

Master Trust Survey Results to 31 December 2005

Investment Returns

The rolling average 12-month returns to the end of the December quarter dropped slightly on those reported in our last survey but continued the solid progress seen during the year. Diversified growth funds returned 11.5% p.a., balanced funds 9.9% and conservative funds returned 5.3%, compared to the single sector aggressive and conservative funds which returned 14.6% and 4.6% respectively. The average 12-month return across all funds of 9.4% p.a. gave a 6.2% real rate of return to finish off a good year for the investment markets.

These returns compare well with the average 3-year returns of 10.3%, 9.0%, 4.7%, 13.1% and 3.9% for the growth, balanced, conservative, single sector aggressive and single sector defensive funds respectively.

The total funds surveyed also increased by 5.4% to \$3.1 billion, which marks the first time that the \$3 billion mark has been exceeded.

Regular readers of the survey will note that the defensive and aggressive single sector funds are now reported in their own categories to clearly distinguish them from the diversified conservative and growth funds.

We have also reviewed the funds shown on the summarised (mailed out) version of the report. This version shows about one-third of the funds surveyed. Recipients of the mailed out report wishing to receive an emailed report showing all funds surveyed should email us on auckland@eriksensglobal.com.

Following the recent outsourcing of the Tower Enterprise Plan to Jacques Martin, Tower have now announced the outsourcing of some of the servicing of TEP's customers to Willis, who are international brokers. This is not an exclusive arrangement. Willis's staff include several long-standing ex-Tower employees who have existing relationships with Tower's customers.

Economic Commentary

With expectations that the New Zealand economy will slow this year, the exchange rate is likely to have a major effect irrespective of whether it rises or falls. The high exchange rate is currently benefiting importers by reducing the price of imports, especially oil, but hampering exporters by reducing export receipts (as seen in the spate of lay-offs amongst exporting companies earlier this year).

A falling NZ dollar would be welcomed by exporters, but would be painful to motorists who would see fuel prices rise sharply, and higher domestic inflation.

Although the Government has canvassed the possibilities for it to intervene more directly in managing the exchange rate, there is little it can do and the best it can expect is a steady fall which would not disrupt the domestic economy too much.

While there will continue to be short-term fluctuations, we expect the international price of oil to trend upwards from its present level in the mid USD60 range, driven by increased demand (or fear of shortages) in the face of relatively small increases in supply. An aggravating factor is instability within some of the major supplying countries including Iraq, Iran, Nigeria and Venezuela, together with Russia's use of disruptions to oil and gas supplies as a political weapon. Some analysts have pointed to the potential for new sources of supply (such as the Canadian oil sands) to become available, however these will take time to develop, and will only be economic for as long as prices are high (which is why they have yet to be developed).

The U.S. current account deficit continues to rise in defiance of the continued bearish predictions by some commentators. A paradox long debated by economists relates to how America is able to earn more from its foreign investments than it pays to service its own debt, when the amount it owes is so much higher. Some have suggested it gets a higher return on its equity investments than it pays on treasury bonds, while others question whether the deficit is as big as it is said to be.

NZ Superannuation Commentary

With the new Government having settled into the new year, we can expect to see some progress on the superannuation related issues already underway. KiwiSaver is due to start on 1 April 2007, and the enabling legislation is expected to be introduced shortly. The restructuring of tax on investment income is also to be considered this year and needs to be implemented before KiwiSaver.

There has also been recent comment from Government figures on the escalating use made of salary sacrifice by high income individuals, and the possibility of legislation to tighten up on this. In our opinion anything which encourages superannuation savings should be retained, if there is to be any change it should be for the Government to restrict access to salary sacrificed contributions prior to retirement.

