ERIKSEN & ASSOCIATES LTD
Actuaries & Business Consultants

Eriksen's Master Trust Survey
Results to 30 June 2010

Investment Returns

The June 2010 quarter saw some sharp falls in asset values as investors became nervous about a possible slowdown in the global recovery. High sovereign debt levels, generally high unemployment in the developed economies, and businesses hoarding cash all point to governments, consumers and business being unwilling to spend for the next little while.

In the last year growth funds returned 7.0% (20.3%), balanced funds returned 7.7% (16.5%), and conservative funds returned 5.7% (8.7%) after tax, expenses and fees (the previous quarter's rolling twelve months are shown in brackets).

The solid gains in recent months have come in part as a recovery from a low base. The latest annual returns represent a consolidation and give reasonable real returns over both the net cash rate of 1.9% and inflation (1.9%).

Economic Commentary

The global financial crisis began at the end of July 2007. That is almost three years ago!

With the onset of the global credit crunch the threat to the world financial system was judged to be so serious that governments were prepared to provide as much stimulus as needed to avert catastrophe. Billions were paid to support banks considered "too big to fail", emergency packages were rolled out and interest rates were slashed to very low levels. Since then things have improved globally, as evidenced by the rebounds in world share markets since March 2009.

Much of the recovery has come from staggeringly expensive programs funded by governments which were already over extended with debt. Those governments are now having to decide whether to continue or slash spending. Recent months have shown that the downside risks to the global economy have yet to go away in spite of the denial exhibited by many politicians and economists. Banks still have overvalued assets on their books and residential property could fall further in several countries. Unemployment is high in most developed countries, and shows little sign of diminishing for some time. Already indebted governments are facing the prospect of either paying out high amounts in social welfare, or cutting benefits sharply as part of a wider debate about who should bear the costs of the recession. Public service wages and pensions have been cut in Greece and Spain and more cuts are likely. This has led to social unrest in several European countries and could spread further if unemployment stays high. There is considerable disaffection with the idea that the wealthy bankers, who caused much of the problem, could be bailed out but that working people would not be.

The fundamental economic issue now being debated is whether public spending be maintained to stimulate private sector activity (and employment), or whether government spending should be slashed to reduce public debt, at the risk of further reducing economic activity and increasing unemployment (the austerity approach).

So far the Euro zone countries and the U.K. seem to be moving towards austerity, while the U.S. is undecided (the Obama administration would probably like to continue spending but probably lacks the required political support). Given that the Chinese are also trying to cool their own overheated property market, there is a possibility that those countries trying to cut spending and increase exports will find that there are few buyers for their products, and that a full recovery remains elusive.

This leaves the global economy very vulnerable. The instabilities in the Euro zone are causing global nervousness and investors have little good news to comfort them. If the new austerity pushes countries further into recession then a true recovery could be years away. Interest rates are too low for monetary policy to have any effect, and falling asset prices are scaring purchasers away. The only good news is that New Zealand is in a relatively strong position. Canada is now the strongest western economy followed by Australia and then New Zealand and several others. All the "Commonwealth" countries have sound banking systems which is the key advantage.

Eriksens Conference – Tues 14 Sept 2010

Eriksens annual conference is to be held at the Stamford Plaza, Auckland. We are privileged that Hon. Peter Dunne, Minister of KiwiSaver will open it. This year we consider "New Zealand Retirement Savings Policy" and "Investment Issues in these Uncertain Times". Conference delegates will have the opportunity to win a case of mixed Hawke's Bay wines kindly donated by Crossroads Wineries. The winner will be the person who most closely guesses the S & P 500 Index value as of the evening of Friday 10 September 2010 (New York time).

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Fund Name	Fund Size	Annual Returns (Net of Tax & Expenses)					No. of
	$ million	1 Year	2 Year	3 Year	4 Year	5 Year	Employers
Growth Funds							
Aon Growth	4.9	12.2	-2.3	-4.0	-1.7	1.3	37
Aventine's SuperLife Aim80	10.9	9.3	-4.1	-6.3	-2.9	0.9	122
Tower LifeSaver Growth	20.4	8.8	-3.3	-5.1			149
AXA SMT Multi-Mgr High Growth	112.1	8.7	-4.3	-7.4	-4.6	-0.5	
Mercer Growth	59.2	7.8	-5.0	-6.3	-3.5	-0.2	
ASB SMT Growth	117.3	7.4	-4.4	-5.6	-2.3	1.2	
AMP Lifesteps Aggressive	7.5	6.1	-8.2	-7.0	-2.7	1.5	
AMP High Equity	175.1	6.1	-8.2	-7.0	-2.7	1.5	
AMP Lifesteps Growth	28.5	5.9	-5.5	-4.5	-1.1	2.4	
WestpacTrust Dynamic	94.6	5.5	-3.2	-6.0	-3.7	-0.3	
All Growth Funds	***630.3***	***7.0***	***-5.4***	***-6.4***	***-3.1***	***0.7***	

