

Master Trust Survey Results to 31 March 2007

Investment Returns

There were several changes to funds surveyed this quarter. We would like to welcome the Aon Master Trust to our survey. We farewell Jacques Martin's STONZ (Super Trust of New Zealand), which is no longer to be reported and the Sovereign Employer Superannuation Plan which has been wound up. Tower have also renamed a number of their funds to reflect their new LifeSaver branding (the Tower Enterprise Plan is now Tower LifeSaver).

The returns to the end of March were disappointing compared to recent quarters, as the effects of the high New Zealand dollar and the Shanghai stock market correction on unhedged global equities were felt. Over the rolling 12 months growth funds returned 5.1% while balanced funds returned 4.9% and conservative funds returned 5.1%. Part of this was the replacement of the first quarter of last years stellar double digit performance with this years more mundane return.

Over three years the picture is brighter however with growth funds returning 10.6% while balanced funds were not much further behind with 9.1%. These returns illustrate the short-term ups and downs of markets, while providing more solid longer term growth.

Economic Commentary

Last weeks rise in interest rates was largely predictable following the continuing rise in house prices despite continued warnings from the Reserve Bank. The complication is that, as things stand, higher interest rates will keep the Kiwi dollar high. This is putting exporters under pressure and increasing the possibility of job cuts in manufacturing and rural primary services industries e.g. Fisher & Paykel's laundry division about to move its manufacturing overseas.

Much of the recent rise of the New Zealand dollar against the greenback has less to do with the strength of our currency, and more to do with the decline of the U.S. dollar which is also at a two-year low against the Euro and a 26-year low against the British pound (one pound is now worth about two U.S. dollars).

These changes appear to be due to the likelihood that British and European interest rates will rise while U.S. rates stay where they are or fall. The longer term expectation is that economic activity in Europe and Asia is likely to expand faster than in the U.S., so capital flows have been moving away from the U.S.

We are used to hearing of U.S. and other Western IT workers being displaced by skilled Indian IT professionals. Japan is now also starting to use India's professional skills, especially Indian engineers. Japanese manufacturing companies not only out source work to India-based IT companies but also employ them on-site in Japan. While on-site use is still relatively new, the relaxation of visa requirements for skilled Indian workers suggests that it will become more common.

Superannuation News

Within the local financial services industry, KiwiSaver and the PIE tax changes are still the only topics of conversation. Rumours of possible further Government KiwiSaver incentives or some form of compulsion are also doing the rounds.

The Government has confirmed the default providers and the approval of the first KiwiSaver schemes is underway. Providers have started to promote their schemes generally with success.

The abatement of the SSCWT on employer contributions up to 4% has been of special interest to employees and employers alike. It now looks like a masterstroke by a Government wanting an attention grabbing idea to get KiwiSaver off to a good start. We are aware of a number of employers who have never before had any interest in superannuation who now see a 4% contribution as a logical and tax efficient way to remunerate their employees.

In that sense, moving from no superannuation to KiwiSaver is much easier than the decisions faced by corporates with existing schemes; whether to apply for an exemption from auto-enrollment and whether to become a complying scheme.

By the time our next survey is distributed, the KiwiSaver regime will have come into force. Its introduction marks the beginning of a brave new era in superannuation in New Zealand which we welcome.

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Eriksen's Master Trust Survey Results to 31 March 2007

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 High Equity	191.0	7.60	14.90	12.40	14.50	6.80	606
AMP Lifesteps Establishment	6.5	7.50	15.00	12.30	14.40	6.60	178
Aventine's SuperLife Aim80		6.80	14.60	11.80	13.40		129
AMP Lifesteps Growth	14.7	6.80	13.30	11.10	12.80	6.30	220
Aon Growth	3.2	6.10	11.40	9.70			22
ASB SMT Growth	63.3	5.20	13.00	10.90	12.80	6.10	
Mercer Growth	91.0	4.70	11.70	9.00	10.20	5.20	66
Sovereign SERP Sovereign Dynamic Growth	4.0	4.30	10.20	8.80	9.60	3.90	
Sovereign SERP Growth	6.2	4.10	10.50	7.70	8.30	3.30	
WestpacTrust Dynamic	140.5	3.70	11.20	9.40	11.30	4.20	60
Tower Growth	4.8	3.60	12.20	9.80	11.90	5.40	177
AXA SMT Multi-Mgr High Growth	96.5	2.80	12.70	10.40	11.80	4.80	
Tower LifeSaver AXA - FLP - Dynamic Growth	7.9	1.60	10.00	8.00	7.90	3.10	177
All Growth Funds	629.4	5.10	12.90	10.60	12.30	5.40	

