

Master Trust Survey Results to 31 December 2006

Investment Returns

The 12 months to 31 December 2006 provided diversified funds with good returns; growth funds returned 12.8% over the year, balanced funds returned 10.4% while conservative funds returned 5.6%.

The overall 12 month return across all of the funds surveyed was 10.2%. Also welcome was the fall in the CPI over the December quarter which reduced the rolling annual inflation rate to 2.6%, considerably lower than might have been expected earlier in the year.

Economic Commentary

Domestic inflation fell marginally at the end of the year due largely to a fall in petrol prices, caused by lower international prices and a higher New Zealand dollar. Retail sales meanwhile were slightly lower than expected. This suggests that the Reserve Bank will be able to keep interest rates much where they are, despite the continuing strength of the housing market.

The resources boom of recent years has created a dual economy in Australia. The East coast cities have struggled while the mining areas of Western Australia and Queensland have boomed. However prices of mineral commodities such as copper, nickel, gold and zinc have also fallen. There appear to be a number of reasons for the slowdown – the mild winter in the Eastern US reduced oil demand, the slowing US new house market reduced the need for copper, high prices have resulted in more efficient use of some metals, and fresh investment has resulted in new sources of supply.

In December 2006, China became the first country to reach the US\$1 trillion mark in foreign exchange reserves. Together China and other developing nations hold most of the world's foreign exchange reserves and are increasingly investing as they continue to grow. The gap in GDP growth between developing (7%) and developed countries (2.3%) shows no sign of closing – meaning that developing countries are likely to continue being attractive to investors.

Energy issues are becoming significant for the European Community.

On one hand they have the immediate issue of securing and maintaining sufficient fossil fuel supplies (especially natural gas) in an environment of high prices and producers flexing their political muscle. The other major issue is carbon dioxide emissions, with a stream of reports suggesting that Europe is particularly vulnerable to climate change, and that the long term effects could be far reaching. There is little doubt that Western Europe is warming – with the local newspapers regularly recording earlier springs, and the incursions of

warm climate birds, plants and fish ever northward, while glaciers recede further and winters get milder.

KiwiSaver

With less than six months to go until KiwiSaver is introduced, the local finance and superannuation industry is now working hard to be ready by 1 July. The Inland Revenue Department meanwhile is busy setting up and testing its systems, while at the same time continuing its information campaign to ensure that employers and the public understand what will be happening.

There were two significant announcements from the government regarding KiwiSaver in December. The first was the announcement that AMP, ASB, AXA, ING, Mercer and Tower will be the default KiwiSaver providers following a long evaluation process. Employees who are automatically enrolled in KiwiSaver, will be randomly allocated to a default KiwiSaver provider if neither they nor their employer has selected a provider. We congratulate the successful default providers on their appointment.

The other announcement concerned already established schemes. When the KiwiSaver legislation was passed into law in September there were concerns that the limited abatement of withholding tax on KiwiSaver employer contributions would cause members to abandon existing schemes (which did not then get the abatement) in favour of KiwiSaver – which would in turn cause the existing schemes to close.

As a result of this the government will now allow existing superannuation schemes a similar abatement (limited to 4% of the gross taxable income if matched by member contributions) so long as they meet certain conditions including the locking in of the relevant contributions until age 65. This concession only applies to complying schemes established by 1 July 2007. It is intended to help existing schemes only. New schemes will have to have a conventional KiwiSaver element to get the withholding tax concession in future.

Meanwhile investment managers are working to prepare their systems for the PIE tax changes which take effect on 1 October 2007.

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Eriksen's Master Trust Survey Results to 31 December 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	
Growth Funds							
AMP Lifesteps Establishment	5.7	15.50	14.30	12.80	13.10	5.90	175
AMP High Equity	187.4	15.00	14.10	13.00	13.30	6.00	605
Tower Growth	5.5	14.10	12.30	10.70	11.30	5.30	317
AMP Lifesteps Growth	13.5	13.60	12.70	11.60	11.80	5.60	221
ASB SMT Growth	55.7	13.20	12.50	11.60	12.00	5.70	
AXA SMT Multi-Mgr High Growth	90.5	12.10	12.40	11.10	10.80	4.30	
WestpacTrust Dynamic	139.8	12.10	10.70	9.50	9.40	3.50	60
Jacques Martin Growth Fund	55.8	11.80	11.10	10.10	10.60	4.30	250
Sovereign SERP Growth	5.8	10.60	9.90	7.90	7.50	2.70	
Tower BNZ Dynamic Growth	8.7	10.40	9.40	8.60	7.20	2.60	317
Mercer Growth	88.8	10.30	11.10	9.20	9.30	4.90	66
Sovereign SERP Sovereign Dynamic Growth	3.8	9.70	9.70	8.50	8.20	3.30	
Sovereign ESP Special Values	0.2	7.60	8.70	8.00	7.80	3.70	
All Growth Funds	661.2	12.80	12.20	11.00	11.00	4.80	

