

## Master Trust Survey Results to 30 September 2007

### Investment Returns

The returns for the year to September continued the improvement seen in the previous quarter (the previous rolling twelve months are shown in brackets). Over the last 12 months growth funds returned 8.9%, (7.3%), balanced funds returned 7.4% (6.1%) and conservative funds returned 5.2% (4.5%) after tax and fees were deducted.

### Economic Commentary

The global shortage of liquidity ("the credit crunch") and weakness in the U.S. (house prices falling, unemployment up, economic activity slowing) have made international share markets jittery and volatile. Fears that the major U.S. investment banks might be forced to sell assets amidst their write downs have added to the uncertainty.

Central Banks have responded by holding or dropping interest rates and by pouring money into their respective financial systems, with the Federal Reserve adding a further USD41 billion as we write this. A knock-on effect of this has been the fall in the U.S. dollar, which has pushed the price of oil to within reach of US\$100 for the first time. We expect the fall in the U.S. dollar to continue, with the possible loss of much of the U.S.'s economic influence.

The so called "credit crunch" has arisen from uncertainty over the true values of a number of securities, which have been traded in large quantities over recent years, and the banks reluctance to continue to lend on such collateral.

This is because they carry exposure to such a wide range of loans, nobody is quite sure just what their exposure is to specific risks. This opaqueness is the reason that a relatively low value of U.S. subprime mortgages has managed to taint an entire investment sector worth many thousands of times more. Complicating the issue is that securities without a market are exceedingly hard to value, since book values are likely to overvalue them but mark to market depends on having serious buyers.

The consequences have been far reaching. Several of the major U.S. investment banks have announced massive write-downs, and now their CEOs are starting to be forced out. The irony is that many of the worst affected securities are those where the risk was supposed to be lowest and spread most widely across a number of investors who, supposedly, would each take a small part of the pain. This in turn has focused attention on the major credit rating agencies - whose ratings have turned out to be largely worthless when put

under stress - because of the potential conflict between their responsibility to investors and their need to please their customers (the banks and fund managers who hire them).

### Superannuation News

With PIEs and KiwiSaver now live, the New Zealand financial services industry has successfully passed through its greatest period of upheaval for many years.

We congratulate the industry and the government on managing the transition so successfully and hope that the individuals concerned get the break over the holiday season that they so richly deserve.

### PIEs, KiwiSaver and the Eriksens Survey

This will be the last Eriksens Master Trust Survey which covers periods prior to the introduction of the PIE tax regime which started on 1 October 2007.

The intention of the Survey has always been to show the effective returns which a member would see credited to their account. For this reason we have always asked the master trust providers for the returns net of all fees, expenses and tax. We have found this to be a widely accepted concept and would like to stay with it.

This will be more difficult in future since the returns quoted in future by providers for PIE funds will typically be quoted gross of tax (since different investors may have different tax rates). As a result we will, where necessary, be adjusting future returns for PIE funds for tax at a nominal rate of 33%.

We have also frequently been asked whether we will be publishing a survey of KiwiSaver returns. This is difficult at the moment since all KiwiSaver schemes are still too young to have any performance history. We are still considering the possibilities.

In the meantime we note that many of the new KiwiSaver funds have a master trust equivalent which members can use for a general performance comparison, even though the fees and expenses may be slightly different.

### Contact us at:

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

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## Eriksen's Master Trust Survey Results to 30 September 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	
<b>Growth Funds</b>							
AMP High Equity	193.6	12.70	12.60	13.50	12.80	12.20	
AMP Lifesteps Establishment	7.2	12.60	12.70	13.50	12.70	12.10	
Sovereign SERP Sovereign Dynamic Growth	3.2	11.20	10.20	10.70	9.10	7.80	
AMP Lifesteps Growth	17.1	11.20	11.30	12.10	11.50	10.90	
ASB SMT Growth	77.3	9.90	11.10	12.00	11.30	10.40	
Sovereign SERP Growth	5.6	8.30	8.70	9.10	7.50	6.50	
Mercer Growth	95.7	7.80	8.40	9.80	8.60	7.90	66
AXA SMT Multi-Mgr High Growth	113.2	6.80	9.10	10.70	10.00	8.80	
Tower LifeSaver AXA - FLP - Dynamic Growth	8.1	6.50	7.60	8.50	7.80	6.00	174
Aon Growth	3.4	6.40	8.40	9.70	8.90		21
WestpacTrust Dynamic	137.0	5.20	7.40	9.40	8.40	7.90	60
<b>All Growth Funds</b>	<b>661.3</b>	<b>8.90</b>	<b>10.00</b>	<b>11.30</b>	<b>10.40</b>	<b>9.60</b>	

