

Master Trust Survey Results to 31 March 2009

Investment Returns

The quarter to the end of March 2009 combined a bear market in January with a partial recovery during March, which provided some relief from the sequence of progressively lower performing quarters.

Over the last 12 months growth funds returned -22.3% (-25.4%), balanced funds returned -13.7% (-16.1%), while conservative funds returned -1.1% (-1.5%) after tax, expenses and fees. These are all far below the 3% CPI increase for the period. The previous quarter's rolling twelve months are shown in brackets.

Economic Commentary

A favourite question of commentators, central banks and economists has been when the current global recession will bottom out. A common expectation seems to be that a recovery will be about 18 months away and that life (and the investment markets) will then go back to normal.

Evidence quoted for the "green shoots" of recovery frequently includes the increasing number of U.S. house sales, stock markets gains during March and April, the positive statements from the G20 summit, slightly more positive bank results and increased replenishment of supply chains. However we are not at all convinced.

Given the scale of the downturn and its wide international impact, we consider that any recovery will be slow and fragile since it will take time for demand and confidence to build up again as households and businesses repair their balance sheets by paying off debt. The damage to the real economy is serious. Employment levels are dropping.

Unemployment tends to be a lagging indicator and it will take time for consumers to rebuild their personal finances so that they can start to consume again, especially since they are likely to be unwilling to fund it through borrowing. Yet to be seen is the effect of the downturn on those baby boomers who might have been expecting to retire comfortably about now but have seen their savings ravaged over the last 18 months. Some will be forced to defer their retirement. Others may now have to decrease their planned spending in retirement, which will slow future consumer growth.

On the positive side, we see that companies, governments and consumers seem to have accepted that the credit crisis and the subsequent recession are real. They are panicking less to bad news. Market volatility has decreased and some banks are starting to lend again. On the less positive side, economic activity is still generally at a low level and the gains being seen are from a low base.

Employment in the major economies is still falling overall as demand stays low, business confidence is almost non-existent and businesses remain in survival mode. Experience from past credit crises suggests that a recovery cannot occur until the banks have acknowledged their bad loans and written down their toxic assets. While there has been some progress a lot more has to be done to fix the banks in the U.S., the U.K. and Europe, so we see little hope of a widespread upturn until this precondition has been met.

The rise of China as a major economic power is being brought forward by the relative decline during the recession of the major western nations. There are increasing indications that China is securing mineral resources for itself, and that it intends to be a leader in future new technologies. Recent reports suggest China is stockpiling copper and other industrial metals on a large scale. This is a move to invest some of China's surplus in a way which does not add to its U.S. Treasury and dollar assets. However it is also a way to cheaply secure materials (such as copper) which will be required to build the next generation of high technology industrial products, especially hybrid and electric cars.

In New Zealand we have seen an increased number of property owners fixing part of their mortgages. At the last reduction in the OCR to 2.5% long-term interest rates actually rose. Time will tell whether they were right to do so or whether they should have waited for longer-term mortgage rates to fall again.

Conference

Our conference this year will be held in Christchurch on 23 July. Mark your diaries now.

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Eriksen's Master Trust Survey Results to 31 March 2009

	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	88.9	-17.0	-14.1	-8.5	-2.3	-0.7	
AMP Lifesteps Growth	22.6	-18.6	-12.2	-6.3	0.1	1.4	
Aon Growth	3.0	-20.8	-15.6	-9.5	-4.7		36
ASB SMT Growth	75.8	-22.9	-15.3	-9.0	-2.2	-0.5	
Tower LifeSaver Growth	12.8	-23.4	-15.5				168
Mercer Growth	46.0	-23.6	-16.1	-9.7	-3.2	-1.8	
AXA SMT Multi-Mgr High Growth	79.5	-24.0	-18.4	-11.9	-4.1	-2.2	
AMP Lifesteps Aggressive	7.4	-24.0	-16.0	-8.8	-1.3	0.3	
AMP High Equity	186.1	-24.0	-16.0	-8.8	-1.3	0.4	
All Growth Funds	522.1	-22.3	-15.8	-9.2	-2.2	-0.5	