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	\$ million	1 Year	2 Year	3 Year	4 Year	5 Year	Employers
Balanced Funds							
Tower Balanced	124.1	12.10	10.10	9.40	9.20	6.20	317
AMP Lifesteps Progression	17.8	11.80	11.10	10.00	10.20	5.10	212
Aventine's SuperLife Aim60	300.2	11.20	10.90	9.40	9.70	4.90	128
AMP Tower Balanced	85.8	10.80	9.70	8.80	8.60	5.70	460
ASB SMT Balanced	118.6	10.80	10.30	9.60	9.90	5.30	
AMP Balanced	329.8	10.60	10.00	9.00	9.00	4.40	632
Tower BT Managed Growth	20.9	10.60	11.20	10.10	11.10	7.00	317
ING SIL Balanced	316.8	10.40	11.20	11.50	11.10	7.20	15
WestpacTrust Balanced	168.0	10.40	9.10	8.20	8.40	3.90	60
Jacques Martin Balanced	93.4	10.30	10.00	9.00	9.00	5.20	250
AMP Lifesteps Consolidation	18.9	10.00	9.60	9.00	9.10	5.00	167
AMP ASB Balanced	11.9	9.80	9.50	8.70	8.80	4.60	307
AMP ING Balanced	91.4	9.70	10.40	10.50	10.20	6.60	518
Tower ING SIL Balanced Fund	5.9	9.70	10.30	10.30	10.10	6.30	317
AMP BT	90.6	9.50	9.60	8.60	8.30	4.90	442
Sovereign SERP Balanced	21.0	9.40	8.80	7.20	6.50	4.30	
AXA SMT Multi-Mgr Balanced	246.7	9.30	9.60	8.90	8.50	4.20	
Tower ANZFM Balanced	4.4	9.00	9.10	8.90	9.10	5.80	317
Mercer Active Balanced	51.7	8.80	9.90	9.00	9.80	5.80	66
Sovereign SERP Sovereign Managed Growth	6.0	8.70	8.70	8.10	7.80	4.40	
Asteron Managed Fund	42.5	8.60	10.20	9.60	9.80	6.80	
Jacques Martin Asset Growth	17.5	8.30	8.60	8.10	7.90	4.50	250
Tower BNZ Balanced Growth	8.6	8.10	7.60	7.10	6.50	2.90	317
Sovereign ESP Balanced Growth	1.9	6.80	7.50	7.30	7.20	4.30	
All Balanced Funds	2,194.4	10.40	10.20	9.40	9.40	5.30	

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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							
AMP Lifesteps Stability	13.1	8.30	8.00	7.30	7.40	4.40	120
ASB SMT Conservative	31.5	8.20	8.20	7.70	7.80	5.50	
Jacques Martin Capital Stable	31.4	6.70	6.60	6.00	6.00	4.20	250
AMP Lifesteps Maturity	1.7	6.60	6.50	6.00	6.10	4.00	38
AMP Capital Stable	66.2	6.40	6.40	6.10	6.20	4.20	350
Mercer Conservative	34.3	6.30	7.30	6.50	6.60	5.10	66
Sovereign SERP Conservative	2.5	6.20	5.70	4.70	4.40	3.30	
Sovereign SERP Sovereign Conservative	2.0	6.10	6.20	5.80	5.40	4.10	
AXA SMT Multi-Mgr Conservative	95.7	6.00	6.30	6.00	5.60	4.20	
Sovereign ESP Conservative	0.2	5.80	5.60	5.30	5.30	4.40	
Tower Capital Preservation	40.8	5.30	4.60	4.00	3.60	3.40	317
Asteron Deposit Fund	21.8	4.80	4.60	4.30	4.40	4.40	
Tower BNZ Capital Enhanced	4.0	4.70	4.50	4.20	4.00	2.60	317
AMP Capital Assured	117.6	4.10	3.90	3.60	3.70	3.90	405
WestpacTrust Accumulation	35.6	4.00	4.00	3.80	3.70	3.50	60
All Conservative Funds	498.3	5.60	5.60	5.20	5.10	4.10	

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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	
Single Sector Aggressive							
Aventine's SuperLife Property	21.5	27.30	21.60	20.70	17.20	14.40	
Aventine's SuperLife NZ Shares	42.9	18.10	13.00	14.20	16.10	12.30	
Aventine's SuperLife Oseas Shares Hedged	25.2	17.20	17.60	13.90	15.60	6.10	
Tower Focus International Shares	27.3	16.80	16.60	14.40	15.10	7.80	317
Tower Focus NZ Shares	10.8	15.70	12.30	13.80	15.00	11.70	317
Tower BT International Shares	7.4	14.40	18.50	15.90	14.70	6.20	317
Aventine's SuperLife Oseas Shares Unhedged	81.4	12.60	14.00	10.00	8.80	-2.20	
Mercer Shares	19.7	12.30	13.90	11.90	12.10	5.00	66
Sovereign ESP Australasian Equities	0.1	11.80	10.00	13.10	14.30	9.20	
Sovereign ESP International Equities	0.1	7.60	9.90	7.60	6.90	1.70	
All Single Sector Aggressive	236.3	16.10	15.20	13.20	13.10	5.50	

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							
Sovereign SERP Cash	2.6	5.30	4.70	4.50	4.10	3.90	
Aventine's SuperLife Cash	54.6	5.00	4.90	4.70	4.40	4.30	
Aventine's SuperLife NZ Bonds	46.7	4.80	4.80	4.40	4.30	4.60	
AXA SMT Cash	32.1	4.80	4.70	4.50	4.20	4.10	
Tower Focus Cash	12.3	4.80	4.60	4.30	4.00	3.80	317
Mercer Cash	20.1	4.70	4.60	4.50	4.00	4.00	66
Jacques Martin Cash Management	15.3	4.30	4.40	4.30	4.20	4.40	250
Sovereign ESP Global Fixed Interest		3.90	3.90	4.20	4.00	4.40	
Tower Focus Fixed Income	7.3	3.60	3.70	3.70	3.60	3.90	317
Aventine's SuperLife Overseas Govt Bonds	16.2	3.40	4.30	4.70	4.50	5.10	
Aventine's SuperLife Overseas Non Govt Bonds	11.7	2.50	3.60	4.20			
All Single Sector Defensive	218.9	4.50	4.60	4.50	4.00	4.10	
Total Funds	3,809.0	10.20	9.90	9.10	9.00	5.00	
Cash Benchmark (Net)		5.00	4.90	4.60	4.40	4.30	
CPI		2.60	2.90	2.80	2.50	2.60	

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