

## Master Trust Survey Results to 30 June 2006

### Investment Returns

With the rising price of fuel and other costs, inflation rose to 4% p.a. in the June quarter. However growth and balanced master trust funds still managed to earn a comfortable real return, although conservative funds were starting to get close to the interest rate for cash of 4.9%.

Over the rolling 12 months to 30 June, diversified growth funds returned 16.1% (20.8%) balanced funds 12.3% (16.4%) and conservative funds returned 5.9% (6.8%). The overall average 12-month return across all funds was 12.3% (15.9%) p.a. While below the returns for the previous quarter (shown in brackets above), they are still well above those from the end of last year.

### Economic Commentary

The New Zealand economy has been slowing recently as higher fuel prices and a lower dollar take effect. In May, global equity markets reduced sharply, although most of the major markets rose significantly towards the end of June. At the same time, central banks around the world have tended to continue raising interest rates.

With inflation and interest rates likely to stay high in the short to medium term, we suspect that investors may have to get used to lower returns as the global economy slows.

The OCR is expected to stay around 7.25% into at least the first half of 2007. Any drop before that is now unlikely unless inflation falls substantially below its current level of 4% for unforeseen reasons. Home mortgage rates however might rise as overseas rate rises push wholesale rates up. That would help Dr. Bollard do his job of controlling inflation without directly increasing the OCR.

The basic rule of investment is to diversify. Don't put all your eggs in one basket. The accepted strategy is to invest in a range of different asset types with the intention of reducing the risk of losses thus improving the expected rate of return.

The traditional asset classes are becoming more correlated as international investors and their investment managers use sophisticated strategies and better market information. Furthermore, most of the developed countries central banks are tending to act in a more synchronized fashion. The level of correlation between global equity and bond markets has increased significantly over the last 10-15 years as equity investors have become more savvy of central bankers' philosophies and desire to control inflation and better understand how to react to the monetary policy tools the bankers have to work with. This suggests that a better way to diversify at present is to move into alternative asset classes.

Sales of second-hand imported cars have dropped significantly as running costs and interest rates rise and consumer credit becomes less accessible for low-income buyers. As the used car sector slows down, we expect a number of small dealers to close and sales of smaller, fuel-efficient vehicles to increase. Given that many of the imports in recent years have been large, fuel-hungry 4-wheel drive vehicles, we also expect the scrappage rate of these to increase as the high running costs and low residual values make them unattractive to owners.

Consumer credit has been hit by the recent failure of two companies lending to used-car buyers with a third now in financial difficulties. A result has been the drying up of investor funds to finance companies as investors finally realise the risks associated with their debentures. Related sectors we expect to see slow down include recreational activities that require petrol. These include domestic tourism (as travel costs encourage New Zealanders to stay home) and recreational fishing/power-boating. As more people stay home, we expect to see consumer electronic (e.g. home theatre) sales rise as falling manufacturing prices for high tech products offset the lower Kiwi dollar.

### KiwiSaver

New Zealand business is now readying itself for the expected introduction of KiwiSaver next year, with the legislation expected to be passed around October 2006. The IRD is now holding public seminars to introduce its role and processing requirements to employers.

While KiwiSaver seems to have broad support from interested parties, there is still opposition from groups such as the CTU and the Maori Party, which speak on behalf of low-income earners, although this is not expected to affect the passing of the KiwiSaver Bill.

Of more concern is the fact that the Government's proposed tax changes to PIE's (portfolio investment entities) and the offshore investment regime are very contentious. Both sets of legislation need to be passed in tandem because the tax regime KiwiSaver funds are subject to will obviously affect their investment performance and thus likely attractiveness.

The time frame is already tight so the next three months or so are crucial to the legislative process.

### Contact us at:

Auckland [auckland@eriksensglobal.com](mailto:auckland@eriksensglobal.com) Ph 64 9 486 3144  
Wellington [wellington@eriksensglobal.com](mailto:wellington@eriksensglobal.com) Ph 64 4 470 6144  
Sydney [sydney@eriksensglobal.com](mailto:sydney@eriksensglobal.com) Ph 61 2 9223 3747  
AFSL 254364

Back issues are available from [www.eriksensglobal.com](http://www.eriksensglobal.com)  
(c) Eriksen & Associates Ltd, 2006 All rights reserved

