

## Master Trust Survey Results to 30 September 2005

### Investment Returns

The overall returns in the September quarter continued the steady improvement seen over the year. Growth funds returned 14.3% p.a., balanced funds 11.7% and conservative funds returned 5.5%. The average 12-month return of 11.0% gave a 7.6% real rate of return. An excellent result. However October has been down.

Total funds surveyed over the quarter increased by 5% to almost \$3 billion.

The Global Retirement Trust closed on 30 September. This will be the last time we report it as a separate entity. Its funds will now be administered by Mercer. The GRT administered several state sector schemes but was unable to pick up additional state sector business after failing to be a part of the State Sector Retirement Savings Scheme which commenced last year.

Tower recently outsourced the administration of its master trust, the Tower Enterprise Plan, to Jacques Martin as part of a wider restructuring. Jacques Martin also administer ASB's master trust.

### Economic Commentary

The Reserve Bank Governor, Dr Bollard, publicly warned politicians and the public that the current level of spending (financed largely by rising house prices) could not continue, before the 25 basis point rise in October. A background of rising inflation and increasing trade deficit makes increased interest rates a continuing possibility.

The inflationary pressure from a tight labour market and high oil prices has pushed up interest rates at a time when the economy was already slowing. This strengthens the N.Z. dollar making it harder to export and widening the trade deficit. The New Zealand economy is very delicately balanced and could easily nose dive into recession. Dr Bollard has another tough decision to take in December.

The appointment of Ben Bernanke as incoming chairman of the U.S. Federal Reserve, to replace Alan Greenspan, has been well received in the U.S. and overseas. Mr Bernanke will inherit a U.S. economy (and U.S. dollar) which has performed well this year on the back of continued domestic consumer demand and a funds inflow from foreign countries. However the fundamental imbalance between rising foreign borrowing and low savings remains a concern.

Globalisation has been good for Western consumers in recent years. It provided a steady supply of cheap

manufactured goods from low cost suppliers. The low prices have also kept inflation (and interest rates) low. Against this has been a steady erosion of the manufacturing and heavy engineering capabilities of the major developed economies, as they become less competitive. The loss of Air New Zealand's aircraft engineering to overseas service providers is an example.

The U.S. motor industry where both Ford and GM are facing a sales slowdown in the face of strong Asian competition is another example. Compounding their problems is a strong union which has bargained wage rates up to an unsustainable level compared to other manufacturers and huge legacy costs for workers' pensions and health care.

Essentially Ford and GM are still paying some of the labour costs of cars built years ago. This would be less of a problem if sales had grown as forecast, however they have not. Their overheads are now too high for profitability. Given the size of the problem (wages might have to fall by 70% to be competitive), their options are limited.

### NZ Superannuation Commentary

With the election over and a new coalition government in place, we are hopeful that the new government will continue to promote a positive retirement savings policy.

In its first two terms, the Labour Government made considerable progress. The New Zealand Superannuation Fund is well established. Its operations to date have been extremely successful. Its use of alternative assets has been an example to other large funds in this part of the world. Labour also established the new State Sector Retirement Savings Scheme which uses private companies to provide retirement savings to the public sector.

Still to come are Kiwisaver, the workplace savings scheme unveiled by Labour in the last Budget and changes of taxation on investment income. Both United Future and New Zealand First have been active in their support of retirement savings reform in the past. We encourage them to work with Labour on these issues which are becoming more urgent by the year.