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Balanced Funds							
Aon Balanced	31.4	10.8	1.5	-0.3	0.9	3.0	51
AMP ING Balanced	147.6	9.8	-0.4	-1.5	0.1	3.2	
AMP Tower Balanced	104.5	9.6	0.3	1.0	2.7	4.2	
AMP Tyndall Fund Backtested **		9.5	-0.9	-1.8	0.1	2.1	
AMP Tyndall Balanced (formerly BT balanced)	86.2	9.5	-0.9	-2.8	-1.1	1.8	
AMP ASB Balanced	29.8	9.2	-1.3	-1.9	0.4	2.7	
Mercer Active Balanced	100.5	8.7	-3.0	-4.3	-2.1	0.6	
AXA SMT Multi-Mgr Balanced	339.5	8.5	-1.3	-4.0	-2.0	0.8	
Aventine's SuperLife Aim60	25.9	8.5	-1.1	-2.6	-0.2	2.3	122
Aventine's SuperLife Trustee60	115.5	7.6	0.7	-1.5	0.1	1.7	122
Tower Lifesaver Balanced	172.2	7.4	-0.2	0.3	2.0	4.0	149
ASB SMT Balanced	280.9	7.4	-1.5	-2.4	-0.1	2.4	
Aventine's SuperLife Ethica	0.5	7.0	3.5				
AMP Lifesteps Balanced	46.7	5.7	-1.5	-1.0	1.3	3.9	
AMP Balanced	307.8	5.7	-1.5	-1.1	1.2	3.4	
AMP Lifesteps Moderate Balanced	63.3	5.6	-0.2	0.3	2.0	4.0	
WestpacTrust Balanced	104.0	5.3	-1.5	-3.5	-2.0	0.8	
All Balanced Funds	***1,956.2***	***7.7***	***-1.0***	***-1.9***		***2.4***	

* 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 Name	Fund Size	Annual Returns (Net of Tax & Expenses)					No. of
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Conservative Funds							
Aon Conservative	11.8	9.1	4.7	3.3	3.5	4.1	45
Mercer Conservative	38.3	8.9	1.7	1.1	1.9	3.1	
Tower LifeSaver Conservative	8.0	7.7	2.7	2.4			149
Aventine's SuperLife Aim30	33.2	7.5	3.1	1.8	2.8	3.8	122
Aon Capital Stable	4.2	7.0	5.8	5.3	4.7	4.6	21
ASB SMT Conservative	76.1	6.9	1.5	1.0	2.2	3.6	
AXA SMT Multi-Mgr Conservative	125.8	6.4	1.9	0.9	1.6	2.6	
AMP Lifesteps Moderate	43.4	5.4	2.2	2.4	3.2	4.6	
AMP Lifesteps Conservative	8.6	5.2	4.3	4.2	4.2	5.0	
AMP Capital Stable	88.9	5.2	4.3	4.2	4.3	5.0	
WestpacTrust Accumulation	28.8	4.3	3.3	3.5	3.6	3.7	
AMP Capital Assured	106.4	2.8	3.0	3.3	3.6	3.5	
All Conservative Funds	***573.4***	***5.7***	***2.7***	***2.3***	***2.9***	***3.7***	

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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Single Sector Aggressive							
Aventine's SuperLife Property	5.7	16.1	-9.8	-14.0	-8.4	-3.1	
Aventine's SuperLife NZ Shares	37.6	14.2	2.3	-8.3	-2.3	-0.5	
Aventine's SuperLife Oseas Shares Hedged	73.1	10.4	-10.5	-10.7	-4.3	-0.2	
Tower Focus NZ Shares	7.1	8.2	-2.0	-10.3	-5.3	-2.4	149
Tower LifeSaver Equity	23.0	7.8	-7.7	-9.6	-5.5	0.3	149
Aventine's SuperLife Australian Shares	25.8	5.9	-8.5	-5.2			
Mercer Shares	16.0	3.1	-11.6	-13.1	-8.5	-3.5	
Aventine's SuperLife Oseas Shares Unhedged	51.2	2.8	-8.9	-10.1	-8.7	-2.0	
Aventine's SuperLife Gemino	0.9	-5.2	-21.0				
All Single Sector Aggressive	***240.4***	***8.2***	***-7.5***	***-9.7***	***-4.9***	***-0.9***	

Fund Name	Fund Size	Annual Returns (Net of Tax & Expenses)					No. of
	$ million	1 Year	2 Year	3 Year	4 Year	5 Year	Employers
Single Sector Defensive							
Aventine's SuperLife NZ Bonds	81.0	7.8	7.0	5.9	5.3	5.2	
Aventine's SuperLife Overseas Govt Bonds	52.4	6.4	7.4	8.1	7.0	5.9	
Aventine's SuperLife Overseas Non Govt Bonds	26.2	6.4	9.3	7.9	6.9	5.6	
Tower Focus Fixed Income	10.1	6.0	6.6	6.1	5.1	4.8	149
AMP Cash	59.6	3.1	4.2				
Tower LifeSaver Preservation	50.9	3.0	3.6	4.3	4.2	4.3	149
Aventine's SuperLife Cash	81.9	2.8	3.7	4.4	4.6	4.7	
Mercer Cash	38.0	2.2	2.9	3.7	3.9	4.1	
AXA SMT Cash	67.1	2.2	2.4	3.2	3.6	3.8	
All Single Sector Defensive	***467.2***	***4.3***	***4.8***	***5.1***	***4.9***	***4.8***	
Total Funds	**3,867.5**	**6.9**	**-0.9**	**-1.8**	**0.1**	**2.4**	
Cash Benchmark (Net)		**1.9**	**2.6**	**3.7**	**4.1**	**4.2**	
CPI		**1.7**	**1.8**	**2.5**	**2.4**	**2.7**	

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