

## Master Trust Survey Results to 30 September 2008

### Investment Returns

The quarter to the end of September 2008 was one of the worst on record. Comparisons are being made with the depression of the 1930s.

Over the 12 months, growth funds returned -16.7% (-10.8%), balanced funds returned -9.9% (-4.8%), while conservative funds returned -0.7% (1.6%) after tax, expenses and fees were deducted (the previous quarter's rolling twelve months are shown in brackets). With inflation for the year having jumped to 5.1% real returns are now negative.

The AMP Tyndall Balanced Fund was formerly managed by BT. The returns shown are a composite of the BT and Tyndall earnings. This shows current investors in the fund how it actually performed. We have now included the back tested returns for the Tyndall fund as well, for the benefit of prospective investors in this option.

The Sovereign Select Employer Retirement Plan is in the process of being wound up and so has been removed from the survey.

### Economic Commentary

The effects of the credit crunch are causing instability in international equity, bond and currency markets. This has prompted widespread government remedial action which to date has failed to get the world's financial system back on its feet. Even bank guarantees have failed to restore confidence that the international banking system will not collapse in domino fashion. A complication with the guarantees are that some investors are panicking with a flight to bank deposits which has put pressure on those other types of investment which are not covered. Currency markets have also reflected this uncertainty with the Yen rising sharply, and the Australian and NZ dollars falling against the U.S. dollar, as carry trade transactions have been unwound.

The credit crunch and recession fears have made the policy implementation for the Reserve Bank a lot simpler. The OCR has been cut sharply and is currently at 6.5%, with

indications that it will continue to drop progressively.

The widening credit crisis has now caused a recession in Europe and the U.S. Although central banks are trying to soften the landing there is little they can do. The U.S. Federal Reserve has cut its overnight rate by 0.5% to 1%. The major concern is no longer the inflationary effects of excessive borrowing and consumption – but one of aversion to risk resulting in deflating asset prices and cash hoarding. Falling incomes during a long and significant recession are also likely to reduce borrowing, as debt becomes harder to service.

Cash is now king and debt out of fashion. A financial services industry which can only borrow from the state is now very careful who it lends to. Nobody is very confident lending to banks who might not be able to pay the loan back, (and banks themselves are reluctant to lend cash cushions they might themselves need). Money which is under mattresses rather than circulating will not boost spending. If a lack of demand causes asset prices to fall, then they will become less attractive to potential buyers, so that in the extreme even zero interest rates fail to stimulate demand. A liquidity trap like this can be hard to escape from, as evidenced by Japan in the 1980s and the U.S. in the 1930s.

The French Government is considering forcing its banks to lend. Rebuilding liquidity is clearly necessary and this is one way of tackling the issue. Another way might be to set up a state run bank like KiwiBank, with a mandate and funds to lend, to compete with the private sector.

We suggest investors think carefully before buying or selling significant assets. Markets will bounce back but may take years, not months to do so. Manage discretionary spending, reduce debt and be patient.

### 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

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## Eriksen's Master Trust Survey Results to 30 September 2008

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 Growth	24.4	-11.70	-0.90	3.60	6.00	6.70	33
Aon Growth	4.0	-11.90	-4.20	-0.60			
AMP High Equity	178.6	-15.00	-2.10	3.10	6.10	7.00	173
AMP Lifesteps Aggressive	7.3	-15.10	-2.20	3.20	6.00	6.90	
Tower LifeSaver Growth	14.7	-16.00	-6.20				
ASB SMT Growth	81.9	-16.20	-4.10	1.10	4.20	5.10	
WestpacTrust Dynamic	101.6	-16.30	-6.20	-1.20	2.30	2.90	
Mercer Growth	58.8	-17.50	-5.70	-1.10	2.20	2.80	
AXA SMT Multi-Mgr High Growth	90.5	-22.20	-8.80	-2.50	1.30	2.60	
<b>All Growth Funds</b>	<b>561.8</b>	<b>-16.70</b>	<b>-4.70</b>	<b>0.60</b>	<b>3.90</b>	<b>4.80</b>	

The material presented here has been compiled from publicly available sources and information from the respective Master Trust providers. Where tax paid returns for PIE compliant funds have not been available, tax paid returns have been calculated using a 33% tax rate up to 31 March 2008 and 30% thereafter.

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.

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		1 Year	2 Year	3 Year	4 Year	5 Year		
<b>Balanced Funds</b>								
AMP Tower Balanced	97.4	-4.10	2.30	4.20	5.30	5.60	173	
AMP Lifesteps Moderate Balanced	53.3	-5.00	1.50	4.30	5.70	6.20		
Tower Lifesaver Balanced	147.7	-6.00	1.50	4.10	5.20	5.80		
AMP Lifesteps Balanced	42.9	-7.30	0.90	4.30	6.20	6.50		
AMP ASB Balanced	24.4	-7.40	0.20	3.20	4.90	5.10		
AMP Balanced	311.3	-7.60	0.70	3.60	5.30	5.70		
Aon Balanced	23.0	-7.80	-2.10	0.50				44
AMP ING Balanced	138.0	-8.10	-1.10	2.90	5.60	6.50		
AMP Tyndall Fund Back-tested **		-9.00	-1.10	1.90	3.90	4.80		
ASB SMT Balanced	191.4	-10.40	-1.40	2.30	4.60	5.10		
AMP Tyndall Balanced (formerly BT balanced)	81.4	-11.10	-3.10	0.80	3.40	3.90	140	
Aventine's SuperLife Aim60		-11.30	-1.60	2.00	4.20	4.60		
WestpacTrust Balanced	115.7	-12.10	-4.00	0.10	2.70	3.10		
Mercer Active Balanced	82.3	-14.20	-4.40	-0.50	2.60	3.40		
AXA SMT Multi-Mgr Balanced	264.7	-16.50	-5.90	-1.30	1.60	2.60		
<b>All Balanced Funds</b>	<b>1,573.4</b>	<b>-9.90</b>	<b>-1.50</b>	<b>2.00</b>	<b>4.20</b>	<b>4.80</b>		

