

## Master Trust Survey Results to 31 March 2006

### Investment Returns

With the fall in the NZ dollar, unhedged international equities performed exceptionally well during the quarter, resulting in spectacular returns for many of the funds we survey. Over the rolling 12 months to 31 March diversified growth funds returned 20.8% (11.5%), balanced funds 16.4% (9.9%) and conservative funds returned 6.8% (5.3%), respectively to give an overall average 12-month return across all funds of 15.9% (9.4%) p.a. These average returns are significantly above the corresponding returns for the previous quarter (shown in brackets above) and illustrate the influence that international currency markets can have.

In asking employees to defer current consumption for future income, it is important that a reasonable rate of interest is earned on their retirement savings. Over the longer term we feel that balanced funds offer the best mix of capital protection with a reasonable return. We were therefore interested by the following table, which shows the proportion of the funds surveyed by risk category at 31 March for each of the last five years. It can be seen that, while 58% of the funds surveyed remain in balanced funds, it has dropped from 68% five years ago, with a consequent rise in amounts invested in both conservative and growth funds.

|      | Conservative | Balanced | Growth |
|------|--------------|----------|--------|
| 2002 | 12.6%        | 68.2%    | 19.2%  |
| 2003 | 17.2%        | 63.1%    | 19.7%  |
| 2004 | 18.7%        | 60.8%    | 20.5%  |
| 2005 | 20.0%        | 58.0%    | 22.0%  |
| 2006 | 19.0%        | 58.1%    | 22.9%  |

### Economic Commentary

The expected fall of the NZ dollar against the US dollar has brought some relief to exporters, but is increasing domestic inflation. Retail fuel prices have been driven up both by the falling dollar and rising international crude prices, and are now at historic highs. The New Zealand economy is slowing rapidly with the number of job adverts falling steadily over the last five months. Nevertheless, consumer spending and business confidence is holding up. A similar picture is apparent in the U.S. where consumers are still spending more than they are earning.

In our view, Dr Bollard is doing an excellent job of managing the New Zealand economy. At the last OCR review, Dr Bollard kept the rate at 7.25% while warning that inflation may remain above 3% for some time. He rightly realises that the risk of a hard landing is more important to the economy than an inflation rate of 3.5%, (just over the Reserve Bank Act's 0%-3% inflation target).

Last quarter saw spectacular investment returns, primarily in equities, which achieved in three months the returns which investors would normally expect in a good year. The New Zealand stock market did 9.9% for the quarter, the Australian stock market 9.0% and the MSCI global equity market (unhedged to NZ\$) a sensational 18.9%! The latter result combined a 6.2% return in local currencies with the 10.5% drop in the NZ\$ against the US\$ over the quarter. The MSCI return for a fully hedged New Zealand investor was only 7.4%, showing the effect of the changing exchange rates over the period.

Stock markets were not the only things that went up. During the quarter the price of gold in US\$ increased by 14.8%. The highest price of gold ever was US\$850/oz over 25 years ago. That record appears to be under threat!

### NZ Superannuation Commentary

The deadline has now passed for the public to make submissions on the KiwiSaver bill. It will be interesting to see what the Select Committee makes of the responses.

Eriksens support the KiwiSaver Bill because we believe that workplace saving for retirement is the best way to provide an adequate retirement income over and above New Zealand Superannuation. A cash accumulation scheme which makes payroll deductions at source, is a relatively painless way to save. We would however favour employer participation as an additional incentive for the employee to participate.

In our opinion the 4% minimum employee contribution rate is too high. We feel that the minimum total contribution rate (supported by employers and other third parties if necessary) should be 3% or 6%, rather than 4% and 8%. Perhaps the employee could contribute 2% of that 3% with the employer or another third party topping it up to 3% or higher.

The other major legislation confronting the savings and investment industry is the proposed tax changes to Collective Investment Vehicles (CIV's) such as superannuation funds and unit trusts. Removing the tax on capital gains for domestic and Australian equities is a positive move as is the proposal to cap the maximum tax rate at 33% for such vehicles.

