

ERIKSENS ACTUARIAL

Actuaries & Investment Strategists

Eriksen's Master Trust Survey Results to 30 June 2012

Investment Returns

In the year to 30 June growth funds lost 1.2% reflecting the continuing poor performance of growth assets. Balanced funds gained 0.3% and conservative funds had positive returns of 1.7% after tax and fees.

The inflation rate rose 0.3% during the second quarter of 2012, following a similar rise from the previous quarter. The calendar year to June 2012 saw inflation rise 1%.

Despite the very low rate of inflation only conservative funds achieved a real rate of return on average.

Economic Commentary

Slowing export sales to Europe and the US have made the Chinese nervous about their own slowing economy, with the People's Bank of China cutting interest rates to 6%, and deposit rates to 3% in early July. At the same time restrictions on speculative house buying have been introduced to prevent a bubble in prices and inflation has been reported as falling to 2.2%.

New Zealand interest rates remain extremely low considering the market risks. However there are faint signs that the 10 year bond yield may finally be rising.

The world economy appears locked into a low growth mode which will continue for some years. The creditor Eurozone countries (notably Germany) are gradually coming to the realisation that some form of closer European political union will be required for the euro to survive, however there is still little sign of the form it will take. The reduction in interest rates by the ECB has reduced the value of the euro, but has not reduced Spain and Italy's borrowing costs.

US job growth has slowed since the beginning of 2012 with little expectation of it increasing without more stimulus. Manufacturing job growth has fallen sharply, and construction job growth has yet to take off. With unemployment still high and inflation low there has been a feeling, that while the data supports more stimulus from the Federal Reserve, it is unlikely to happen this year. However the focus is turning towards the potential outcome of the Presidential election in November.

During the last month the Bank of England was forced to stimulate its flagging economy by creating an extra £50bn in quantitative easing. A tacit admission that the Olympics will have only a passing effect. The Bank of England has also been dragged into the growing and very public

banking scandal in which Barclays Bank has not only admitted manipulating the key London inter-bank offered rate (Libor) in 2008 and at times since – but also claims that the BoE deputy governor gave his implicit approval. With other major US and UK investment banks likely to be implicated there is considerable public anger. It remains to be seen whether this will finally lead to significant banking reform.

Ever since the global economic crisis struck in 2007 there has been a general unwillingness by policymakers and politicians to recognise either the causes or the most effective remedies. There were predictions of a return to normality within 18 months and a lack of interest in making hard and politically inconvenient decisions. This inaction included a lack of interest in reforming the banking system which had brought the world financial system close to collapse, plus denial of the high debt levels held by individuals and countries in the western world as being of concern.

Now, five years later, no real recovery seems in sight with the major participants moving only as they are forced to by further deterioration in their situation. This contrasts with Iceland which was forced to take drastic action after the crisis which all but shut down its economy four years ago and led to its British assets being frozen by the British government under an anti-terrorism law.

With China trying to change from applying the brakes to the accelerator the big question is how will Australia fare with the falling hard commodity prices and soft domestic economy? The answer will have a big impact on our New Zealand economy.

Conference

Don't forget this years' Eriksen's Conference, to be held on 25 September at the Hilton Hotel in Auckland. Although investments and regulation are high on the agenda there will be plenty of opportunities to discuss other issues such as the impact of the Christchurch earthquakes etc. We look forward to seeing you there. Register through our website.

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Fund Name	Fund Size \$ million	Annualised Returns (Net of Tax & Expenses)					No of Employers
		1 Year	2 Year	3 Year	4 Year	5 Year	
Growth Funds							
Aon Growth	6.2	1.6	5.5	7.6	1.4	-0.4	41
AXA SMT Multi-Mgr High Growth	132.6	0.0	5.4	6.5	0.5	-2.5	
Tower LifeSaver Growth	26.0	-0.6	3.2	5.0	-0.1	-2.0	
Mercer Growth	62.7	-1.4	4.2	5.4	-0.5	-2.3	
AMP Lifesteps Growth	31.4	-2.5	2.6	3.1	-2.2	-3.6	
ASB SMT Growth	156.5	-2.6	3.1	4.6	-0.7	-2.5	
Aventine's SuperLife Aim80	13.8	-2.7	5.2	6.5	0.4	-1.8	122
AMP High Equity	179.2	-3.6	2.3	3.0	-3.6	-5.2	
AMP Lifesteps Aggressive	6.4	-3.7	2.2	2.8	-3.7	-5.2	
All Growth Funds	614.8	-2.1	3.5	4.6	-1.3	-3.3	

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, 30% to 30 September 2010 and 28% thereafter.

