

ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

Eriksen's Master Trust Survey Results to 30 September 2014

Investment Returns

The rate of CPI was just 1.0% for the 12 months to 30 September. Growth funds returned 10.5% over the year, balanced funds rose 8.7% and conservative funds gained 6.0%. The returns from growth and balanced funds are down from last quarter but conservative funds are up 0.3%. These are still excellent real rates of return.

Economic Commentary

World Growth

The IMF released the October edition of its World Economic Outlook, which showed it has revised its global growth forecast lower compared to April projections. Originally, the IMF expected global growth to expand 3.7% in 2014, but revised that down to 3.3%. These downward revisions are becoming a regular occurrence.

One reason mentioned for the downward revision is the worsening of geopolitical tensions, as the crisis in Russia/Ukraine rages on, fighting continues in Syria and the Middle East and protests in Hong Kong remain, at least for now. The other is the frothiness of equity markets.

Interestingly the IMF report referred to the probability of a stock market correction. Global stock markets briefly panicked in the first week of October falling on average between 5% and 10% before recovering at the end of that week. With record low interest rates and many stock markets near record highs (including New Zealand) we expect further volatility. The Ebola outbreak and difficulties containing it may also have influenced investors.

The IMF makes reference to the need for structural change in both advanced and emerging market economies. If successful reform were to take place, there could be potential for stronger economic growth going forward. One risk to the downside that the IMF cautions is if accommodative monetary policy were removed too soon, economic growth could be choked by tighter policy. The US Federal Reserve is not likely to raise their cash rate until mid-next year.

New Zealand

Not surprisingly, the Reserve Bank kept the OCR unchanged at 3.5% recently. We expect the next 0.25% increase to the OCR in March next year at the earliest. Our dollar has fallen below USD80c which will help exporters but not motorists.

Dairy prices have fallen by 45% since peaking in February. An important reason for the recent falls appears to be a build-up of inventory in China as well as the trade sanctions placed on Russia increasing the world supply. Already the Government has warned that the weak dairy prices will impact on the economy (we might not get a surplus as soon as predicted after all). The fall in dairy prices will cause the New Zealand economy to slow unless the financial, agriculture and retail sectors can pick up the slack, although growth should be supported by the election result which gives the National led government a clear mandate to

continue its economic reforms. This has propelled the stock market to new record highs led by electricity stocks.

Over the past year, net immigration has boosted New Zealand's population by 41,000 people (0.9%). This continues to place a strain on housing. The housing situation may be here for some time if migration trends continue. Also likely are changes to the Resource Management Act.

Australia

The Australian stock market fell 5% in September which reflects the uncertainty around China's continued purchases of resources and general economic uncertainty. The Reserve Bank of Australia is not planning to raise interest rates any time soon (it has been at 2.5% since August 2013) but apart from Melbourne and Sydney property prices are steady or falling. We expect the RBA to remain on hold at least until the middle part of next year. Significantly better (and sustained) improvement in the job market could move that forward.

The unemployment rate is relatively stable too, apart from the data collection process which has arbitrarily changed throwing up anomalous figures compared to the previous methodology. A surge of 121,000 jobs in the August payrolls report raised eyebrows. So much so that the statistics bureau has made the unusual decision to drop its new seasonal adjustment mechanism and revised the August increase to a still-respectable gain of 32,100 jobs.

The Australian dollar has fallen below US\$0.90 which should help exporters. Its recent decline should remove some dovishness from the RBA's policy stance, especially as inflation is at the high end of the 2 to 3 percent target.

KiwiSaver

There are now over 2.4 million New Zealanders investing in KiwiSaver. Total funds are 22 billion. Not only is this supporting our stock and bond markets but the account balances are becoming meaningful and can only grow over the longer term.

Retiring members should remember they can leave all or part of their balances in the fund when they get to 65 and just drawdown amounts as and when required. This enables them to continue to contribute and get investment returns which should exceed those available on bank term deposits at reasonable fees.

Contact us:

Auckland auckland@eriksensglobal.com Ph +64 9 486 3144
Wellington wellington@eriksensglobal.com Ph +64 4 470 6144

© Eriksen & Associates Ltd 2008 - 2014 All rights reserved.