\*\* The AMP Tyndall Balanced Fund was formerly managed by BT, and the returns shown for that fund are a composite of the BT and Tyndall earnings.

Since we have been asked what the actual performance of the Tyndall option would have been had Tyndall managed the fund for the full period these are back tested returns for a hypothetical pure Tyndall fund.

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<b>Conservative Funds</b>							
Tower Capital Preservation	26.7	4.10	5.10	5.00	4.70	4.20	173
Aon Capital Stable	2.0	3.90	3.20	3.10			23
AMP Capital Assured	109.1	2.80	3.60	3.50	3.50	3.50	
WestpacTrust Accumulation	34.0	2.80	3.60	3.70	3.80	3.60	
AMP Lifesteps Conservative	4.4	1.50	3.60	4.70	5.20	5.20	
AMP Capital Stable	80.7	1.40	3.70	4.70	5.40	5.30	
Aon Conservative	7.0	-0.30	1.20	2.20			40
Tower LifeSaver Conservative	2.9	-1.20	1.00				173
AMP Lifesteps Moderate	37.5	-1.50	2.80	4.60	5.60	5.60	
ASB SMT Conservative	49.1	-4.20	1.20	3.40	4.90	5.10	
AXA SMT Multi-Mgr Conservative	99.7	-5.20	-0.40	1.50	2.90	3.20	
Mercer Conservative	33.5	-5.30		2.00	3.60	3.80	
<b>All Conservative Funds</b>	<b>486.6</b>	<b>-0.70</b>	<b>2.20</b>	<b>3.40</b>	<b>4.10</b>	<b>4.20</b>	

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<b>Single Sector Aggressive</b>							
Aventine's SuperLife Oseas Shares Unhedged	99.3	-18.30	-8.10		3.20	2.50	
Superlife Australian Shares	18.4	-20.80	5.50				
Aventine's SuperLife Oseas Shares Hedged	67.6	-23.80	-6.00	0.50	4.50	5.40	
Aventine's SuperLife NZ Shares	43.5	-24.40	-5.80	-3.00	1.40	4.60	
Tower LifeSaver Equity	22.0	-25.40	-9.50	-0.60	3.70	4.50	173
Aventine's SuperLife Property	19.3	-25.90	-10.00	-0.80	5.50	6.00	
Tower Focus NZ Shares	6.5	-27.10	-9.70	-5.10	0.10	3.10	173
Mercer Shares	13.5	-28.30	-10.70	-4.20	0.90	1.90	
<b>All Single Sector Aggressive</b>	<b>290.0</b>	<b>-22.40</b>	<b>-6.80</b>	<b>-0.80</b>	<b>3.30</b>	<b>4.00</b>	

Fund Name	Fund Size \$ million	Annual Returns (Net of Tax & Expenses)					No. of Employers
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<b>Single Sector Defensive</b>							
Aventine's SuperLife Overseas Govt Bonds	59.3	9.00	6.60	5.60	5.70	5.30	
Aventine's SuperLife Overseas Non Govt Bonds	22.6	7.20	4.70	4.10	4.40		
Tower Focus Fixed Income	6.9	6.10	4.70	4.40	4.30	4.00	173
Aventine's SuperLife Cash	112.8	6.10	5.70	5.50	5.30	5.00	
Tower LifeSaver Preservation	20.8	5.60	5.00	4.90	4.70	4.50	173
Mercer Cash	38.7	5.30	5.00	4.90	4.90	4.60	
Aventine's SuperLife NZ Bonds	95.1	5.20	4.30	4.50	4.60	4.20	
AXA SMT Cash	64.9	4.30	4.60	4.60	4.60	4.50	
<b>All Single Sector Defensive</b>	<b>421.0</b>	<b>6.00</b>	<b>5.20</b>	<b>5.00</b>	<b>5.00</b>	<b>4.70</b>	
<b>Total Funds</b>	<b>3,333.0</b>	<b>-8.80</b>	<b>-1.10</b>	<b>2.10</b>	<b>4.10</b>	<b>4.60</b>	
<b>Cash Benchmark (Net)</b>		<b>5.70</b>	<b>5.50</b>	<b>5.40</b>	<b>5.20</b>	<b>4.90</b>	
<b>CPI</b>		<b>5.10</b>	<b>3.40</b>	<b>3.50</b>	<b>3.40</b>	<b>3.30</b>	

Contact us:

Auckland  
Wellington

[auckland@eriksensglobal.com](mailto:auckland@eriksensglobal.com)  
[wellington@eriksensglobal.com](mailto:wellington@eriksensglobal.com)

Ph +64 9 486 3144  
Ph +64 4 470 6144

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