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## Eriksen's Master Trust Survey Results to 30 September 2005

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>							
Aventine Superlife Property	2.5	26.60	17.00	13.30	12.80	10.10	
Tower BT International Shares	5.6	21.30	18.40	12.30	4.40		290
Sovereign ESP Australasian Equities	0.4	20.20	17.20	16.40	10.90	9.50	
Tower Focus International Shares	25.5	17.70	12.60	11.60	6.20	1.00	293
Mercer Shares	14.0	17.60	11.90	9.80	4.40	-0.10	
Tower Focus NZ Shares	13.8	17.30	16.80	15.70	13.30	10.50	295
Aventine Superlife Oseas Shares Hedged	16.2	17.30	13.20	13.50	5.30	-3.50	
Aventine Superlife NZ Shares	19.7	15.90	17.10	16.10	15.20	10.30	
AMP High Equity	153.1	15.30	13.10	11.90	4.80	-1.10	589
AMP Lifesteps Establishment	1.9	15.20	12.80	11.70	4.70	-1.30	135
ASB Group Investments Growth	25.7	13.90	11.50	10.00	4.50	0.40	
AXA SMT Multi-Mgr High Growth	52.5	13.80	10.80	8.60	3.70	-0.50	
AMP Lifesteps Growth	4.2	13.80	11.60	10.60	4.60	-0.50	164
Aventine Superlife Oseas Shares Unhedged	18.0	13.80	6.40	3.70	-5.10	-9.90	
WestpacTrust Dynamic	137.0	13.40	9.40	8.10	2.70	-0.80	60
GRT Individual Retirement Plan Growth	19.9	13.30	10.80	9.90	5.10	1.10	
Jacques Martin Growth Fund	49.8	12.70	10.20	8.20	3.10	-1.40	250
Mercer Growth	69.8	12.60	8.70	7.50	4.30	1.50	
Tower Growth	4.1	12.10	10.20	9.00	4.60	1.10	290
Sovereign ESP Special Values	1.3	12.00	7.90	7.30	3.30	0.70	
Sovereign ESP International Equities	1.0	12.00	6.20	5.40	0.90	-3.50	
Sovereign SERP Sovereign Dynamic Growth	2.7	11.90	8.10	6.30	2.90		
Sovereign SERP Sovereign Managed Growth	4.5	11.10	8.10	6.80	4.10		
Tower BNZ Dynamic Growth	7.6	10.40	8.00	4.90	1.70	-1.10	290
Sovereign SERP Growth	3.9	9.70	6.20	5.10	1.20		
<b>All Growth Funds</b>	<b>654.5</b>	<b>14.30</b>	<b>11.10</b>	<b>9.70</b>	<b>4.30</b>	<b>-0.10</b>	

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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	
<b>Balanced Funds</b>							
ING SIL Balanced	274.2	14.80	12.90	10.60	6.90	3.30	14
AMP ING Balanced	63.7	14.50	12.20	9.90	6.50	3.00	497
Tower BT Managed Growth	30.3	14.20	13.50	10.60	6.80	4.20	290
Tower ING SIL Balanced Fund	3.5	14.00	12.70	10.70	7.10		290
Asteron Managed Fund	81.3	14.00	10.90	9.70	7.10	4.30	
Mercer Active Balanced	27.9	12.50	9.60	8.90	5.70	3.20	
AMP BT	48.8	12.10	9.10	7.50	4.80	2.30	420
AMP Lifesteps Progression	5.0	11.80	10.10	9.20	4.30	0.10	144
ASB Group Investments Balanced	54.4	11.70	9.50	8.40	4.40	1.50	
Aventine Superlife Aim60	122.9	11.40	8.70	8.10	4.40	0.80	105
Jacques Martin Balanced	83.4	11.20	8.70	7.20	4.00	2.20	250
Jacques Martin Asset Growth	16.5	11.10	8.20	7.10	4.10	2.60	250
AXA SMT Multi-Mgr Balanced	161.2	11.10	8.70	7.00	3.80	1.30	
Tower ANZFM Balanced	4.0	10.80	9.00	8.30	5.50		290
WestpacTrust Balanced	169.8	10.70	7.90	7.40	3.30	0.60	60
Sovereign ESP Balanced Growth	6.4	10.70	7.60	7.20	4.00	2.50	
AMP ASB Balanced	7.8	10.60	8.30	7.80	4.10	0.40	266
GRT Individual Retirement Plan Balanced	33.9	10.60	8.70	8.10	4.90	2.10	
AMP Lifesteps Consolidation	5.9	10.40	8.90	8.10	4.20	0.90	104
AMP Balanced	302.4	10.30	8.80	7.80	3.60	0.20	624
Tower BNZ Balanced Growth	6.9	8.80	6.80	5.20	2.40	0.60	290
Tower Balanced	142.8	8.60	8.30	7.30	5.20	3.90	307
AMP Tower Balanced	38.5	8.60	7.70	6.70	4.70	3.40	451
<b>All Balanced Funds</b>	<b>1,691.6</b>	<b>11.70</b>	<b>9.60</b>	<b>8.30</b>	<b>4.80</b>	<b>2.00</b>	