**Eriksen's Master Trust Survey
Results to 30 September 2014**

Fund Name	Fund Size \$ million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
Growth Funds						
AMP Aggressive	234.2	10.9	12.5	12.8	8.1	7.2
AMP Growth	43.1	9.9	11.1	11.4	7.4	6.7
AMP's SMT Multi-Manager Growth	123.9	10.5	11.8	11.6	7.3	6.8
Aon Growth	9.1	8.7	10.8	10.9	8.2	7.9
ASB Growth	233.7	12.1	13.4	13.0	8.7	8.0
Aventine's SuperLife Aim80	19.5	8.2	8.4	9.6	6.2	6.3
Aventine's SuperLife SuperLife Growth	171.1	8.9				
Aventine's SuperLife SuperLife80	1.6	5.1				
Fisher Funds LifeSaver Growth	44.0	7.3	8.7	10.3	6.9	6.6
Mercer Growth	63.9	11.5	11.3	10.5	7.4	6.7
All Growth Funds	944.2	10.5	9.9	9.9	6.5	5.9

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, 30% to 30 September 2010 and 28% 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 30 September 2014**

Fund Name	Fund Size \$ million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
Balanced Funds						
AMP ANZ Balanced Plus	229.2	9.6	11.6	11.8	9.0	8.6
AMP ASB Balanced	53.9	9.0	9.7	10.0	6.8	6.8
AMP Balanced	452.4	8.3	9.0	9.5	6.6	6.1
AMP Fisher Balanced	133.1	8.3	8.2	9.0	6.1	6.3
AMP Moderate Balanced	141.9	7.5	7.8	8.2	5.8	5.5
AMP Tyndall Balanced	111.1	9.5	10.0	10.0	6.9	6.7
AMP's SMT Multi-Manager Balanced	252.6	8.8	9.1	9.3	6.4	6.3
Aon Balanced	56.1	7.2	8.6	8.8	6.8	6.8
ASB Balanced	535.7	10.1	10.5	10.5	7.4	7.1
Aventine's SuperLife Aim60	47.2	7.5	7.1	8.4	5.9	6.1
Aventine's SuperLife Ethica	11.0	7.8	8.0	8.9	6.5	5.8
Aventine's SuperLife SuperLife60	180.0	8.2	8.6	10.0	7.1	7.1
Fisher Funds Lifesaver Balanced	236.1	6.6	6.9	8.0	5.8	5.8
Mercer Active Balanced	71.2	10.6	10.0	9.3	6.8	6.4
All Balanced Funds	2,511.3	8.7	9.3	9.7	6.9	6.6

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.

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 30 September 2014**

Fund Name	Fund Size \$ million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
Conservative Funds						
AMP Capital Assured	98.4	4.9	3.7	3.1	3.1	3.1
AMP Conservative	156.8	5.5	4.9	5.4	4.4	4.5
AMP Moderate	86.2	6.7	6.5	6.9	5.2	5.0
AMP's SMT Multi-Manager Conservative	115.9	5.6	5.2	5.7	4.7	5.0
Aon Capital Stable	5.3	4.5	2.6	3.4	3.2	3.8
Aon Conservative	16.9	5.0	4.4	5.3	4.7	5.0
ASB Moderate (previously Conservative)	128.2	7.7	7.5	7.7	5.8	5.8
Aventine's SuperLife Aim30	33.5	6.5	5.3	6.4	5.2	5.5
Aventine's SuperLife SuperLife Income	58.2	5.4				
Aventine's SuperLife SuperLife30	23.6	6.1	5.2	6.4	4.9	
Fisher Funds LifeSaver Conservative	21.8	5.2	4.8	5.4	4.4	4.7
Mercer Conservative	35.2	6.9	5.7	5.6	4.5	4.8
All Conservative Funds	780.0	6.0	5.1	5.4	4.3	4.3

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.

