

Master Trust Survey Results to 31 December 2008

Investment Returns

The quarter to the end of December 2008 continued the trend of successively poorer performing quarters as the credit crunch continued to bite globally.

Over the 12 months, growth funds returned -25.4% (-16.7%), balanced funds returned -16.1% (-9.9%), while conservative funds returned -1.5% (-0.7%) after tax, expenses and fees were deducted (the previous quarter's rolling twelve months are shown in brackets).

With the benchmark at 5.3%, cash has been the place to be although this may change over the next year as interest rates continue to fall.

Economic Commentary

Following the financial traumas of 2008, the world is now preparing for another tough year. New Zealand is experiencing a sharply falling dollar, much reduced tourism receipts, falling commodity prices and the prospect of 7% unemployment.

The Reserve Bank has tried to help by reducing the OCR by 1.5% to 3.5% with a later cut likely, which may stimulate borrowing - or it might not. Providing stimulatory conditions is one thing, actually achieving stimulation is another. Getting household and firms' debt levels within comfortable servicing range must be the first priority.

There remains the possibility that those households and businesses which could spend do not, and that banks become too cautious with their lending.

Internationally the IMF is predicting declining output in the developed nations with the U.K. being the worst affected with a predicted decline of -2.8% in 2009 (versus a -1.3% estimate in November) and a possible 0.2% in 2010. U.K. unemployment meanwhile is expected to perhaps hit 3 million by the end of the year.

The IMF also expects Germany (-2.5%) and Japan (-2.6%) to show sharp falls in 2009, although the total world economy is expected to grow by 0.5% on the basis of reduced growth from India and China. The world recovery

when it comes will be long and gradual with bumps along the way.

Meanwhile in the U.S. the new administration has passed its USD825 stimulus package, without any support from the Republicans who preferred tax cuts to the sweeping government spending actually included by the Democrats.

While the package includes tax cuts of about USD275 billion (including a USD500 dollar credit per worker and USD1,000 per couple), most of the spending is on new infrastructure. This includes more than USD60 billion for new power grids and to make government buildings more energy efficient.

With the U.S. supporting green initiatives to reduce climate change, it appears likely that government programmes to support hard-hit manufacturing industries will provide incentives to develop and apply new low carbon technologies which reduce dependence on foreign oil. The U.K. for example has announced a new £2.4 billion motor industry plan which includes low carbon engine initiatives, and similar incentives are likely in the U.S. and (possibly) Europe.

One of the big current issues for economists is that most rely on their computer models to make quantitative forecasts, and that most of those models are of limited use at a time of massive upheavals. This means that qualitative analysis of human and social behavior, as a guide to creating or destroying wealth, is coming back into vogue. Rather than trying to predict, say, when and how much markets will recover - this approach looks at the underlying political, behavioural and social factors to determine the direction in which events might be driven. This is very different to the pure acceptance of efficient and totally rational markets.

With the likelihood that the world will be a very different place once the present turmoil has settled down, this is a better approach than the backward looking one provided by many computer models.

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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	
Growth Funds							
WestpacTrust Dynamic	91.5	-20.5	-11.5	-4.2	-1.0	0.6	169
AMP Lifesteps Growth	21.6	-23.0	-10.6	-3.2	0.8	2.4	
ASB SMT Growth	75.7	-23.6	-11.6	-4.0	-0.3	1.7	
Tower LifeSaver Growth	13.3	-24.6	-12.1				
Mercer Growth	49.9	-24.9	-13.3	-6.1	-1.9	-0.4	
Aon Growth	2.6	-25.1	-14.0	-7.1	-4.0		503
AXA SMT Multi-Mgr High Growth	81.3	-27.5	-15.6	-7.2	-2.6	-0.5	
AMP High Equity	146.4	-28.8	-14.1	-5.4	-0.6	1.6	
AMP Lifesteps Aggressive	6.1	-28.9	-14.1	-5.2	-0.5	1.5	
All Growth Funds	488.3	-25.4	-13.2	-5.2	-1.0	0.9	

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.