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## Eriksen's Master Trust Survey Results to 31 March 2006

| Fund Name                               | Fund Size    | Annual Returns (Net of Tax & Expenses) |              |              |             |             | No. of Employers |     |
|---|--------------|--|--------------|--------------|-------------|-------------|------------------|-----|
|   |              | 1 Year                                 | 2 Year       | 3 Year       | 4 Year      | 5 Year      |                  |     |
| <b>Growth Funds</b>                     |              |  |              |              |             |             |                  |     |
| AXA SMT Multi-Mgr High Growth           | 75.8         | 23.50                                  | 14.30        | 15.00        | 5.30        | 3.60        | 326              |     |
| AMP Lifesteps Establishment             | 3.5          | 23.00                                  | 14.70        | 16.80        | 6.40        | 4.10        |                  |     |
| AMP High Equity                         | 171.6        | 22.60                                  | 14.90        | 17.00        | 6.50        | 4.20        |                  |     |
| Tower Growth                            | 5.1          | 21.50                                  | 13.00        | 14.80        | 5.90        | 4.60        |                  |     |
| ASB SMT Growth                          | 37.3         | 21.40                                  | 13.80        | 15.50        | 6.40        | 4.80        |                  |     |
| AMP Lifesteps Growth                    | 7.8          | 20.30                                  | 13.20        | 14.90        | 6.10        | 4.10        |                  |     |
| WestpacTrust Dynamic                    | 144.9        | 19.20                                  | 12.30        | 14.00        | 4.30        | 2.30        |                  |     |
| Mercer Growth                           | 55.6         | 19.10                                  | 11.20        | 12.10        | 5.30        | 4.20        |                  |     |
| Tower BNZ Dynamic Growth                | 8.6          | 19.10                                  | 11.30        | 10.10        | 3.40        | 2.20        |                  | 314 |
| Jacques Martin Growth Fund              | 55.9         | 18.40                                  | 11.90        | 13.50        | 4.80        | 2.90        |                  | 251 |
| Sovereign SERP Growth                   | 4.7          | 17.30                                  | 9.60         | 9.80         | 3.10        | 1.90        |                  |     |
| Sovereign ESP Special Values            | 1.5          | 17.10                                  | 11.40        | 11.70        | 4.50        | 4.30        |                  |     |
| Sovereign SERP Sovereign Dynamic Growth | 3.3          | 16.50                                  | 11.10        | 11.40        | 3.80        | 3.80        |                  |     |
| <b>All Growth Funds</b>                 | <b>575.5</b> | <b>20.80</b>                           | <b>13.30</b> | <b>14.80</b> | <b>5.40</b> | <b>3.50</b> |                  |     |

## Eriksen's Master Trust Survey Results to 31 March 2006

| Fund Name                               | Fund Size<br>\$ million | Annual Returns (Net of Tax & Expenses) |              |              |             |             | No. of<br>Employers |
|---|-------------------------|--|--------------|--------------|-------------|-------------|---------------------|
|   |                         | 1 Year                                 | 2 Year       | 3 Year       | 4 Year      | 5 Year      |                     |
| <b>Balanced Funds</b>                   |                         |  |              |              |             |             |                     |
| ING SIL Balanced                        | 295.0                   | 19.10                                  | 14.50        | 15.20        | 8.50        | 6.70        | 15                  |
| Tower ING SIL Balanced Fund             | 5.2                     | 18.30                                  | 14.30        | 15.30        | 8.70        | 6.90        | 314                 |
| Aventine's SuperLife Aim60              | 210.8                   | 17.60                                  | 10.90        | 12.90        | 5.10        | 4.00        | 117                 |
| AMP ING Balanced                        | 73.8                    | 17.60                                  | 13.00        | 13.50        | 7.60        | 6.20        |                     |
| AMP Lifesteps Progression               | 9.5                     | 17.30                                  | 11.30        | 12.70        | 5.60        | 3.90        |                     |
| ASB SMT Balanced                        | 76.7                    | 16.90                                  | 11.10        | 12.40        | 5.80        | 4.50        |                     |
| Mercer Active Balanced                  | 16.7                    | 16.70                                  | 10.90        | 12.50        | 6.50        | 5.30        |                     |
| AXA SMT Multi-Mgr Balanced              | 209.4                   | 16.60                                  | 10.90        | 11.10        | 4.90        | 3.80        |                     |
| WestpacTrust Balanced                   | 174.0                   | 16.50                                  | 10.50        | 12.30        | 4.90        | 3.00        |                     |
| Tower BT Managed Growth                 | 32.5                    | 16.40                                  | 12.80        | 15.10        | 8.10        | 6.70        | 314                 |
| AMP BT                                  | 70.3                    | 16.30                                  | 10.80        | 11.10        | 5.80        | 4.60        |                     |
| AMP ASB Balanced                        | 9.5                     | 15.90                                  | 9.80         | 11.00        | 4.70        | 4.10        |                     |
| AMP Balanced                            | 325.4                   | 15.10                                  | 9.90         | 11.00        | 4.80        | 3.30        |                     |
| Jacques Martin Balanced                 | 90.0                    | 15.10                                  | 10.10        | 10.70        | 5.50        | 4.30        | 251                 |
| AMP Lifesteps Consolidation             | 8.5                     | 14.80                                  | 10.20        | 11.20        | 5.50        | 4.00        |                     |
| Tower Balanced                          | 153.6                   | 14.80                                  | 10.60        | 10.90        | 6.40        | 5.80        | 326                 |
| Sovereign SERP Balanced                 | 18.4                    | 14.50                                  | 8.50         | 7.70         | 4.80        | 3.90        |                     |
| Tower ANZFM Balanced                    | 4.5                     | 14.30                                  | 10.30        | 11.40        | 6.20        |             | 314                 |
| Tower BNZ Balanced Growth               | 7.8                     | 14.20                                  | 8.90         | 8.60         | 3.60        | 2.60        | 314                 |
| Asteron Managed Fund                    | 48.2                    | 14.20                                  | 11.70        | 12.50        | 7.90        | 6.40        |                     |
| Sovereign ESP Balanced Growth           | 6.1                     | 13.50                                  | 9.80         | 10.10        | 5.10        | 5.00        |                     |
| Sovereign SERP Sovereign Managed Growth | 5.3                     | 13.30                                  | 9.90         | 10.10        | 4.80        | 4.90        |                     |
| AMP Tower Balanced                      | 58.5                    | 13.20                                  | 9.60         | 9.90         | 5.60        | 5.00        |                     |
| Jacques Martin Asset Growth             | 17.9                    | 12.30                                  | 9.50         | 10.00        | 4.80        | 4.60        | 251                 |
| <b>All Balanced Funds</b>               | <b>1,927.5</b>          | <b>16.40</b>                           | <b>11.20</b> | <b>12.20</b> | <b>6.00</b> | <b>4.60</b> |                     |

