ERIKSEN & ASSOCIATES LTD
Actuaries & Business Consultants

Eriksen's Master Trust Survey
Results to 31 March 2011

Investment Returns

The increased inflation rate in the December quarter saw a further fall in the real returns received by investors. Growth funds experienced a real return of 0.6%, balanced and conservative funds had real returns of 0.4% and -0.6% respectively. The cash benchmark fared even worse, with a -2.4% real return thus losing money in real terms. This provided little short term incentive for employees to save, when both the IMF and the government are again calling for employees to defer spending and save for retirement.

For New Zealand a major risk is the potential alienation of 1.6 million KiwiSaver members by the Governments proposed changes. Our retirement system is working well and helping us to get out of debt. It would be a tragedy if the public's confidence in KiwiSaver were lost.

Economic Commentary

The wave of political unrest around the Middle East underlines the dangers of high food prices and unemployment.

In the U.K. there is concern that the Conservative Coalition's massive spending cuts may be making things worse. George Osborne's "expansionary austerity" was intended to create confidence and encourage spending as people realised the public finances were being brought under control. Private spending would then take the place of public spending and the British economy would then start to expand again. Unfortunately the beneficial results have so far proved to be elusive, with unemployment rising, real incomes falling steadily, consumption and spending down - and the forecast Government deficit still rising.

Some observers have pointed out that the "expansionary austerity" model assumes that a tight fiscal policy would be associated with compensatory monetary loosening, so that cheap borrowing and a lower currency could stimulate exports. In the current situation, however, monetary policy was already very loose, with little room to become looser – so the fiscal tightening has acted to further reduce demand in the economy.

Meanwhile the steadily intensifying Euro zone crisis continues with Portugal being forced to seek a bailout. Independently, the ECB raised interest rates. This is another policy measure which has been timed to suit German concerns about inflation, without regard for those countries which are struggling.

The immediate pressing issues for the Euro continue to be whether Greece, Ireland and Portugal will default on their obligations (whether voluntarily or not) and whether Spain will be the next domino to fall. That bailout could be expected to substantially stretch the resources available to help.

Reaching consensus on the way forward is now a political rather than economic issue which is not progressing because of the political instability amongst some of the leading players. Belgium and Portugal are struggling to form governments, there is strong opposition to the austerity measures in Greece and Ireland, and the current German and French administrations may be on their way out. A continuing danger is the possibility of extreme right wing parties coming to power as resistance to extreme austerity grows. Social unrest from unemployed youth is a bigger worry long term.

In a sense, the European policy dilemma is similar to the U.K.'s since in both cases tight fiscal measures are being forced on heavily indebted countries where economic austerity is failing to restore employment or increased economic activity (the Euro zone countries are of course in a worse situation since they have no control over their currency). The Irish example, where very severe fiscal cuts have failed to restore business confidence, suggests that the so-called PIIGS may be caught in a debt trap in which partial default might be the only way out. This would not play well in Germany, where many of the creditor banks reside.

As a result the financial markets remain volatile with the cheap funds from quantitative easing in U.S.A., U.K. and Japan pushing them higher and political unrest, natural disasters and higher food and energy prices tempering investors' confidence and pulling them down.

Eriksens Conference

Eriksen's 2011 conference is to be held at Wellington's Intercontinental Hotel on Tuesday 31 May. This year we have billed it as the "EFG Investment Conference" (Earthquakes, Floods and Government Regulation) to reflect the major themes of the year to date.

We are pleased to welcome back Rod Oram, the independent journalist and economist who will open the conference. The presentations include sessions on government regulation, Iwi investment strategies, KiwiSaver and views of the global and NZ economies since the GFC. Further details are shown on the attachments. We look forward to seeing you there!