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Balanced Funds							
AMP Lifesteps Moderate Balanced	50.9	-10.2	-3.5	0.9	3.1	4.0	
Tower Lifesaver Balanced	132.8	-12.6	-3.5	1.4	3.1	4.0	169
AMP Tower Balanced	87.9	-13.6	-4.4	0.4	2.4	3.3	393
AMP Balanced	279.5	-14.2	-5.8	-0.6	2.0	3.0	546
AMP Lifesteps Balanced	39.6	-14.2	-5.6	-0.1	2.7	3.7	
WestpacTrust Balanced	106.2	-15.3	-8.0	-2.3	0.2	1.4	
Aon Balanced	20.9	-15.5	-8.0	-3.3	-1.2		
Aventine's SuperLife Aim60	17.5	-16.1	-7.6	-1.7	1.2	2.2	
ASB SMT Balanced	183.8	-16.1	-7.0	-1.4	1.3	2.7	
AMP Tyndall Fund Backtested **		-16.2	-7.4	-2.4	0.3	1.9	
AMP ING Balanced	121.1	-17.0	-8.3	-2.7	1.3	3.1	441
AMP ASB Balanced	21.8	-17.5	-7.7	-2.2	0.8	2.0	277
AMP Tyndall Balanced (formerly BT balanced)	72.7	-19.2	-10.3	-4.2	-0.5	0.9	357
AXA SMT Multi-Mgr Balanced	248.4	-19.8	-10.6	-4.4	-1.0	0.6	
Mercer Active Balanced	84.8	-21.2	-11.1	-4.9	-1.1	0.5	
All Balanced Funds	1,467.9	-16.1	-7.3	-1.8	1.0	2.3	

* The AMP Tyndall Balanced Fund was managed by BT until 25 June 2008

** The AMP Tyndall Balanced Fund was managed by BT until 25 June 2008, 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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Conservative Funds							
Aon Capital Stable	2.8	4.6	3.6	3.3	3.3		
Tower Capital Preservation	25.9	4.1	4.8	5.0	4.7	4.3	169
WestpacTrust Accumulation	33.8	2.8	3.6	3.8	3.8	3.7	
AMP Capital Assured	108.1	2.8	3.4	3.6	3.5	3.4	351
AMP Capital Stable	79.2	2.6	3.1	4.2	5.0	5.1	323
AMP Lifesteps Conservative	5.4	2.6	3.1	4.3	4.9	5.0	
Aon Conservative	7.3	-3.5	-1.3	0.7	1.5		
AMP Lifesteps Moderate	37.6	-3.9	-0.1	2.6	4.1	4.4	
Tower LifeSaver Conservative	2.9	-5.3	-1.0				169
AXA SMT Multi-Mgr Conservative	96.2	-6.0	-2.1	0.6	2.0	2.7	
ASB SMT Conservative	48.3	-7.5	-1.9	1.3	3.0	3.8	
Mercer Conservative	31.2	-10.1	-3.9	-0.6	1.6	2.2	
All Conservative Funds	478.5	-1.5	1.0	2.6	3.4	3.6	

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Single Sector Aggressive							
Aventine's SuperLife Oseas Shares Unhedged	84.0	-22.8	-13.5	-5.6	-0.7	-0.1	
Aventine's SuperLife NZ Shares	38.1	-31.0	-16.8	-6.3	-2.9	0.7	
Superlife Australian Shares	16.3	-31.4	-7.3				
Tower Focus NZ Shares	5.5	-32.1	-18.7	-8.5	-4.4	-0.5	169
Tower LifeSaver Equity	18.5	-33.4	-17.6	-7.4	-2.0	0.3	169
Aventine's SuperLife Property	15.6	-35.5	-24.1	-9.8	-3.9	0.3	
Mercer Shares	11.6	-35.5	-19.7	-10.2	-4.4	-2.0	
Aventine's SuperLife Oseas Shares Hedged	57.4	-36.7	-19.0	-8.4	-2.4	-0.6	
All Single Sector Aggressive	247.0	-30.3	-16.3	-6.7	-2.0	-0.1	

Fund Name	Fund Size \$ million	Annual Returns (Net of Tax & Expenses)					No. of Employers
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Single Sector Defensive							
Aventine's SuperLife Overseas Govt Bonds	62.1	13.7	9.6	7.5	6.9	6.6	
Aventine's SuperLife Overseas Non Govt Bonds	24.8	12.2	7.8	6.0	5.7	5.6	
Tower Focus Fixed Income	7.6	10.7	6.7	5.6	5.2	4.9	169
Aventine's SuperLife NZ Bonds	98.7	8.7	5.6	5.3	5.2	4.9	
Aventine's SuperLife Cash	117.8	5.9	5.8	5.5	5.3	5.1	
AMP Cash	49.6	5.6					142
Tower LifeSaver Preservation	22.5	5.6	5.0	4.9	4.8	4.6	169
Mercer Cash	41.5	5.2	5.0	4.9	4.8	4.7	
AXA SMT Cash	78.3	4.1	4.4	4.6	4.6	4.5	
All Single Sector Defensive	502.8	7.4	6.0	5.5	5.3	5.1	
Total Funds	3,184.6	-12.7	-5.8	-1.0	1.5	2.5	
Cash Benchmark (Net)		5.3	5.4	5.3	5.2	4.9	
CPI		3.4	3.3	3.1	3.1	3.0	

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