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| Fund Name                             | Fund Size<br>\$ million | Annual Returns (Net of Tax & Expenses) |             |             |             |             | No. of<br>Employers |
|---------------------------------------|-------------------------|--|-------------|-------------|-------------|-------------|---------------------|
|                                       |                         | 1 Year                                 | 2 Year      | 3 Year      | 4 Year      | 5 Year      |                     |
| <b>Conservative Funds</b>             |                         |  |             |             |             |             |                     |
| ASB SMT Conservative                  | 15.6                    | 12.60                                  | 8.50        | 9.40        | 5.80        | 5.80        |                     |
| AMP Lifesteps Stability               | 8.0                     | 12.00                                  | 8.10        | 8.90        | 4.80        | 3.70        |                     |
| Mercer Conservative                   | 26.7                    | 10.90                                  | 7.50        | 7.60        | 5.50        | 5.00        |                     |
| AMP Lifesteps Maturity                | 1.0                     | 9.30                                   | 6.60        | 7.10        | 4.40        | 3.60        |                     |
| AMP Capital Stable                    | 51.9                    | 9.20                                   | 6.70        | 7.20        | 4.70        | 3.80        |                     |
| Jacques Martin Capital Stable         | 31.1                    | 9.10                                   | 6.40        | 6.40        | 4.30        | 3.40        | 251                 |
| AXA SMT Multi-Mgr Conservative        | 84.8                    | 8.90                                   | 6.70        | 6.40        | 4.50        | 3.90        |                     |
| Sovereign SERP Conservative           | 2.1                     | 8.40                                   | 5.20        | 4.90        | 3.50        | 2.90        |                     |
| Sovereign SERP Sovereign Conservative | 1.7                     | 7.90                                   | 6.40        | 6.00        | 4.20        | 4.10        |                     |
| Sovereign ESP Conservative            | 1.0                     | 7.40                                   | 5.90        | 6.10        | 4.60        | 4.50        |                     |
| Asteron Deposit Fund                  | 17.9                    | 4.60                                   | 4.30        | 4.30        | 4.40        | 4.30        |                     |
| Tower BNZ Capital Enhanced            | 6.3                     | 4.50                                   | 4.20        | 3.80        | 2.60        | 2.10        | 314                 |
| WestpacTrust Accumulation             | 36.7                    | 4.30                                   | 3.70        | 3.60        | 3.50        | 3.50        |                     |
| Tower Capital Preservation            | 43.3                    | 4.30                                   | 3.70        | 3.30        | 3.10        | 3.30        | 326                 |
| AMP Capital Assured                   | 123.9                   | 3.80                                   | 3.50        | 3.50        | 3.80        | 4.00        |                     |
| <b>All Conservative Funds</b>         | <b>452.0</b>            | <b>6.80</b>                            | <b>5.30</b> | <b>5.30</b> | <b>4.20</b> | <b>3.90</b> |                     |