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		1 Year	2 Year	3 Year	4 Year	5 Year	
<b>Balanced Funds</b>							
AMP Lifesteps Progression	24.3	9.90	10.00	10.60	9.90	9.50	
Sovereign SERP Sovereign Managed Growth	4.8	9.80	8.80	9.60	8.40	7.60	
AMP Balanced	332.6	9.70	9.30	9.60	9.00	8.40	
Tower ILS Balanced	118.5	9.70	9.60	9.30	8.90	8.20	174
AMP Tower Balanced	92.5	9.30	8.80	8.70	0.50	0.50	
Aventine's SuperLife Aim60		8.60	9.00	9.80	8.90	8.50	132
AMP Lifesteps Consolidation	25.5	8.50	8.70	9.20	8.90	8.40	
ASB SMT Balanced	160.5	8.40	9.20	10.10	9.40	8.80	
AMP ASB Balanced	13.8	8.30	8.40	9.00	8.30	8.00	
Sovereign SERP Balanced	20.0	7.40	7.80	8.20	6.70	6.00	
ING SIL Balanced	332.1	6.70	8.30	10.40	10.50	9.70	14
Asteron Managed Fund	41.5	6.60	7.00	9.30	8.90	8.60	
Mercer Active Balanced	68.7	6.50	7.10	8.90	8.30	8.20	66
AMP ING Balanced	100.0	6.40	7.40	9.60	9.70	8.80	
AXA SMT Multi-Mgr Balanced	301.0	6.20	7.30	8.50	8.00	7.10	
Tower ING SIL Balanced	6.0	6.00	7.50	9.60	9.70	8.70	174
Aon Balanced	20.7	5.90	7.30	8.40	7.70		32
AMP BT	92.9	5.60	6.60	8.20	7.60	7.00	
Tower LifeSaver AXA - FLP - Balanced Growth	8.8	5.30	6.10	7.00	6.40	5.50	174
WestpacTrust Balanced	156.7	4.80	6.80	8.10	7.40	7.20	60
Tower LifeSaver Balanced Growth	20.9	3.30	6.40	8.90	9.90	8.90	174
<b>All Balanced Funds</b>	<b>1,941.8</b>	<b>7.40</b>	<b>8.10</b>	<b>9.30</b>	<b>8.50</b>	<b>7.80</b>	

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		1 Year	2 Year	3 Year	4 Year	5 Year	
<b>Conservative Funds</b>							
AMP Lifesteps Stability	17.0	7.20	7.40	7.80	7.30	7.00	
ASB SMT Conservative	41.5	6.80	7.40	8.20	7.50	7.10	
Tower Capital Preservation	29.2	6.00	5.50	4.90	4.30	3.90	174
Sovereign SERP Sovereign Conservative	1.7	5.90	5.80	6.30	5.70	5.30	
AMP Capital Stable	70.6	5.90	6.00	6.40	6.10	5.90	
Mercer Conservative	35.1	5.70	5.90	6.80	6.20	6.00	66
AMP Lifesteps Maturity	2.6	5.70	6.00	6.30	6.00	5.70	
Sovereign SERP Conservative	2.5	5.50	5.50	5.50	4.60	4.30	
Asteron Deposit Fund	21.7	4.90	4.80	4.70	4.40	4.50	
Tower LifeSaver AXA - FLP - Capital Enhanced	4.3	4.90	4.80	4.60	4.30	4.10	174
AXA SMT Multi-Mgr Conservative	106.0	4.70	5.10	5.80	5.50	5.00	
WestpacTrust Accumulation	33.0	4.30	4.20	4.10	3.90	3.70	60
AMP Capital Assured	110.1	4.30	4.10	3.90	3.70	3.80	
Aon Conservative	11.5	4.00	5.20	5.80	5.50		29
Aon Capital Stable	2.1	3.60	4.00	4.40	4.20		19
<b>All Conservative Funds</b>	<b>488.9</b>	<b>5.20</b>	<b>5.30</b>	<b>5.60</b>	<b>5.20</b>	<b>4.90</b>	

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<b>Single Sector Aggressive</b>							
Aventine's SuperLife NZ Shares	78.8	18.60	10.20	12.00	13.60	13.70	
Aventine's SuperLife Oseas Shares Hedged	90.2	16.00	15.40	16.00	14.30	14.30	
Tower Focus NZ Shares	9.2	12.10	8.40	11.30	12.50	12.70	174
Mercer Shares	21.1	11.10	10.70	13.00	11.30	10.20	66
Tower LifeSaver Equity	25.3	9.70	14.80	15.70	13.70	12.80	174
Aventine's SuperLife Property	23.0	9.20	14.80	18.60	15.90	13.90	
Aventine's SuperLife Oseas Shares Unhedged	124.9	3.50	10.60	11.60	8.50	6.40	
Tower BT International Shares	7.3	0.60	9.20	13.10	13.70	11.10	174
<b>All Single Sector Aggressive</b>	<b>379.7</b>	<b>10.90</b>	<b>12.10</b>	<b>13.50</b>	<b>12.10</b>	<b>11.10</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>							
Aventine's SuperLife Cash	82.9	5.30	5.10	5.10	4.70	4.50	
Sovereign SERP Defensive	2.0	4.90	4.90	4.80	4.40	4.10	
AXA SMT Cash	36.0	4.80	4.80	4.70	4.50	4.20	
Mercer Cash	20.0	4.80	4.70	4.70	4.40	4.00	66
Tower LifeSaver Preservation	12.5	4.40	4.50	4.40	4.20	4.00	174
Aventine's SuperLife Overseas Govt Bonds	55.5	4.20	3.90	4.60	4.40	4.60	
Aventine's SuperLife NZ Bonds	88.5	3.50	4.20	4.40	4.00	4.10	
Tower Focus Fixed Income	6.4	3.30	3.60	3.70	3.50	3.60	174
Aventine's SuperLife Overseas Non Govt Bonds	16.5	2.30	2.50	3.50			
<b>All Single Sector Defensive</b>	<b>320.3</b>	<b>4.30</b>	<b>4.40</b>	<b>4.60</b>	<b>4.10</b>	<b>4.10</b>	
<b>Total Funds</b>	<b>3,792.0</b>	<b>7.50</b>	<b>8.20</b>	<b>9.20</b>	<b>8.40</b>	<b>7.80</b>	
<b>Cash Benchmark (Net)</b>		<b>5.40</b>	<b>5.20</b>	<b>5.00</b>	<b>4.70</b>	<b>4.50</b>	
<b>CPI</b>		<b>1.80</b>	<b>2.70</b>	<b>2.90</b>	<b>2.80</b>	<b>2.50</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