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 30 September 2014**

Fund Name	Fund Size \$ million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
Single Sector Aggressive						
AMP's SMT Australasian Listed Property	2.6	12.3	10.9	13.2	12.3	9.9
AMP's SMT Australasian Shares - Value	3.5	19.5	21.2	18.5	14.3	11.0
AMP's SMT Global Listed Property	6.8	14.4	12.5	15.9	10.6	11.8
AMP's SMT International Shares - Growth	4.7	19.9	22.3	20.4	12.6	10.7
AMP's SMT International Shares - Passive	4.6	15.0	17.8	16.8	10.8	9.3
AMP's SMT International Shares - Value	4.6	14.5	23.9	17.6	8.5	6.6
AMP's SMT Multi-Manager Australasian Shares	5.4	8.0	12.2	12.5	8.9	7.3
ASB Australasian Shares	7.7	7.7	13.4	13.1	8.7	7.4
ASB Global Property Shares	26.8	14.2	10.5	13.5	8.5	10.0
ASB World Shares	14.6	17.9	18.4	16.7	10.6	9.3
Aventine's SuperLife Australian Shares	33.7	-5.5	-1.0	2.5	-0.5	0.3
Aventine's SuperLife Emerging Markets	14.0	9.0	4.3	4.2		
Aventine's SuperLife Gemino	8.4	33.0	16.6	20.0	1.7	4.2
Aventine's SuperLife New Zealand Shares	68.7	11.5	15.3	18.0	13.9	12.6
Aventine's SuperLife Overseas Shares Hedged	103.4	14.4	17.1	18.2	11.9	11.4
Aventine's SuperLife Overseas Shares Unhedged	72.7	16.0	17.2	15.5	8.6	7.6
Aventine's SuperLife Property	24.6	13.2	10.3	12.8	10.6	10.2
Aventine's SuperLife UK Growth	1.7	8.8	3.6			
Fisher Funds LifeSaver Equity	36.5	8.1	11.0	12.4	6.9	6.4
Fisher Funds LifeSaver Trans-Tasman Equity	11.8	7.2	9.5	11.4	8.8	7.2
Mercer Shares	19.0	16.5	18.3	16.1	10.4	8.3
All Single Sector Aggressive	475.6	12.3	13.8	14.7	9.3	8.7

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, 30% to 30 September 2010 and 28% 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 30 September 2014**

Fund Name	Fund Size \$ million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
Single Sector Defensive						
AMP Cash	58.8	2.1	2.0	2.0	2.1	2.1
AMP's SMT Cash	33.8	2.1	2.2	2.2	2.2	2.3
AMP's SMT Global Bonds	2.1	4.1	3.4	4.2	4.0	4.7
AMP's SMT NZ Fixed Interest	6.5	3.8	1.8	2.9	3.4	4.0
ASB Cash	59.7	2.4	2.3	2.1	2.1	2.0
ASB New Zealand Fixed Interest	37.3	3.5	1.8	2.9	3.4	4.0
ASB World Fixed Interest	37.3	4.8	2.7	3.1	3.2	3.7
Aventine's SuperLife Cash	138.0	2.7	2.7	2.7	2.8	2.8
Aventine's SuperLife New Zealand Bonds	112.8	4.5	3.4	4.1	4.5	5.0
Aventine's SuperLife Overseas Govt Bonds	47.9	5.3	1.8	3.1	3.1	4.4
Aventine's SuperLife Overseas Non Govt Bonds	49.4	6.8	3.3	5.0	4.4	5.0
Aventine's SuperLife UK Cash	10.0	4.2	2.2			
Aventine's SuperLife UK Income	0.4	5.8	3.8			
Fisher Funds LifeSaver New Zealand Fixed Income	10.8	3.8	1.8	2.8	3.3	3.9
Fisher Funds LifeSaver Preservation	47.5	2.4	2.5	2.4	2.3	2.4
Mercer Cash	23.0	2.1	1.9	1.9	2.0	2.1
All Single Sector Defensive	675.3	3.6	2.6	2.9	3.0	3.3

Fund Name	Fund Size \$ million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
Total Funds	5,386.5	8.3	8.3	8.7	6.2	5.9
Cash Benchmark (Net)		2.2	2.0	2.0	2.0	2.0
CPI		1.0	1.2	1.0	1.9	1.8

Contact us:

Auckland
Wellington

auckland@eriksensglobal.com
wellington@eriksensglobal.com

Ph +64 9 486 3144
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, 30% to 30 September 2010 and 28% 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.