

ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

ERIKSEN'S MASTER TRUST SURVEY

RESULTS TO 30 JUNE 2015

Investment Returns

The annual rate of CPI was 0.3% for the year to 30 June 2015. This was up 0.2% from last quarter's annual result. Growth funds returned 12.4% over the year, balanced funds gained 9.9% and conservative funds rose 6.2%. The returns have fallen for all fund types since last quarter mainly due to equity markets falling across the board. Over the longer term (five years) single sector aggressive funds have been the strongest performers, followed by balanced and growth funds.

Economic Commentary

Global financial markets are delicately balanced.

In July the Greek's third bailout was getting the publicity, but what is going on in China probably has more relevance for both Australia and New Zealand. Around the world long term interest rates in the US and Germany were going down as investors sought safe havens. At the same time stock markets sold off. Normally when interest rates go down stock markets go up because companies can access cheaper working capital. Clearly some bubbles are deflating if not bursting as was the Chinese stock market.

However since then the Chinese stock market bounced back so did the US, UK and European markets. Janet Yellen of the Federal Reserve advised that a rise in US interest rates was still scheduled for later this year. So this time we had long term interest rates rising and stock markets going up at the same time.

Confused? Well clearly so are the markets. With volatility also rising (the ten year German Bund up 25% in a day) the rest of the year is going to be interesting for long term investors.

Although there are indications that growth has returned to most of the advanced economies, the global economy is still in a vulnerable state. On the positive side the threat of deflation appears to have receded, the US still looks likely to raise its interest rates this year and the IMF has been forecasting that growth will still exceed 2% in the developed countries during 2015.

On the negative side China's growth is slowing, while Russia and Brazil are in recession. Markets are volatile and remain subject to sharp fluctuations. Monetary policy remains loose in the wealthier economies, with low interest rates being seemingly impossible to raise without risking recession. Low rates have not only encouraged high borrowing for consumer

spending, but they have also encouraged people to borrow large amounts to buy property and shares.

Not only has this fed into sharp increases in asset values, with high house prices being of special concern in New Zealand and elsewhere – but it has also led to a situation where an increase in rates could potentially compromise borrowers' ability to service their debts – with any resulting selloffs leading to a price crash which might compromise various countries' banking systems. As a result policy makers have been forced to keep interest rates low, with any rises being modest, and well signalled in advance. This of course leaves policymakers with little scope to further reduce rates in the event of another downturn.

Retirement Income

Eriksen's has been involved in a paper written by the New Zealand Society of Actuaries on retirement incomes.

Over the next 20 years more than 1 million kiwis will be over the age of 65. We are all living longer; females currently in their 20's can expect to live for 30 years in retirement (at 65) and males 25 years.

Retirees will need to manage their financial assets more vigorously to ensure they have sufficient income over this phase of their lives. Around half of KiwiSaver members currently aged between 35 and 39 will have a KiwiSaver balance of \$100,000 in real terms. Half of those currently 25-29 will have around \$150,000.

KiwiSaver members can withdraw all their funds from the age of 65 however in addition most KiwiSaver providers allow for a slow drawdown of funds over time to act as a regular income stream. This can be a set amount on a regular basis, eg weekly or monthly, or as and when required. This allows a member to continue to earn higher returns on their savings in a cost effective managed fund rather than holding all their funds in term deposits or a bank account.

So KiwiSaver members should consider leaving their retirement savings in KiwiSaver after 65, rather than automatically taking it out and then wondering what to do with it.

