conservative	1.2	6.60	5.20	4.20	3.20		
ASB Group Investments Conservative	9.0	6.60	6.80	5.20	4.50	3.80	
GRT Individual Retirement Plan Stable	9.0	6.60	5.90	5.20	3.80	3.40	
Mercer Conservative	29.9	6.20	5.60	5.10	4.20	3.90	
AXA SMT Multi-Mgr Conservative	71.0	6.10	5.00	4.20	3.20	3.00	
Sovereign ESP Global Fixed Interest	0.2	6.00	4.30	5.00	4.80	4.90	
AMP Lifesteps Stability	2.4	5.80	6.90	4.50	1.90	1.50	67
Jacques Martin Capital Stable	29.3	5.60	4.80	4.20	2.40	2.20	251
Sovereign ESP Conservative	1.2	5.50	4.90	4.40	3.70	3.70	
AMP Capital Stable	44.6	5.40	5.60	4.10	2.40	2.20	318
AMP Lifesteps Maturity	0.2	5.30	5.60	4.00	2.30	2.10	12
Aventine Superlife NZ Bonds	21.0	4.90	2.80	4.40	4.50	4.60	
Jacques Martin Cash Management	14.2	4.80	3.70	4.40	4.20	4.50	251
Sovereign SERP Balanced	12.6	4.70	4.10	3.70	1.90		
Aventine Superlife Cash	22.1	4.70	4.20	4.10	4.00	4.10	
Mercer Cash	12.4	4.60	3.80	3.60	3.70	3.70	
Tower Focus Fixed Income	9.6	4.40	3.00	4.10	4.00	4.00	291
AXA SMT Cash	28.2	4.40	3.90	3.80	3.90	3.90	
Asteron Deposit Fund	19.3	4.30	4.00	4.30	4.30	4.30	
Sovereign SERP Cash	2.1	4.20	3.50	3.40	3.30		
WestpacTrust Accumulation	39.5	4.10	3.30	3.40	3.40	3.60	60
Tower BNZ Capital Enhanced	5.3	4.10	3.60	3.00	1.50	2.00	287
Tower Focus Cash	7.8	4.10	3.70	3.60	3.40	3.60	293
AMP Capital Assured	121.4	3.90	3.60	3.80	4.10	4.40	401
Tower Capital Preservation	41.1	3.30	2.90	2.80	2.90	3.60	287
Sovereign SERP Conservative	1.4	3.30	2.90	2.90	1.90		
All Conservative Funds	566.7	4.80	4.10	4.00	3.50	3.60	
Total Funds	2,802.4	7.20	8.00	5.10	2.20	1.60	
Cash Benchmark (Net)		4.50	4.10	4.00	3.90	4.00	
CPI		2.90	2.60	2.20	2.40	2.50	

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