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Balanced Funds							
Aon Balanced	39.5	2.2	5.0	6.8	3.2	1.7	56
ASB SMT Balanced	380.3	1.8	4.8	5.6	1.6	0.2	
Tower Lifesaver Balanced	185.5	1.4	3.6	4.8	1.7	1.6	
Aventine's SuperLife Managed60	129.1	1.0	6.1	6.6	3.3	1.5	122
AMP OnePath Balanced Plus	165.2	0.4	4.8	6.3	1.6	-0.4	
Aventine's SuperLife Aim60	34.1	0.3	5.7	6.6	2.2	0.6	122
AMP ASB Balanced	39.6	0.1	3.6	5.6	0.5	-1.3	
AMP Tower Balanced	110.6	0.0	2.4	5.0	1.3	0.7	
Mercer Active Balanced	105.6	-0.1	4.3	5.7	0.5	-1.0	
AMP Lifesteps Moderate Balanced	85.8	-0.2	3.1	3.4	0.5	-0.5	
AMP Tyndall Balanced (formerly BT balanced)	90.2	-0.2	3.1	5.2	0.5	-1.6	
AMP Lifesteps Balanced	57.5	-0.3	3.3	3.5	-0.2	-1.4	
AMP Balanced	321.3	-0.3	3.3	3.5	-0.1	-1.4	
AXA SMT Multi-Mgr Balanced	437.9	-1.0	3.8	5.3	1.2	-1.0	
All Balanced Funds	2,186.3	0.3	4.0	5.1	1.2	-0.3	

* The AMP Tyndall Balanced Fund was managed by BT until 25 June 2008

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Conservative Funds							
Aon Capital Stable	5.5	4.4	3.9	4.8	4.8	4.7	21
Aon Conservative	16.4	4.0	5.1	6.3	4.8	4.0	51
Aventine's SuperLife Aim30	35.2	3.5	5.7	6.3	4.4	3.4	122
Tower LifeSaver Conservative	14.5	3.5	3.9	5.2	3.3	3.0	
ASB SMT Conservative	99.2	3.0	4.9	5.5	3.2	2.6	
Aventine's SuperLife Managed30	1.5	2.8					122
AMP Capital Stable	124.7	2.3	3.7	3.7	3.1	2.5	
AMP Capital Assured	107.1	2.2	2.6	2.6	2.9	3.1	
Mercer Conservative	39.9	2.2	3.9	5.5	2.8	2.2	
AMP Lifesteps Conservative	16.2	2.2	3.6	3.7	3.0	2.5	
AXA SMT Multi-Mgr Conservative	193.0	2.1	3.8	4.7	2.8	2.0	
AMP Lifesteps Moderate	59.2	1.0	3.4	3.5	1.7	1.0	
All Conservative Funds	712.4	2.3	3.8	4.4	3.0	2.4	

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Single Sector Aggressive							
Tower LifeSaver NZ Shares	7.9	-0.7	3.6	5.2	0.8	-5.0	
Aventine's SuperLife NZ Shares	55.7	-2.8	9.2	10.9	5.7	-1.7	
Aventine's SuperLife Oseas Shares Unhedged	59.2	-3.0	1.2	1.7	-4.0	-5.7	
Aventine's SuperLife Oseas Shares Hedged	93.8	-3.6	9.1	9.5	-1.2	-3.2	
Mercer Shares	14.4	-5.7	3.4	3.3	-4.4	-6.8	
Tower LifeSaver Equity	23.5	-7.3	0.5	2.9	-3.7	-6.0	
Aventine's SuperLife Australian Shares	42.0	-7.4	2.5	3.6	-3.2	-2.2	
Aventine's SuperLife Gemino	2.9	-29.3	-11.4	-9.4	-16.3		
All Single Sector Aggressive	329.9	-3.2	6.1	7.0	-1.0	-3.7	

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Single Sector Defensive							
Aventine's SuperLife Overseas Govt Bonds	58.1	9.0	6.3	6.3	6.9	7.4	
Aventine's SuperLife Overseas Non Govt Bonds	49.8	8.2	6.2	6.3	7.7	7.2	
Tower LifeSaver Fixed Income	14.8	6.1	5.3	5.5	5.9	5.7	
Aventine's SuperLife NZ Bonds	119.8	6.0	5.8	6.5	6.4	5.9	
Aventine's SuperLife Cash	104.2	2.8	2.9	2.9	3.3	3.8	
Tower LifeSaver Preservation	53.7	2.0	2.1	2.4	2.8	3.4	
Mercer Cash	42.0	1.9	2.2	2.2	2.6	3.1	
AMP Cash	73.7	1.8	2.1	2.1	2.6	2.9	
AXA SMT Cash	60.8	1.6	1.9	2.0	2.1	2.7	
All Single Sector Defensive	576.9	4.2	3.9	4.0	4.4	4.6	
Total Funds	4,420.5	0.5	4.0	4.9	1.4	0.1	
Cash Benchmark (Net)		2.0	2.0	2.0	2.3	3.0	
CPI		1.0	3.1	2.6	2.4	2.8	

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