

## **Eriksen's Master Trust Survey Results to 30 September 2011**

### **Investment Returns**

In the quarter ending September 2011 share markets were again volatile but trending downwards as a result of the continuing uncertainties surrounding the European debt issues. The New Zealand dollar fell 10.5% against the U.S. dollar over the quarter as the dollar strengthened against the Euro.

The quarterly CPI increase of 0.4% was a welcome respite from the increases of the last year. The annual rate fell to 4.6%. Over the year growth funds lost 3.1%, balanced funds lost 0.7%, while conservative funds gained 1.6%. The 5.1% loss across all funds in real terms was disappointing.

### **Economic Commentary**

The positive Rugby World Cup result gave welcome relief from the general economic gloom. However, the global financial crisis grinds steadily along regardless of the short-term boost to spending in New Zealand.

The outlook for the Australian and New Zealand economies is clouding, although still better than most Western economies. Both are dependent on international commodity markets and are vulnerable to a further global recession. Australia is still heavily dependent on the Chinese demand for its raw minerals. The high Australian dollar has severely eroded manufacturing exports. China's growth has slowed and could fall further in 2012. In the meantime hard commodities prices have fallen, the spot price for copper dropping 25% in September.

The latest ratings downgrades of New Zealand by both Standard & Poors and Fitch are a reaction to the high private borrowing, a persistent government deficit and the lack of structural reform to reduce these. There is also nervousness that the major Australian banks could be downgraded, thus increasing their costs of borrowing as international credit markets tighten. Heavy exposures to the mining industry and to the (still overvalued) Australian housing market are other sources of vulnerability for the Australian banks (which are major players in New Zealand).

Debt woes are still hampering the global recovery, with those in Europe proving to be the least sustainable. The announcements this week of 50% write-downs on Greek debt by the banks and a much enlarged rescue fund are

light on detail, but indicate that the major European players would prefer a move towards further fiscal integration to disintegration of the Euro. While the markets have responded favourably to this news, we reserve judgement until the debts have either been forgiven or arranged to be repaid.

The Bank of England has continued its quantitative easing programme in an effort to reduce borrowing costs although this is likely to increase inflation. With recent U.K. annual inflation already about 4.5%, any further rise will be bad news for savers - especially since further easing is expected in the New Year.

The sell-off of stock markets has been combined with a strengthening of the U.S. dollar as the Euro has weakened. This has benefited exporters in both Australia and New Zealand. We are still concerned by the American economy because of high unemployment and political paralysis. The latest quantitative easing by Ben Bernanke called 'twisting' (selling short-dated treasuries and buying long-dated ones) has forced down the yield on long-dated bonds thus reducing the income for savers and weakening the balance sheets of defined benefit pension plans. Whilst inflation is contained at present this process will damage the U.S. public sector balance sheet when interest rates eventually rise to counter rising inflation.

The next three to six months will be volatile for stock markets with potentially more falls as investors come to terms with the difficulties faced by politicians and central bankers. The austerity measures will cause further unrest and won't be as effective at solving the problems as policymakers hope. Another credit crunch is the biggest risk.

### **Our Retirement Savings Policy**

With an election coming up we put forward Eriksen's policy ideas on retirement saving. These recognise the severity of the headwinds facing the economy but also reflect the need for consistent long-term policy rather than political footballs. Are any politicians listening?

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## Eriksen's Master Trust Survey Results to 30 September 2011

Fund Name	Fund Size \$ million	Annualised Returns (Net of Tax & Expenses)					No of Employers
		1 Year	2 Year	3 Year	4 Year	5 Year	
<b>Growth Funds</b>							
Aon Growth	5.6	0.4	3.5	1.9	-1.8	-0.2	39
Mercer Growth	61.6	-1.5	1.1	0.5	-4.4	-2.1	
AMP Lifesteps Growth	30.1	-1.9	0.9	-1.8	-4.1	-1.3	
Tower LifeSaver Growth	23.6	-2.8	1.3	1.1	-3.5	-1.9	
ASB SMT Growth	138.2	-3.1	1.0	0.1	-4.1	-1.5	
AMP High Equity	174.7	-3.1	0.2	-3.3	-6.2	-2.7	
Aventine's SuperLife Aim80	12.9	-3.1	1.7	0.5	-4.3	-1.6	124
AMP Lifesteps Aggressive	6.9	-3.6	-0.1	-3.5	-6.3	-2.8	
AXA SMT Multi-Mgr High Growth	126.3	-4.6	-0.2	0.6	-5.7	-3.3	
<b>All Growth Funds</b>	<b>579.9</b>	<b>-3.1</b>	<b>0.6</b>	<b>-0.9</b>	<b>-5.1</b>	<b>-2.3</b>	