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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							
AMP Tower Balanced	90.4	6.70	9.90	8.60	9.10	5.80	458
Tower ILS Balanced	113.2	6.10	10.40	9.10	9.70	6.30	177
AMP Lifesteps Progression	20.2	6.10	11.50	9.50	11.00	5.70	221
AMP Balanced	333.2	6.00	10.40	8.60	9.70	5.00	636
ING SIL Balanced	323.2	5.80	11.80	11.20	12.50	7.80	15
AMP ASB Balanced	13.1	5.40	10.50	8.30	9.60	4.90	308
Aon Balanced	21.1	5.40	9.40	8.20			33
AMP Lifesteps Consolidation	21.3	5.30	10.00	8.60	9.70	5.50	169
Aventine's SuperLife Aim60		5.10	11.20	8.90	10.90	5.10	129
Tower ING SIL Balanced	5.4	5.10	10.90	10.20	11.60	6.80	177
Sovereign SERP Sovereign Managed Growth	6.1	5.00	9.00	8.20	8.80	4.90	
ASB SMT Balanced	132.7	4.90	10.70	9.00	10.50	5.60	
Tower ANZFM Balanced	3.7	4.70	9.40	8.40	9.70	5.90	177
AMP ING Balanced	97.7	4.70	11.00	10.20	11.30	7.00	521
Sovereign SERP Balanced	21.8	4.40	9.30	7.10	6.90	4.70	
Mercer Active Balanced	64.9	4.10	10.20	8.60	10.40	6.00	66
Tower LifeSaver Balanced Growth	20.7	4.10	10.00	9.80	12.20	7.30	177
Asteron Managed Fund	42.5	3.90	8.90	9.00	10.30	7.10	
AMP BT	94.8	3.80	9.80	8.40	9.20	5.40	441
AXA SMT Multi-Mgr Balanced	260.5	3.30	9.70	8.30	9.10	4.60	
WestpacTrust Balanced	167.8	2.90	9.50	7.90	9.90	4.50	60
Tower LifeSaver AXA - FLP - Balanced Growth	7.8	2.20	8.00	6.60	7.00	3.30	177
All Balanced Funds	1,862.1	4.90	10.40	9.10	10.10	5.70	

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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							
Tower Capital Preservation	31.6	5.50	4.90	4.30	3.80	3.60	177
Aon Conservative	11.7	5.30	6.70	6.10			28
Aventine's SuperLife Aim30		4.90	7.80	6.60	7.60	5.10	129
Tower LifeSaver AXA - FLP - Capital Enhanced	4.0	4.70	4.60	4.40	4.10	3.00	177
Asteron Deposit Fund	21.8	4.70	4.70	4.40	4.40	4.40	
AMP Lifesteps Stability	14.4	4.60	8.30	6.90	7.80	4.80	124
Mercer Conservative	34.2	4.50	7.60	6.50	6.80	5.30	66
ASB SMT Conservative	35.1	4.40	8.50	7.10	8.10	5.50	
Sovereign SERP Sovereign Conservative	2.1	4.40	6.10	5.70	5.60	4.30	
AMP Capital Assured	115.0	4.30	4.00	3.70	3.70	3.90	408
WestpacTrust Accumulation	35.9	4.10	4.20	3.80	3.70	3.60	60
AMP Lifesteps Maturity	1.8	4.00	6.60	5.70	6.30	4.30	37
AMP Capital Stable	70.7	4.00	6.60	5.80	6.40	4.50	354
AXA SMT Multi-Mgr Conservative	99.9	3.80	6.30	5.70	5.80	4.40	
Sovereign SERP Conservative	2.6	3.70	6.00	4.70	4.60	3.50	
Aon Capital Stable	2.1	2.20	4.40	4.20			18
All Conservative Funds	483.0	4.30	5.80	5.10	5.10	4.20	

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Single Sector Aggressive							
Aventine's SuperLife Property	23.6	19.40	22.30	21.40	18.00	14.80	
Aventine's SuperLife Oseas Shares Hedged	83.6	10.80	17.50	13.70	17.80	6.00	
Aventine's SuperLife NZ Shares	63.7	10.50	14.70	13.30	17.10	12.20	
Tower Focus NZ Shares	8.6	7.90	12.30	12.60	15.20	11.50	177
Tower LifeSaver Equity	25.1	4.60	18.20	14.00	16.70	7.80	177
Mercer Shares	19.9	2.80	14.20	11.40	13.20	5.30	66
Tower BT International Shares	6.8	-0.90	13.70	15.60	16.90	6.50	177
Aventine's SuperLife Oseas Shares Unhedged	103.4	-3.30	14.20	9.20	11.60	-1.40	
All Single Sector Aggressive	334.7	5.70	15.90	12.70	15.30	5.80	

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	2.8	5.00	5.30	4.70	4.20	4.00	
Aventine's SuperLife Cash	90.2	5.00	5.00	4.80	4.50	4.30	
Aventine's SuperLife Overseas Govt Bonds	48.8	4.80	4.10	4.30	4.30	5.20	
AXA SMT Cash	34.1	4.80	4.80	4.60	4.30	4.20	
Tower LifeSaver Preservation	11.2	4.80	4.60	4.40	4.10	3.90	177
Mercer Cash	19.6	4.70	4.70	4.60	4.10	4.00	66
Aventine's SuperLife Overseas Non Govt Bonds	12.1	4.50	3.50	3.80			
Aventine's SuperLife NZ Bonds	81.3	4.30	5.00	4.30	4.20	4.70	
Tower Focus Fixed Income	6.5	2.80	3.70	3.40	3.50	3.90	177
All Single Sector Defensive	306.6	4.70	4.70	4.50	4.10	4.30	
Total Funds	3,615.7	4.90	10.20	8.80	9.80	5.40	
Cash Benchmark (Net)		5.10	5.00	4.80	4.50	4.30	
CPI		2.50	2.90	2.90	2.50	2.50	

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