Contact us:

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

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ERIKSEN'S MASTER TRUST SURVEY

GROWTH FUNDS: RESULTS TO 30 JUNE 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP Aggressive	245.7	10.4	12.1	13.3	8.9	8.9
AMP Growth	171.9	9.6	11.0	11.8	8.2	8.2
AMP's SMT Multi-Manager High Growth	6.6	10.0	10.7	12.2	7.9	8.6
Aon Growth	8.6	12.2	12.7	14.5	11.2	11.5
ASB Growth	262.5	15.1	12.3	13.8	9.8	10.5
Aventine's SuperLife Aim80	19.9	14.5	10.7	11.1	7.5	8.7
Aventine's SuperLife SuperLife Growth	207.8	14.7				
Aventine's SuperLife SuperLife80	2.8	12.5				
Fisher Funds LifeSaver Growth	51.0	6.2	8.6	9.9	7.1	7.0
Mercer Growth	66.1	13.1	12.3	12.3	8.7	9.0
All Growth Funds	1,042.8	12.4	9.3	10.2	7.1	7.3

BALANCED FUNDS: RESULTS TO 30 JUNE 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP ANZ Balanced Plus	247.0	13.4	12.5	13.4	10.2	10.1
AMP ASB Balanced	58.7	11.7	10.2	10.8	8.2	8.1
AMP Balanced	741.5	8.2	9.0	9.7	7.2	7.2
AMP Fisher Balanced	140.3	8.3	9.9	9.9	7.5	7.0
AMP Moderate Balanced	154.3	7.4	8.0	8.4	6.3	6.4
AMP Nikko AM Balanced	119.4	13.5	11.3	11.5	8.5	8.2
AMP's SMT Multi-Manager Balanced	10.5	8.5	8.8	9.7	7.0	7.4
Aon Balanced	51.9	9.0	9.4	10.9	9.0	9.6
ASB Balanced	593.4	12.4	10.1	11.1	8.4	8.8
Aventine's SuperLife Aim60	50.4	11.6	8.9	9.2	6.9	7.8
Aventine's SuperLife Ethica	16.2	15.6	10.4	10.5	8.4	7.8
Aventine's SuperLife SuperLife60	199.3	9.6	9.3	10.1	7.8	8.5
Fisher Funds Lifesaver Balanced	249.1	5.7	7.3	7.7	6.1	5.9
Mercer Active Balanced	104.4	10.9	10.6	10.6	7.8	8.0
All Balanced Funds	2,736.5	9.9	9.6	10.3	7.8	7.9

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CONSERVATIVE FUNDS: RESULTS TO 30 JUNE 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP Capital Assured	95.3	5.6	5.0	4.0	3.6	3.5
AMP Conservative	270.7	5.4	5.5	5.4	4.7	4.8
AMP Moderate	95.7	6.6	7.0	7.1	5.6	5.7
AMP's SMT Multi-Manager Conservative	5.1	5.6	5.4	5.7	5.0	5.2
Aon Capital Stable	5.3	4.6	4.7	4.0	4.4	4.4
Aon Conservative	13.5	6.8	6.5	6.3	5.8	5.9
ASB Moderate (previously Conservative)	141.5	9.3	7.8	8.1	6.6	6.9
Aventine's SuperLife Aim30	34.6	7.6	6.4	6.4	5.7	6.1
Aventine's SuperLife SuperLife Income	74.3	3.5				
Aventine's SuperLife SuperLife30	27.0	6.6	6.2	6.4	5.5	
Fisher Funds LifeSaver Conservative	24.6	5.0	5.6	5.3	4.9	4.8
Mercer Conservative	11.4	6.5	6.3	6.0	5.1	5.2
All Conservative Funds	799.0	6.2	5.6	5.5	4.7	4.6