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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<b>Balanced Funds</b>							
AMP OnePath Balanced Plus	159.9	1.5	3.6	1.6	-0.8	0.6	52
Aon Balanced	28.9	1.0	3.7	3.5	0.5	1.6	
AMP Lifesteps Moderate Balanced	77.3	0.4	2.1	1.2	-0.2	1.5	
AMP Balanced	316.9	0.1	2.0	0.6	-1.3	0.8	
AMP Lifesteps Balanced	54.6		2.0	0.6	-1.2	0.9	
Mercer Active Balanced	105.0	-0.5	2.1	1.5	-2.7	-0.9	
Aventine's SuperLife Ethica	3.3	-0.5	1.2	2.8			
AMP Tower Balanced	108.8	-0.6	2.4	1.6	0.5	2.2	
Tower Lifesaver Balanced	176.5	-0.8	2.5	2.3	0.3	2.1	
ASB SMT Balanced	339.4	-0.8	2.3	1.8	-1.3	0.6	
AMP ASB Balanced	36.0	-1.0	2.1	0.7	-1.4	0.5	124
Aventine's SuperLife Trustee60	123.5	-1.0	2.9	2.7	-0.4	1.2	
AMP Tyndall Fund Backtested **		-1.0	2.0	1.0	-1.6	0.2	
AMP Tyndall Balanced (formerly BT balanced)	86.5	-1.0	2.0	0.8	-2.3	-0.7	124
Aventine's SuperLife Aim60	29.2	-1.4	2.7	2.3	-1.3	0.7	
AXA SMT Multi-Mgr Balanced	410.8	-2.1	1.6	2.4	-2.7	-1.0	
<b>All Balanced Funds</b>	<b>2,056.6</b>	<b>-0.7</b>	<b>2.3</b>	<b>1.7</b>	<b>-1.3</b>	<b>0.5</b>	

\* 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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<b>Conservative Funds</b>							
Aon Conservative	15.0	2.8	4.6	4.6	3.4	3.5	47
Aon Capital Stable	5.3	2.6	4.2	4.7	4.5	4.3	21
AMP Lifesteps Conservative	15.4	2.2	3.2	3.3	2.9	3.5	
AMP Capital Stable	113.0	2.2	3.2	3.3	2.9	3.5	
AMP Capital Assured	108.9	1.8	1.8	1.8	2.1	2.5	
Tower LifeSaver Conservative	12.8	1.7	3.7	3.6	2.6	2.7	
Aventine's SuperLife Aim30	33.0	1.5	4.2	4.3	2.5	3.3	124
ASB SMT Conservative	89.4	1.3	3.4	3.1	1.3	2.4	
AMP Lifesteps Moderate	54.4	1.2	2.7	2.2	1.5	2.6	
AXA SMT Multi-Mgr Conservative	166.1	1.2	3.0	3.5	1.3	1.9	
Mercer Conservative	40.0	1.1	3.5	3.7	1.4	2.2	
<b>All Conservative Funds</b>	<b>653.1</b>	<b>1.6</b>	<b>3.0</b>	<b>3.1</b>	<b>1.9</b>	<b>2.6</b>	

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<b>Single Sector Aggressive</b>							
Aventine's SuperLife Property	24.5	4.4	6.3	-1.2	-8.0	-4.8	
Aventine's SuperLife NZ Shares	50.5	2.4	5.0	5.5	-2.9	0.8	
Tower LifeSaver NZ Shares	7.5	1.2	1.6	2.5	-5.9	-2.5	
Aventine's SuperLife Oseas Shares Hedged	85.3	-5.0	1.9	-1.1	-7.4	-3.1	
Mercer Shares	15.5	-5.3	-2.5	-3.1	-10.1	-6.3	
Tower LifeSaver Equity	21.8	-8.1	-1.4	-2.2	-8.6	-5.2	
Aventine's SuperLife Australian Shares	37.1	-9.1	-3.0	0.6	-5.2	2.5	
Aventine's SuperLife Oseas Shares Unhedged	56.3	-9.7	-3.1	-6.7	-9.8	-7.3	
Aventine's SuperLife Gemino	3.1	-37.9	-15.5	-12.5	-17.5		
<b>All Single Sector Aggressive</b>	<b>301.6</b>	<b>-4.8</b>	<b>0.6</b>	<b>-1.1</b>	<b>-7.2</b>	<b>-2.9</b>	

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<b>Single Sector Defensive</b>							
Aventine's SuperLife NZ Bonds	108.6	5.9	6.5	6.4	6.1	5.6	
Tower LifeSaver Fixed Income	12.8	5.0	5.5	5.6	5.7	5.2	
Aventine's SuperLife Cash	99.2	3.0	2.9	3.1	3.9	4.2	
Aventine's SuperLife Overseas Govt Bonds	54.9	3.0	6.3	6.9	7.4	6.8	
Aventine's SuperLife Overseas Non Govt Bonds	41.7	2.7	4.9	7.4	7.4	6.3	
Mercer Cash	42.8	2.4	2.4	2.5	3.2	3.5	
Tower LifeSaver Preservation	51.9	2.2	2.5	2.8	3.5	3.7	
AMP Cash	70.6	2.1	2.1	2.5			
AXA SMT Cash	61.9	1.9	2.0	2.2	2.7	3.2	
<b>All Single Sector Defensive</b>	<b>544.3</b>	<b>3.2</b>	<b>3.9</b>	<b>4.3</b>	<b>4.3</b>	<b>4.1</b>	
<b>Total Funds</b>	<b>4,135.5</b>	<b>-0.5</b>	<b>2.2</b>	<b>1.7</b>	<b>-1.0</b>	<b>0.7</b>	
<b>CPI</b>		<b>4.6</b>	<b>3.0</b>	<b>2.6</b>	<b>3.2</b>	<b>2.9</b>	
<b>Cash Benchmark (Net)</b>		<b>1.9</b>	<b>1.9</b>	<b>2.1</b>	<b>3.0</b>	<b>3.5</b>	

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