Contact us at:

Auckland *Auckland@eriksensglobal.com* *Ph 64 9 486 3144*
Wellington *Wellington@eriksensglobal.com* *Ph 64 4 470 6144*

Back issues are available from www.eriksensglobal.com

Eriksen's Master Trust Survey
Results to 31 March 2011

Fund Name	Fund Size	Annualised Returns (Net of Tax & Expenses)					No of
	$ million	1 Year	2 Year	3 Year	4 Year	5 Year	Employers
Growth Funds							
Aventine's SuperLife Aim80	14.3	7.9	17.8	2.4	-0.7	0.8	121
Aon Growth	5.6	6.1	14.1	1.0	-1.8	-0.3	37
AXA SMT Multi-Mgr High Growth	139.0	6.0	17.6	1.7	-2.1	-1.1	
Mercer Growth	66.8	5.4	14.4		-2.0	-0.7	
ASB SMT Growth	147.8	5.0	12.5	-0.8	-2.4	-0.9	
WestpacTrust Dynamic	100.2	4.7	9.6	-0.1	-3.0	-1.7	
AMP High Equity	197.7	4.7	9.3	-2.9	-4.0	-1.8	
AMP Lifesteps Growth	32.3	4.5	8.2	-1.3	-2.3	-0.6	
AMP Lifesteps Aggressive	8.2	4.5	9.2	-3.0	-4.0	-1.8	
Tower LifeSaver Growth	24.5	4.1	12.3	-1.2	-2.6		
All Growth Funds	***736.4***	***5.1***	***12.3***	***-0.7***	***-2.8***	***-1.2***	

Eriksen's Master Trust Survey
Results to 31 March 2011

Fund Name	Fund Size	Annualised Returns (Net of Tax & Expenses)					No of
	$ million	1 Year	2 Year	3 Year	4 Year	5 Year	Employers
Balanced Funds							
Aventine's SuperLife Trustee60	134.4	7.1	13.1	5.0	2.3	2.8	121
Aventine's SuperLife Aim60	31.7	6.9	14.8	3.7	1.5	2.3	121
AXA SMT Multi-Mgr Balanced	418.6	5.6	13.9	2.5	-0.3	0.4	
Aon Balanced	29.8	5.6	11.6	3.3	0.9	1.8	49
Mercer Active Balanced	108.5	5.2	13.8	1.0	-0.8	0.1	
AMP OnePath Balanced Plus	165.6	5.2	9.8	1.6	-0.7	0.4	
ASB SMT Balanced	347.3	4.9	10.6	0.8	-0.3	0.7	
AMP ASB Balanced	35.2	4.7	9.5	0.5	-0.6	0.6	
WestpacTrust Balanced	107.1	4.6	8.7	1.0	-1.3	-0.5	
AMP Tyndall Fund Backtested **		4.5	8.9	0.8	-0.5	0.3	
AMP Tyndall Balanced (formerly BT balanced)	92.6	4.5	9.0	0.7	-1.9	-0.8	
Tower Lifesaver Balanced	188.6	4.3	9.6	1.3	1.6	2.5	
AMP Balanced	334.7	4.2	6.9	1.1	-0.1	1.1	
AMP Lifesteps Balanced	53.9	4.1	6.9	1.0		1.2	
AMP Lifesteps Moderate Balanced	73.2	4.0	6.2	1.8	0.9	1.8	
AMP Tower Balanced	114.0	4.0	7.9	1.4	1.5	2.5	
Aventine's SuperLife Ethica	0.6	3.7	8.6	4.7			
All Balanced Funds	***2,235.6***	***4.9***	***10.3***	***1.7***	***0.1***	***1.0***	

* 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.

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.