## Eriksen's Master Trust Survey Results to 30 June 2006

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>							
AMP Lifesteps Establishment	3.9	18.10	12.50	13.50	8.80	3.20	171
AXA SMT Multi-Mgr High Growth	78.5	17.80	12.40	12.00	7.40	3.20	
AMP High Equity	169.4	17.70	12.60	13.70	8.90	3.30	599
Tower BNZ Dynamic Growth	8.8	17.20	10.70	9.40	5.80	2.20	306
Tower Growth	5.1	17.10	11.40	11.80	7.70	4.30	306
ASB SMT Growth	40.2	16.10	11.50	12.00	8.30	4.20	
AMP Lifesteps Growth	9.0	15.90	11.40	12.20	8.10	3.30	201
WestpacTrust Dynamic	139.8	14.90	11.50	10.70	6.70	2.30	60
Jacques Martin Growth Fund	53.7	14.80	10.90	10.50	7.00	2.30	253
Mercer Growth	82.9	14.00	9.60	9.40	6.70	3.80	65
Sovereign ESP Special Values	1.5	13.50	10.20	9.10	5.90	3.10	
Sovereign SERP Growth	5.0	13.00	7.50	7.60	4.80	1.40	
Sovereign SERP Sovereign Dynamic Growth	3.4	12.90	9.80	9.10	5.30	2.70	
<b>All Growth Funds</b>	<b>601.1</b>	<b>16.10</b>	<b>11.50</b>	<b>11.60</b>	<b>7.50</b>	<b>3.00</b>	

## Eriksen's Master Trust Survey Results to 30 June 2006

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	303.3	14.80	12.80	12.60	9.30	6.60	15
Tower ING SIL Balanced Fund	5.3	14.70	12.60	12.70	9.50	6.80	306
AMP Lifesteps Progression	10.6	13.70	10.00	10.40	7.20	3.30	181
AMP ING Balanced	77.5	13.40	11.10	11.60	8.40	5.60	505
Tower BT Managed Growth	16.9	13.10	12.70	12.80	9.30	6.40	306
WestpacTrust Balanced	171.2	12.90	10.00	9.30	6.60	3.10	60
Aventine's SuperLife Aim60	255.1	12.90	9.50	9.50	6.60	3.40	118
ASB SMT Balanced	87.5	12.60	9.70	9.80	7.10	3.90	
AXA SMT Multi-Mgr Balanced	215.4	12.60	9.80	9.10	6.20	3.50	
AMP BT	79.7	12.40	10.00	9.00	6.50	4.20	425
Jacques Martin Balanced	90.5	12.30	9.70	8.90	6.60	4.10	253
Tower Balanced	135.6	12.20	9.70	9.10	7.00	5.40	306
AMP Balanced	318.0	12.00	8.80	9.10	6.20	2.80	627
AMP Lifesteps Consolidation	9.8	11.70	8.90	9.40	6.70	3.50	144
AMP ASB Balanced	9.5	11.70	8.50	8.60	6.10	3.10	286
AMP Tower Balanced	71.3	10.90	8.80	8.10	6.10	4.60	449
Sovereign SERP Balanced	19.7	10.90	7.80	6.30	5.40	3.70	
Tower ANZFM Balanced	4.5	10.70	9.50	9.10	7.10	4.80	306
Sovereign ESP Balanced Growth	6.0	10.70	9.10	8.20	6.00	4.10	
Tower BNZ Balanced Growth	8.0	10.30	7.70	7.40	5.10	2.30	306
Sovereign SERP Sovereign Managed Growth	5.4	9.90	9.00	8.30	5.80	4.20	
Asteron Managed Fund	46.7	9.20	10.30	9.80	8.20	5.90	
Jacques Martin Asset Growth	18.0	9.00	8.50	8.00	5.60	3.60	253
<b>All Balanced Funds</b>	<b>1,965.6</b>	<b>12.30</b>	<b>9.60</b>	<b>9.30</b>	<b>6.60</b>	<b>3.80</b>	

## Eriksen's Master Trust Survey Results to 30 June 2006

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>Conservative Funds</b>							
AMP Lifesteps Stability	8.8	9.60	7.60	7.60	5.60	3.30	98
ASB SMT Conservative	17.5	9.20	7.90	7.60	6.20	5.40	
Mercer Conservative	33.5	8.10	7.10	6.40	5.80	4.90	65
AMP Lifesteps Maturity	1.3	7.50	6.40	6.20	4.90	3.40	34
Jacques Martin Capital Stable	31.0	7.50	6.60	5.70	5.00	3.40	253
AMP Capital Stable	55.2	7.40	6.50	6.30	5.10	3.60	339
AXA SMT Multi-Mgr Conservative	88.7	6.90	6.50	5.60	4.80	3.90	
Sovereign SERP Conservative	2.2	6.60	4.90	4.10	3.80	2.80	
Sovereign ESP Conservative	1.1	6.50	6.00	5.40	4.90	4.30	
Sovereign SERP Sovereign Conservative	1.8	6.10	6.30	5.50	4.70	3.80	
Tower Capital Preservation	42.6	4.70	4.00	3.50	3.20	3.30	306
Asteron Deposit Fund	17.5	4.70	4.50	4.20	4.40	4.40	
Tower BNZ Capital Enhanced	5.3	4.60	4.40	4.00	3.40	2.10	306
AMP Capital Assured	122.0	3.90	3.50	3.50	3.70	4.00	408
WestpacTrust Accumulation	38.3	3.90	4.00	3.50	3.50	3.50	60
<b>All Conservative Funds</b>	<b>466.9</b>	<b>5.90</b>	<b>5.30</b>	<b>4.90</b>	<b>4.40</b>	<b>3.90</b>	

