

Eriksens Master Trust Survey Results to 31 December 2009

Investment Returns

The December 2009 quarter continued the rise in equity markets. As the dismal 2008 quarters are dropped from the results for the rolling 12 months periods, the overall returns reported have become far more respectable.

Over the last 12 months growth funds returned 13.0% (-6.1%), balanced funds returned 10.8% (-1.7%), and conservative funds returned 6.1% (2.9%) after tax, expenses and fees (the previous quarter's rolling twelve months are shown in brackets).

These returns continue the improvements seen in recent quarters, and have finally overtaken both the cash rate (2.0%) and inflation (also 2%) to the considerable relief of investors.

Economic Commentary

January 2010 was one in which the gloom of a year ago gave way to a greater sense of realism about the future - and the policies required to restore growth and optimism. While economic growth started to return over the last half of 2009, the improvements have been off a low base and are regarded as being very fragile.

In our view another fall in share markets is still likely later this year. That may further jolt the real economy and lead to ongoing volatility. Hopefully once that is past a more sustainable recovery may be possible. We still recommend a risk-averse stance to investing.

Critical issues we see the global economy facing include the timing of the wind-back of stimulus packages, whether China's growth and stockpiling of resources can continue, whether increased regulation of banks, including attempting to control bonuses, etc, will be effective, and whether concerns about global warming will place additional burdens on consumers. We believe that managing the risks on a country by country basis will be difficult and could contribute to a further correction in markets. Hence our somewhat pessimistic view.

Australia has done well avoiding the worst of the global recession because China has continued to purchase minerals. The Australian banks were relatively well capitalised and the

Government's borrowing low. New Zealand has benefited from Australia's strength. However, should Chinese growth slow it may be difficult for Australia to find alternative buyers for their commodities. That said, we still prefer trans-Tasman and emerging markets equities to global equities.

Governments will have to address their massive deficits and manage the ever present spectre of inflation and for that interest rates will have to rise. The timing of these actions will be critical and central bank policy makers will need to delicately manage the process to ensure they regain greater fiscal probity but avoid choking off any nascent economic recovery. Moreover to prevent future banking system failures they should also address the underlying structural issues. However this will be difficult because excessive regulation could trigger another relapse into recession.

The shift in economic power from the West to the emerging economies would probably have happened anyway but has been brought forward by the recession and the inability of the U.S. and U.K. to do anything about it whilst their financial services industries almost collapsed.

The new global leaders, at least in growth terms, are the BRIC economies. Last year the Brazilian stock market rose 82%, Russian's 126%, India's 80% and China's 76%.

We are seeing a dual economy in which stock markets are riding higher than the real economy in most countries. Unemployment, debt repayment and housing market overhangs have kept consumer demand low. Poorer people are struggling to survive.

It will be interesting to see whether our Minister of Finance can successfully juggle an increase in GST with tax cuts yet still support the poorer parts of society and hopefully continue our economic recovery.

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Eriksen's Master Trust Survey Results to 31 December 2009

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							
AXA SMT Multi-Mgr High Growth	114.3	19.5	-7.0	-5.2	-1.2	1.4	
Aon Growth	4.7	18.2	-5.9	-4.1	-0.1	1.7	37
Aventine's SuperLife Aim80	10.9	16.1	-6.1	-4.2	0.4	2.8	123
Mercer Growth	63.4	14.3	-7.3	-5.0	-1.4	1.2	
Tower LifeSaver Growth	19.3	12.1	-8.1	-4.6			154
AMP Lifesteps Aggressive	7.7	12.0	-9.9	-5.2	-0.4	2.5	
AMP High Equity	185.8	12.0	-9.9	-5.2	-0.5	2.5	
ASB SMT Growth	113.7	11.0	-7.9	-4.3	-0.2	2.1	
AMP Lifesteps Growth	28.2	10.5	-6.8	-3.1	0.8	3.2	
WestpacTrust Dynamic	102.5	9.3	-6.8	-5.0	-1.0	1.0	
All Growth Funds	650.5	13.0	-8.0	-4.9	-0.7	1.9	