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Fund Name	Fund Size	Annual Returns (Net of Tax & Expenses)					No. of Employers
		1 Year	2 Year	3 Year	4 Year	5 Year	
Growth Funds							
AMP High Equity	157.2	13.30	11.70	12.50	3.70	2.20	594
AMP Lifesteps Establishment	2.7	13.20	11.40	12.30	3.60	2.10	152
AXA SMT Multi-Mgr High Growth	65.3	12.60	10.60	10.40	2.40	1.70	
AMP Lifesteps Growth	6.3	11.90	10.40	11.10	3.60	2.40	179
Mercer Growth	75.1	11.90	8.70	9.00	3.60	2.60	
ASB SMT Growth	30.4	11.80	10.80	11.60	3.90	2.30	
GRT Individual Retirement Plan Growth	20.3	11.10	9.70	10.60	4.00	3.00	
Tower Growth	4.4	10.70	9.10	10.40	3.30	2.90	285
Jacques Martin Growth Fund	51.5	10.40	9.30	10.20	2.50	1.00	250
Sovereign ESP Special Values	1.4	9.80	8.10	7.80	2.70	2.10	
Sovereign SERP Sovereign Dynamic Growth	2.9	9.80	7.90	7.70	1.80		
WestpacTrust Dynamic	134.1	9.40	8.30	8.50	1.40	-0.30	60
Sovereign SERP Growth	4.2	9.30	6.60	6.50	0.90	0.30	
Tower BNZ Dynamic Growth	7.8	8.40	7.70	6.10	0.70	0.60	285
All Growth Funds	563.6	11.50	9.90	10.30	2.80	1.50	

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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	
Balanced Funds							
ING SIL Balanced	281.6	11.90	12.00	11.30	6.50	4.70	15
Asteron Managed Fund	46.6	11.90	10.20	10.30	6.40	5.30	
Tower BT Managed Growth	30.5	11.70	9.90	11.30	6.10	5.10	285
Tower ING SIL Balanced Fund	4.8	11.20	11.90	11.40	6.60	4.90	285
Mercer Active Balanced	43.8	11.00	9.20	10.10	5.10	4.00	
AMP ING Balanced	67.6	10.90	10.70	10.20	5.70	4.20	503
Aventine Superlife Aim60	134.7	10.60	8.50	9.30	3.30	2.50	107
AMP Lifesteps Progression	7.8	10.40	9.20	9.80	3.60	2.50	168
ASB SMT Balanced	65.0	9.90	9.10	9.60	3.90	2.80	
AXA SMT Multi-Mgr Balanced	188.6	9.90	8.60	8.30	3.00	2.50	
AMP BT	64.9	9.60	8.50	8.10	3.90	3.30	421
Jacques Martin Balanced	84.3	9.60	8.30	8.60	4.00	3.20	250
AMP Lifesteps Consolidation	7.4	9.40	8.20	8.60	3.60	2.80	109
AMP Balanced	307.7	9.40	8.10	8.30	2.90	2.30	635
AMP ASB Balanced	8.8	9.30	8.30	8.40	3.30	2.40	275
Tower ANZFM Balanced	4.2	9.20	8.90	9.10	5.00		285
GRT Individual Retirement Plan Balanced	33.8	8.80	7.90	8.40	4.10	3.30	
Jacques Martin Asset Growth	16.6	8.80	8.10	7.70	3.60	3.40	250
Sovereign SERP Sovereign Managed Growth	4.7	8.70	7.90	7.50	3.30		
AMP Tower Balanced	54.6	8.40	7.60	7.70	4.40	4.00	455
Sovereign ESP Balanced Growth	6.4	8.20	7.50	7.40	3.70	3.40	
Sovereign SERP Balanced	16.9	8.20	6.10	5.60	3.10	2.70	
Tower Balanced	145.5	8.10	8.10	8.20	4.80	4.40	295
WestpacTrust Balanced	166.1	7.90	7.10	7.70	2.30	0.90	60
Tower BNZ Balanced Growth	7.2	7.20	6.60	6.00	1.60	1.60	285
All Balanced Funds	1,800.3	9.90	8.90	9.00	4.10	3.20	