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<b>Conservative Funds</b>							
ASB Group Investments Conservative	11.5	9.80	7.70	7.00	4.50	4.10	
Sovereign SERP Balanced	16.4	8.90	5.60	4.80	3.20		
AMP Lifesteps Stability	4.0	8.80	7.60	6.90	4.00	1.60	73
Mercer Conservative	31.1	8.70	6.50	6.10	5.10	4.20	
GRT Individual Retirement Plan Stable	9.4	7.60	6.30	6.20	4.60	3.30	
Sovereign SERP Sovereign Conservative	1.5	7.40	5.60	4.90	3.90		
Jacques Martin Capital Stable	29.3	7.40	5.70	5.10	3.30	2.30	250
AXA SMT Multi-Mgr Conservative	71.0	7.20	5.80	4.90	3.90	3.30	
AMP Lifesteps Maturity	0.7	7.20	6.10	5.60	3.70	2.20	16
AMP Capital Stable	46.5	7.10	6.20	5.70	3.80	2.20	321
Sovereign ESP Conservative	1.3	6.40	5.20	5.30	4.00	3.80	
Aventine Superlife Overseas Govt Bonds	8.5	6.00	4.90	5.00	5.30	5.80	
Sovereign SERP Conservative	1.8	5.50	3.60	3.50	2.50		
Aventine Superlife Overseas Non Govt Bonds	3.6	5.50					
Aventine Superlife NZ Bonds	23.2	4.90	3.80	4.00	4.40	4.60	
Aventine Superlife Cash	31.2	4.90	4.30	4.10	4.10	4.10	
Mercer Cash	12.7	4.80	4.10	3.60	3.60	3.90	
Jacques Martin Cash Management	13.7	4.80	4.10	4.10	4.20	4.40	250
Sovereign ESP Global Fixed Interest	0.2	4.70	4.30	4.30	3.30	4.70	
Sovereign SERP Cash	2.5	4.70	3.90	3.60	3.40		
AXA SMT Cash	28.2	4.50	4.20	3.80	3.80	4.00	
Asteron Deposit Fund	19.5	4.40	4.00	4.30	4.30	4.30	
Tower BNZ Capital Enhanced	5.8	4.30	3.80	3.70	2.10	2.00	290
Tower Focus Cash	8.0	4.30	3.80	3.60	3.50	3.60	296
Tower Focus Fixed Income	9.8	4.10	3.50	3.60	3.70	3.90	295
WestpacTrust Accumulation	38.3	3.90	3.50	3.40	3.30	3.60	60
AMP Capital Assured	124.4	3.80	3.50	3.70	4.00	4.30	403
Tower Capital Preservation	43.0	3.60	3.00	2.90	2.80	3.40	290
<b>All Conservative Funds</b>	<b>597.2</b>	<b>5.50</b>	<b>4.60</b>	<b>4.30</b>	<b>3.80</b>	<b>3.70</b>	
<b>Total Funds</b>	<b>2,943.3</b>	<b>11.00</b>	<b>8.90</b>	<b>7.80</b>	<b>4.50</b>	<b>1.90</b>	
<b>Cash Benchmark (Net)</b>		<b>4.60</b>	<b>4.20</b>	<b>4.10</b>	<b>4.00</b>	<b>4.00</b>	
<b>CPI</b>		<b>3.40</b>	<b>3.00</b>	<b>2.50</b>	<b>2.50</b>	<b>2.50</b>	

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