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| Fund Name                                  | Fund Size<br>\$ million | Annual Returns (Net of Tax & Expenses) |              |              |             |             | No. of<br>Employers |
|--|-------------------------|--|--------------|--------------|-------------|-------------|---------------------|
|  |                         | 1 Year                                 | 2 Year       | 3 Year       | 4 Year      | 5 Year      |                     |
| <b>Single Sector Aggressive</b>            |                         |  |              |              |             |             |                     |
| Aventine's SuperLife Oseas Shares Unhedged | 47.6                    | 34.80                                  | 16.10        | 17.10        | -0.90       | -2.60       |                     |
| Tower Focus International Shares           | 30.5                    | 33.50                                  | 19.00        | 21.00        | 8.60        | 7.60        | 326                 |
| Tower BT International Shares              | 7.6                     | 30.40                                  | 24.80        | 23.50        | 8.50        | 5.50        | 314                 |
| Mercer Shares                              | 17.0                    | 26.90                                  | 15.90        | 16.90        | 6.00        | 4.20        |                     |
| Aventine's SuperLife Property              | 9.1                     | 25.30                                  | 22.50        | 17.60        | 13.70       | 12.50       |                     |
| Aventine's SuperLife Oseas Shares Hedged   | 30.7                    | 24.60                                  | 15.20        | 20.30        | 4.90        | 3.40        |                     |
| Sovereign ESP International Equities       | 1.0                     | 21.50                                  | 11.60        | 11.80        | 2.20        | 1.80        |                     |
| Aventine's SuperLife NZ Shares             | 27.8                    | 19.00                                  | 14.60        | 19.30        | 12.60       | 11.10       |                     |
| Sovereign ESP Australasian Equities        | 0.3                     | 17.30                                  | 18.60        | 19.40        | 11.70       | 12.20       |                     |
| Tower Focus NZ Shares                      | 14.5                    | 16.80                                  | 15.00        | 17.70        | 12.50       | 11.40       | 326                 |
| <b>All Single Sector Aggressive</b>        | <b>186.1</b>            | <b>27.70</b>                           | <b>16.70</b> | <b>18.90</b> | <b>6.40</b> | <b>4.90</b> |                     |

| Fund Name                                    | Fund Size<br>\$ million | Annual Returns (Net of Tax & Expenses) |              |              |             |             | No. of<br>Employers |
|--|-------------------------|--|--------------|--------------|-------------|-------------|---------------------|
|  |                         | 1 Year                                 | 2 Year       | 3 Year       | 4 Year      | 5 Year      |                     |
| <b>Single Sector Defensive</b>               |                         |  |              |              |             |             |                     |
| Aventine's SuperLife NZ Bonds                | 28.2                    | 5.70                                   | 4.20         | 4.20         | 4.80        | 4.30        |                     |
| Sovereign SERP Cash                          | 2.7                     | 5.60                                   | 4.50         | 4.00         | 3.70        |             |                     |
| Aventine's SuperLife Cash                    | 42.5                    | 4.90                                   | 4.70         | 4.30         | 4.20        | 4.10        |                     |
| AXA SMT Cash                                 | 32.1                    | 4.70                                   | 4.40         | 4.10         | 4.00        | 4.00        |                     |
| Mercer Cash                                  | 12.6                    | 4.70                                   | 4.50         | 3.90         | 3.90        | 3.90        |                     |
| Tower Focus Fixed Income                     | 10.2                    | 4.70                                   | 3.80         | 3.70         | 4.20        | 3.60        | 326                 |
| Tower Focus Cash                             | 8.7                     | 4.50                                   | 4.20         | 3.90         | 3.70        | 3.60        | 326                 |
| Jacques Martin Cash Management               | 14.3                    | 4.30                                   | 4.20         | 3.40         | 4.40        | 4.20        | 251                 |
| Sovereign ESP Global Fixed Interest          | 0.2                     | 3.50                                   | 3.50         | 3.70         | 4.50        | 4.10        |                     |
| Aventine's SuperLife Overseas Govt Bonds     | 15.0                    | 3.40                                   | 4.10         | 4.10         | 5.40        | 5.00        |                     |
| Aventine's SuperLife Overseas Non Govt Bonds | 9.8                     | 2.50                                   | 3.40         |              |             |             |                     |
| <b>All Single Sector Defensive</b>           | <b>176.3</b>            | <b>4.60</b>                            | <b>4.30</b>  | <b>3.80</b>  | <b>4.10</b> | <b>3.90</b> |                     |
| <b>Total Funds</b>                           | <b>3,317.5</b>          | <b>15.90</b>                           | <b>10.70</b> | <b>11.60</b> | <b>5.50</b> | <b>4.30</b> |                     |
| <b>Cash Benchmark (Net)</b>                  |                         | <b>4.90</b>                            | <b>4.60</b>  | <b>4.30</b>  | <b>4.20</b> | <b>4.10</b> |                     |
| <b>CPI</b>                                   |                         | <b>3.30</b>                            | <b>3.10</b>  | <b>2.60</b>  | <b>2.50</b> | <b>2.60</b> |                     |

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