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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Fund Name	Fund Size \$ million	Annual Returns (Net of Tax & Expenses)					No of Employers
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Balanced Funds							
AXA SMT Multi-Mgr Balanced	335.7	15.3	-3.9	-2.7	0.2	2.1	
Aon Balanced	24.3	14.9	-1.4	-0.7	2.0	3.2	49
AMP Tyndall Fund Backtested **		14.1	-1.7	-0.3	1.8	3.2	
Mercer Active Balanced	102.2	14.0	-5.3	-3.4	-0.5	1.7	
Aventine's SuperLife Aim60	24.6	13.9	-2.2	-0.9	2.0	3.7	123
AMP ING Balanced	148.4	12.0	-2.9	-1.1	1.5	3.9	
AMP Tyndall Balanced (formerly BT balanced)	87.0	10.8	-4.7	-2.9	0.1	2.2	
Aventine's SuperLife Trustee60	117.2	10.8	-0.5	-0.1	2.6		123
AMP ASB Balanced	28.8	10.7	-3.9	-1.4	1.3	3.0	
AMP Tower Balanced	104.0	10.0	-1.8	0.8	3.2	4.2	
Aventine's SuperLife Ethica	0.1	9.3					
ASB SMT Balanced	265.2	9.1	-4.4	-1.7	1.3	3.0	
AMP Lifesteps Balanced	47.0	8.7	-2.5	-0.2	2.7	4.4	
AMP Balanced	319.0	8.7	-2.5	-0.3	2.4	3.9	
Tower Lifesaver Balanced	171.5	8.5	-2.6	0.3	3.2	4.1	154
WestpacTrust Balanced	109.5	7.9	-4.4	-3.0	0.2	1.7	
AMP Lifesteps Moderate Balanced	62.7	7.7	-0.8	0.9	3.2	4.5	
All Balanced Funds	1,947.1	10.8	-3.2	-1.2	1.5	2.9	

* 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							
Mercer Conservative	36.6	12.0	0.3	1.1	2.4	3.6	
Aon Conservative	11.2	9.5	2.8	2.4	3.6	4.1	45
Aventine's SuperLife Aim30	35.9	8.5	2.2	2.4	3.7	4.5	123
AXA SMT Multi-Mgr Conservative	114.8	7.8	0.7	1.1	2.3	3.2	
Tower LifeSaver Conservative	6.6	7.4	0.9	1.8			154
ASB SMT Conservative	69.9	7.0	-0.5	1.0	2.8	3.8	
AMP Lifesteps Moderate	43.7	6.2	2.0	2.8	4.1	5.0	
Aon Capital Stable	3.9	5.7	5.1	4.5	4.4	4.5	24
Tower Capital Preservation	27.4	5.1	4.6	4.9	5.0	4.8	154
AMP Lifesteps Conservative	8.5	4.9	4.5	4.3	4.8	5.3	
AMP Capital Stable	86.0	4.9	4.5	4.3	4.8	5.3	
WestpacTrust Accumulation	30.9	3.3	3.1	3.5	3.6	3.7	
AMP Capital Assured	104.5	2.6	3.3	3.6	3.7	3.6	
All Conservative Funds	579.8	6.1	2.2	2.6	3.5	4.1	

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Single Sector Aggressive							
Aventine's SuperLife Australian Shares	21.0	37.7	-2.8	5.8			
Aventine's SuperLife Gemini	0.9	27.6	-18.2				
Aventine's SuperLife Oseas Shares Hedged	75.0	23.9	-11.4	-6.7	-1.2	2.4	
Aventine's SuperLife NZ Shares	39.1	23.4	-7.7	-5.1	0.4	1.9	
Tower Focus NZ Shares	8.0	16.7	-11.0	-7.8	-2.4	-0.2	154
Mercer Shares	16.6	13.2	-14.5	-9.9	-4.8	-1.1	
Tower LifeSaver Equity	23.4	13.1	-13.2	-8.0	-2.3	1.2	154
Aventine's SuperLife Property	5.9	12.8	-14.7	-13.4	-4.6	-0.8	
Aventine's SuperLife Oseas Shares Unhedged	49.5	1.7	-11.4	-8.7	-3.8	-0.3	
All Single Sector Aggressive	239.4	18.1	-10.5	-6.3	-1.9	1.0	

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							
Aventine's SuperLife Overseas Non Govt Bonds	21.1	6.3	9.2	7.3	6.1	5.8	
Aventine's SuperLife NZ Bonds	70.4	3.6	6.1	4.9	4.9	4.9	
AMP Cash	57.7	3.4	5.1				
Tower LifeSaver Preservation	24.0	2.9	4.3	4.4	4.5	4.4	154
Aventine's SuperLife Cash	87.8	2.9	4.4	4.8	4.9	4.8	
Aventine's SuperLife Overseas Govt Bonds	48.1	2.6	8.0	7.2	6.3	6.1	
AXA SMT Cash	74.9	2.3	3.2	3.7	4.0	4.1	
Tower Focus Fixed Income	9.0	1.9	6.3	5.1	4.7	4.6	154
Mercer Cash	39.9	1.8	3.5	4.0	4.1	4.2	
All Single Sector Defensive	432.9	3.0	5.1	4.9	4.8	4.8	
Total Funds	3,849.7	10.0	-2.7	-1.0	1.6	3.0	
Cash Benchmark (Net)		2.0	3.6	4.3	4.5	4.5	
CPI		2.0	2.7	2.8	2.8	2.9	

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