DEFENSIVE FUNDS (SINGLE SECTOR): RESULTS TO 30 JUNE 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP Cash	86.1	2.4	2.2	2.1	2.1	2.2
AMP International Fixed Interest	1.6	3.3				
AMP New Zealand Fixed Interest	6.4	6.1				
AMP's SMT Cash	2.0	2.7	2.3	2.3	2.3	2.4
AMP's SMT International Fixed Interest	0.2	4.0	3.7	3.6	4.3	4.2
AMP's SMT NZ Fixed Interest	0.9	6.3	3.9	3.0	3.9	4.0
ASB Cash	60.3	2.8	2.5	2.4	2.2	2.2
ASB New Zealand Fixed Interest	40.9	5.6	3.7	2.9	3.7	3.9
ASB World Fixed Interest	39.7	3.4	4.2	3.0	3.8	3.5
Aventine's SuperLife Cash	113.4	3.1	2.8	2.8	2.8	2.8
Aventine's SuperLife New Zealand Bonds	114.0	6.3	4.6	4.3	4.7	4.9
Aventine's SuperLife Overseas Govt Bonds	44.5	3.6	3.0	2.2	3.8	3.8
Aventine's SuperLife Overseas Non Govt Bonds	55.6	1.3	3.6	3.1	4.3	4.3
Aventine's SuperLife UK Cash	8.7	12.9	6.1	4.3		
Aventine's SuperLife UK Income	0.4	14.5	7.0	5.5		
Fisher Funds LifeSaver New Zealand Fixed Income	11.1	5.6	3.8	2.8	3.6	3.8
Fisher Funds LifeSaver Preservation	45.3	2.7	2.5	2.6	2.4	2.4
Mercer Cash	24.4	2.1	2.0	1.9	1.9	2.0
All Single Sector Defensive	655.5	3.7	3.2	2.9	3.2	3.2

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AGGRESSIVE FUNDS (SINGLE SECTOR): RESULTS TO 30 JUNE 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP Australian Shares	7.5	7.7				
AMP International Shares	8.8	18.0				
AMP Passive International Shares	4.4	16.9				
AMP Property Fund	7.5	9.8				
AMP's SMT Listed NZ & Australian Property	0.3	16.4	12.0	13.8	12.9	14.0
AMP's SMT NZ & Australian Shares - Value	0.5	14.7	17.1	20.9	14.8	14.1
AMP's SMT Listed International Property	0.9	10.6	11.6	13.1	10.8	12.8
AMP's SMT International Shares - Growth	0.7	25.4	26.4	23.2	16.2	14.8
AMP's SMT International Shares - Passive	0.4	13.6	15.0	17.7	12.2	11.9
AMP's SMT International Shares - Value	0.5	15.1	15.2	20.9	10.5	10.0
AMP's SMT Multi-Manager NZ & Australian Shares	0.5	9.3	9.9	13.5	8.8	9.9
ASB Australasian Shares	6.7	9.9	11.2	15.0	9.4	10.4
ASB Global Property Shares	32.0	19.8	12.3	12.7	10.6	12.2
ASB World Shares	9.8	22.1	16.2	17.9	12.2	12.7
Aventine's SuperLife Australian Shares	39.3	15.4	5.8	5.9	2.4	4.5
Aventine's SuperLife Emerging Markets	16.2	19.4	11.0	8.2	1.9	
Aventine's SuperLife Gemino	6.6	-13.9	7.4	13.4	0.8	2.8
Aventine's SuperLife New Zealand Shares	67.7	5.2	11.7	17.5	12.0	14.1
Aventine's SuperLife Overseas Shares Hedged	107.8	10.5	14.6	16.8	11.3	13.7
Aventine's SuperLife Overseas Shares Unhedged	84.5	28.1	18.1	19.0	13.1	11.5
Aventine's SuperLife Property	31.8	18.0	12.7	13.3	12.2	13.3
Aventine's SuperLife UK Growth	1.4	16.0	8.9	5.6		
Fisher Funds LifeSaver Equity	39.8	6.4	9.7	12.2	6.9	7.0
Fisher Funds LifeSaver Trans-Tasman Equity	12.8	4.9	8.3	12.4	9.0	8.8
Mercer Shares	26.2	19.8	18.1	19.3	12.5	12.6
All Single Sector Aggressive	514.7	14.5	12.5	14.3	9.6	10.4

TOTAL FUNDS: RESULTS TO 30 JUNE 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
Total Funds	5,748.5	9.5	8.5	9.1	6.9	7.0
Cash Benchmark (Net)		2.4	2.2	2.1	2.1	2.0
CPI		0.3	0.9	0.8	0.9	1.7

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