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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							
Mercer Conservative	32.6	8.40	6.60	6.60	4.80	4.40	
ASB SMT Conservative	13.3	8.10	7.50	7.70	4.80	4.60	
AMP Lifesteps Stability	6.4	7.80	7.00	7.20	3.50	2.90	82
Jacques Martin Capital Stable	29.8	6.60	5.70	5.80	3.50	2.90	250
AXA SMT Multi-Mgr Conservative	80.4	6.50	6.00	5.50	3.70	3.60	
AMP Capital Stable	49.4	6.50	5.80	5.90	3.50	3.10	333
AMP Lifesteps Maturity	0.8	6.40	5.70	5.90	3.40	3.00	21
GRT Individual Retirement Plan Stable	9.5	6.40	6.00	6.20	4.20	3.80	
Sovereign SERP Sovereign Conservative	1.6	6.30	5.60	5.10	3.60		
Sovereign ESP Conservative	0.9	5.40	5.00	5.20	4.00	3.90	
Sovereign SERP Conservative	1.9	5.30	4.00	3.80	2.60	2.40	
AXA SMT Cash	30.9	4.60	4.40	4.00	3.90	4.00	
Jacques Martin Cash Management	14.4	4.50	4.30	4.20	4.40	4.30	250
Asteron Deposit Fund	18.1	4.50	4.10	4.30	4.30	4.30	
Tower BNZ Capital Enhanced	6.3	4.40	4.00	3.80	2.10	2.00	285
Tower Capital Preservation	43.5	3.90	3.40	3.10	2.90	3.40	285
WestpacTrust Accumulation	38.4	3.90	3.60	3.50	3.40	3.50	60
AMP Capital Assured	125.8	3.80	3.60	3.70	3.90	4.20	406
All Conservative Funds	503.9	5.30	4.80	4.70	3.80	3.70	

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Single Sector Aggressive							
Tower BT International Shares	6.4	22.80	16.60	14.90	4.30	0.90	285
Aventine Superlife O'seas Shares Hedged	17.7	18.00	12.30	15.10	3.40	-0.30	
Tower Focus International Shares	27.2	16.30	13.10	14.50	5.60	3.00	288
Aventine Superlife Property	4.2	16.20	17.50	14.00	11.40	9.50	
Mercer Shares	15.4	15.50	11.70	12.00	3.30	1.80	
Aventine Superlife O'seas Shares Unhedged	23.0	15.30	8.70	7.60	-5.60	-6.20	
Sovereign ESP International Equities	1.0	12.10	7.50	6.70	0.20	-1.10	
Tower Focus NZ Shares	13.7	9.00	12.90	14.70	10.70	10.70	289
Aventine Superlife NZ Shares	18.0	8.20	12.30	15.50	10.90	11.70	
Sovereign ESP Australasian Equities	0.3	8.20	13.70	15.10	8.50	10.10	
All Single Sector Aggressive	126.9	14.60	12.20	13.10	4.40	2.90	

Fund Name	Fund Size \$ million	Annual Returns (Net of Tax & Expenses)					No. of Employers
		1 Year	2 Year	3 Year	4 Year	5 Year	
Single Sector Defensive							
Aventine Superlife Overseas Govt Bonds	9.0	5.20	5.30	4.80	5.50	5.40	
Aventine Superlife NZ Bonds	20.5	4.80	4.20	4.10	4.50	4.30	
Aventine Superlife Cash	37.9	4.70	4.50	4.20	4.10	4.20	
Aventine Superlife Overseas Non Govt Bonds	4.2	4.70	5.00				
Mercer Cash	15.6	4.60	4.40	3.80	3.80	3.80	
Tower Focus Cash	8.5	4.30	4.00	3.70	3.60	3.60	291
Sovereign SERP Cash	2.6	4.10	4.10	3.70	3.50		
Sovereign ESP Global Fixed Interest	0.2	3.90	4.30	4.10	4.50	4.40	
Tower Focus Fixed Income	9.9	3.90	3.70	3.70	3.90	3.70	289
All Single Sector Defensive	108.4	4.60	4.40	3.90	4.00	4.00	
Total Funds	3,103.0	9.40	8.40	8.50	3.80	3.00	
Cash Benchmark (Net)		4.70	4.40	4.20	4.10	4.00	
CPI		3.20	2.90	2.50	2.50	2.40	

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