## Eriksen's Master Trust Survey Results to 30 June 2006

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>Single Sector Aggressive</b>							
Aventine's SuperLife O'seas Shares Unhedged	95.3	29.80	13.70	12.90	4.90	-3.30	
Tower Focus International Shares	28.2	27.60	16.80	16.30	10.20	6.50	306
Tower BT International Shares	7.8	25.90	24.20	19.80	11.10	4.90	306
Aventine's SuperLife Property	10.0	21.20	22.70	17.70	14.40	12.90	
Mercer Shares	17.7	19.60	12.70	12.80	8.20	3.60	65
Aventine's SuperLife O'seas Shares Hedged	30.4	17.80	12.30	13.80	8.40	2.00	
Sovereign ESP Australasian Equities	0.4	17.20	18.30	16.90	13.60	10.00	
Sovereign ESP International Equities	1.0	16.00	9.60	8.30	3.90	0.70	
Tower Focus NZ Shares	13.7	9.70	12.80	13.50	12.30	10.10	306
Aventine's SuperLife NZ Shares	26.2	6.80	11.10	13.40	10.50	10.00	
<b>All Single Sector Aggressive</b>	<b>230.7</b>	<b>22.80</b>	<b>14.20</b>	<b>13.90</b>	<b>8.00</b>	<b>2.50</b>	

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>Single Sector Defensive</b>							
Sovereign SERP Cash	2.7	5.20	4.70	4.10	3.90	3.70	
Aventine's SuperLife Cash	43.5	5.00	4.90	4.40	4.30	4.20	
Aventine's SuperLife NZ Bonds	25.0	4.90	4.90	3.50	4.60	4.60	
AXA SMT Cash	39.5	4.90	4.60	4.20	4.10	4.10	
Mercer Cash	16.7	4.60	4.60	4.00	3.90	3.90	65
Tower Focus Cash	8.6	4.60	4.30	4.00	3.80	3.70	306
Jacques Martin Cash Management	14.9	4.30	4.60	3.90	4.30	4.20	253
Tower Focus Fixed Income	10.1	3.60	4.00	3.20	4.00	4.00	306
Sovereign ESP Global Fixed Interest	0.2	1.90	4.00	3.50	4.20	4.30	
Aventine's SuperLife Overseas Govt Bonds	14.6	1.50	4.80	3.50	4.90	4.80	
Aventine's SuperLife Overseas Non Govt Bonds	10.1	0.60	4.10				
<b>All Single Sector Defensive</b>	<b>185.9</b>	<b>4.30</b>	<b>4.60</b>	<b>3.80</b>	<b>4.00</b>	<b>4.00</b>	
<b>Total Funds</b>	<b>3,450.2</b>	<b>12.30</b>	<b>9.40</b>	<b>9.10</b>	<b>6.40</b>	<b>3.60</b>	
<b>Cash Benchmark (Net)</b>		<b>4.90</b>	<b>4.70</b>	<b>4.40</b>	<b>4.20</b>	<b>4.10</b>	
<b>CPI</b>		<b>4.00</b>	<b>3.40</b>	<b>3.10</b>	<b>2.70</b>	<b>2.70</b>	

Contact us:

Auckland	<a href="mailto:auckland@eriksensglobal.com">auckland@eriksensglobal.com</a>	Ph +64 9 486 3144
Wellington	<a href="mailto:wellington@eriksensglobal.com">wellington@eriksensglobal.com</a>	Ph +64 4 470 6144
Sydney	<a href="mailto:sydney@eriksensglobal.com">sydney@eriksensglobal.com</a>	Ph +61 2 9223 3747

AFSL 254364

The material presented here has been compiled from publicly available sources and information from the respective Master Trust providers. Eriksen & Associates accepts no liability for any errors herein, or any legal or investment decisions made as a consequence of the information shown. Investment decisions or comparisons should not be based on past performances in isolation from other factors.