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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	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 Lifesteps Moderate Balanced	45.6	-7.1	-4.5	-1.3	2.7	3.3	
AMP Balanced	316.5	-10.4	-7.0	-2.8	1.6	2.2	
AMP Lifesteps Balanced	38.7	-10.5	-6.8	-2.7	2.3	2.9	
AMP Tower Balanced	99.8	-10.8	-5.4	-1.5	1.9	2.8	
Aon Balanced	19.0	-11.6	-9.1	-5.0	-1.7		46
WestpacTrust Balanced	100.7	-12.8	-10.4	-6.1	-0.9	0.2	
AMP ING Balanced	134.6	-13.4	-10.3	-5.6	0.5	2.0	
Tower Lifesaver Balanced	143.3	-13.4	-6.4	-2.4	1.7	2.6	168
AMP Tyndall Fund Backtested **		-13.8	-9.1	-5.1	-0.5	0.6	
AMP Tyndall Balanced (formerly BT balanced)	87.0	-14.4	-11.8	-6.9	-1.2	0.1	
Aventine's SuperLife Aim60		-15.3	-10.2	-5.4	-0.1	0.8	140
AMP ASB Balanced	22.7	-15.5	-9.9	-5.0	0.0	0.8	
ASB SMT Balanced	184.9	-16.3	-10.1	-5.4	-0.3	0.9	
AXA SMT Multi-Mgr Balanced	244.1	-16.9	-12.7	-7.7	-2.1	-0.6	
Mercer Active Balanced	82.6	-20.6	-13.6	-8.1	-2.4	-0.9	
All Balanced Funds	1,519.3	-13.7	-9.3	-4.8	0.1	1.2	

* 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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	Fund Size \$ million	Annual Returns (Net of Tax & Expenses)					No. of Employers
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Conservative Funds							
Tower Capital Preservation	28.0	4.3	4.6	4.9	4.8	4.4	168
Aon Capital Stable	3.3	3.9	3.7	2.9	3.3		25
AMP Lifesteps Conservative	3.6	3.8	2.7	3.1	4.8	4.6	
AMP Capital Stable	76.6	3.8	2.7	3.1	4.8	4.7	
AMP Capital Assured	114.2	2.5	3.0	3.4	3.4	3.3	
WestpacTrust Accumulation	31.8	2.4	3.0	3.4	3.6	3.5	
AMP Lifesteps Moderate	32.1	-1.8	-0.9	1.0	3.8	3.9	
Aon Conservative	7.9	-3.0	-1.9	-0.1	1.3		42
AXA SMT Multi-Mgr Conservative	95.3	-5.2	-3.2	-0.9	1.4	2.0	
Tower LifeSaver Conservative	3.3	-6.1	-2.3				168
ASB SMT Conservative	48.7	-8.6	-4.4	-1.6	1.8	2.4	
Mercer Conservative	30.0	-10.2	-5.2	-2.1	1.0	1.6	
All Conservative Funds	474.8	-1.1	0.2	1.5	3.0	3.1	

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Single Sector Aggressive							
Aventine's SuperLife NZ Shares	37.1	-22.6	-19.2	-10.4	-3.8	-1.1	140
Aventine's SuperLife Oseas Shares Unhedged	75.0	-22.8	-18.5	-13.7	-3.5	-2.9	140
Tower Focus NZ Shares	5.0	-25.9	-21.5	-12.7	-6.1	-2.5	168
Superlife Australian Shares	17.5	-27.3	-12.0				140
Tower LifeSaver Equity	16.7	-30.7	-21.9	-13.9	-3.9	-2.0	168
Mercer Shares	10.7	-32.2	-23.0	-15.2	-6.2	-3.9	
Aventine's SuperLife Oseas Shares Hedged	53.7	-37.0	-24.1	-13.9	-5.5	-3.3	140
Aventine's SuperLife Property	14.9	-37.4	-29.9	-16.3	-7.4	-2.5	140
All Single Sector Aggressive	230.6	-28.4	-20.7	-12.4	-4.2	-2.4	

	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							
Aventine's SuperLife Overseas Govt Bonds	62.4	9.7	9.1	7.6	6.6	6.2	140
Aventine's SuperLife Overseas Non Govt Bonds	26.1	9.6	7.6	6.6	5.5	5.3	140
Tower Focus Fixed Income	7.9	8.8	6.0	5.0	4.9	4.5	168
Aventine's SuperLife NZ Bonds	100.2	7.2	4.4	4.4	4.7	4.3	140
Aventine's SuperLife Cash	115.7	5.8	5.6	5.4	5.3	5.1	140
AMP Cash	17.3	5.0					
Tower LifeSaver Preservation	22.1	4.9	4.8	4.8	4.7	4.6	168
Mercer Cash	48.1	4.6	4.7	4.7	4.7	4.6	
AXA SMT Cash	76.4	3.5	4.1	4.3	4.4	4.4	
All Single Sector Defensive	476.2	6.3	5.5	5.3	5.1	4.9	
Total Funds	3,222.9	-11.3	-7.6	-3.7	0.6	1.5	
Cash Benchmark (Net)		4.4	5.1	5.1	5.0	4.9	
CPI		3.0	3.2	3.0	3.1	3.0	

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