Eriksen's Master Trust Survey
Results to 31 March 2011

Fund Name	Fund Size	Annualised Returns (Net of Tax & Expenses)					No of
	$ million	1 Year	2 Year	3 Year	4 Year	5 Year	Employers
Conservative Funds							
Aventine's SuperLife Aim30	33.7	5.8	10.1	5.1	3.7	3.9	121
Aon Conservative	14.6	5.2	8.4	4.5	3.3	3.7	43
ASB SMT Conservative	88.0	5.0	8.7	2.6	2.2	2.7	
AXA SMT Multi-Mgr Conservative	154.7	4.5	7.9	3.3	2.2	2.5	
Mercer Conservative	38.9	4.2	10.2	3.0	2.2	2.7	
Tower LifeSaver Conservative	9.9	3.9	7.5	2.8	2.6		
AMP Lifesteps Moderate	49.8	3.9	5.2	3.2	2.6	3.0	
Aon Capital Stable	5.0	3.8	5.2	4.7	4.5	4.0	22
AMP Lifesteps Conservative	11.5	3.7	4.3	4.1	3.6	3.7	
AMP Capital Stable	103.2	3.7	4.3	4.1	3.6	3.7	
WestpacTrust Accumulation	28.7	2.8	3.5	3.2	3.3	3.5	
AMP Capital Assured	107.0	1.8	1.7	2.0	2.4	2.7	
All Conservative Funds	***645.1***	***3.9***	***6.2***	***3.2***	***2.7***	***2.9***	

Eriksen's Master Trust Survey
Results to 31 March 2011

Fund Name	Fund Size	Annualised Returns (Net of Tax & Expenses)					No of
	$ million	1 Year	2 Year	3 Year	4 Year	5 Year	Employers
Single Sector Aggressive							
Aventine's SuperLife Gemino	2.4	24.9	17.6	-3.4			
Aventine's SuperLife NZ Shares	52.9	12.8	22.9	5.3	-0.4	1.7	
Aventine's SuperLife Oseas Shares Hedged	101.8	10.8	28.1	1.1	-1.4	1.0	
Aventine's SuperLife Property	6.7	9.1	19.3	-3.7	-8.5	-3.5	
Mercer Shares	19.2	5.7	15.7	-3.2	-5.6	-4.0	
Tower LifeSaver Equity	26.8	5.6	14.6	-3.1	-5.4	-3.5	
Aventine's SuperLife Australian Shares	39.7	5.3	22.3	2.8	3.7		
Aventine's SuperLife Oseas Shares Unhedged	65.2	4.1	12.0	-1.1	-4.5	-4.2	
Tower LifeSaver NZ Shares	51.7	0.9	11.9	-2.5	-6.2	-3.6	
All Single Sector Aggressive	***366.5***	***7.3***	***19.7***	***0.4***	***-2.5***	***-1.3***	

Fund Name	Fund Size	Annualised 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	97.3	5.8	6.3	6.6	5.3	5.1	
Tower LifeSaver Fixed Income	9.7	4.8	4.3	5.8	5.2	4.7	
Aventine's SuperLife Overseas Govt Bonds	54.5	4.4	5.1	6.6	7.0	6.6	
Aventine's SuperLife Overseas Non Govt Bonds	37.0	3.1	6.0	7.2	6.8	6.3	
Aventine's SuperLife Cash	88.6	3.0	2.8	3.8	4.2	4.4	
Mercer Cash	42.6	2.9	2.3	3.0	3.5	3.7	
Tower LifeSaver Preservation	7.9	2.5	2.7	3.4	3.7	3.9	
AMP Cash	64.0	2.2	2.2	3.1			
AXA SMT Cash	62.9	2.2	2.2	2.7	3.1	3.5	
All Single Sector Defensive	***464.4***	***3.6***	***3.9***	***4.7***	***4.2***	***4.2***	
Total Funds	**4,448.0**	**4.9**	**10.2**	**1.7**	**0.2**	**1.1**	
CPI		**4.5**	**3.3**	**3.2**	**3.2**	**3.1**	
Cash Benchmark (Net)		**2.1**	**2.0**	**2.8**	**3.5**	**3.8**	

Contact us:

Auckland auckland@eriksensglobal.com *Ph +64 9 486 3144*

Wellington wellington@eriksensglobal.com *Ph +64 4 470 6144*

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.