

# ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

## ERIKSEN'S MASTER TRUST SURVEY

### RESULTS TO 30 JUNE 2016

#### Investment Returns

The annual rate of CPI was 0.4% for the year to 30 June, unchanged from last quarter. The three and five year annualised rates dropped to 0.8%. Growth funds returned 0.1% over the year. Balanced funds averaged 2.1% and conservative funds, 3.6%. Over the long term (five years) growth funds were the best performers, returning an average of 7.2% per annum. Balanced funds returned 6.7% p.a. and conservative funds gained 4.8%.

#### Economic Commentary

"Brexit" dominated headlines worldwide following the June 23 referendum and the decision to leave the European Union. In the run-up to the vote financial markets largely ignored polls and had priced in a "remain" result. Subsequently as the results trickled in on June 23 and a shock "exit" result looked likely, a burst of trading across the market ensued. Simply put, the market got it wrong.

European markets suffered the largest daily losses following the referendum while the FTSE 100 Index had the smallest, as the market was supported by the weak GBP and globally-focused companies. However, in the days following the result stock markets bounced back.

Long-term bond yields and currency markets are more concerning. Many sovereign 10-year bonds are either at, or near, all-time lows. Capital preservation is the name of the game. The German 10-year bund is in negative territory at -0.14%, while the Japanese 10-year bond has fallen further into negative territory down to -0.25%. After Brexit the US 10-year bond sank to 1.5% thanks to trading that was eight times the normal volume. The UK 10-year gilt also fell sharply as seen in the following graph. It currently trades at approximately 0.7%.

The financial system overhauls made following the GFC may lessen the stress of Brexit. Higher capital ratios, lower risk balance sheets, higher liquidity coverage levels and less dependence on wholesale funding should enable UK banks to manage through. The Bank of England stated they will make £250 billion available to banks and that further liquidity could be provided in foreign currency if required.

The situation going forward is what form the negotiations between the UK and the EU will take. It will be messy and no-one really knows what the outcome will be. The two-year transition period to leave begins once Article 50 of the Lisbon Treaty is invoked. Article 50 briefly states the requirements for a member state wishing to withdraw from the EU. With Theresa May as the new Prime Minister the process has begun.

In the US the Federal Reserve is expected to maintain the Fed rate at 0.5% for longer to maximise market liquidity following Brexit. At the start of June the market had priced in one hike by the end of 2016, by the end of June the market had not priced a full 25bps hike until 2018.

Consumer confidence was down in June in the US. Less people were optimistic about current conditions and future economic prospects compared to the May survey. The US Manufacturing PMI figures were up in June to 53.2, well above market expectations of 51.4. This is the highest it's been since February 2015. A reading above 50 indicates that the manufacturing industry is expanding and is a good indicator of business confidence.

However, business confidence in New Zealand was up in June. This was the fourth monthly increase in a row, supported by upbeat investment intentions, employment intentions and profit expectations.

The crowded New Zealand housing market continues to move higher. May 2016 figures suggest a broadening of house price increases across the country. The national median house price passed \$500,000 for the first time. This was an increase of 10% in May, continuing on from a 3.2% increase in April. In the Waikato/BOP region a record median price was set for the fourth consecutive month. New record median house prices were also set in Taranaki, Wellington, Canterbury/Westland and Central Otago Lakes.

In Australia Malcolm Turnbull has retained power but with a greatly reduced majority. He may have to rely on independents for confidence and supply. What about the Senate? It is still uncertain whether the Liberal Coalition Government will have sufficient control of the Senate to pass any controversial legislation.

The RBA wisely kept interest rates on hold.

Not only is Quantitative Easing and negative interest rates not working, it is also causing the anti-establishment vote in democratic elections because the rich are getting richer. The poor majority don't like it so they are voting accordingly.

Despite the post Brexit bounce in stock markets, investor confidence has not returned. The next three months could be particularly interesting!

And then there is the US Presidential election.

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## ERIKSEN'S MASTER TRUST SURVEY

### GROWTH FUNDS: RESULTS TO 30 JUNE 2016

Manager Name	Fund Name	Fund Size \$ million	Annualised Returns (Net of Tax & Expenses)				
			1 Year	2 Year	3 Year	4 Year	5 Year
AMP	Aggressive	232.2	(2.2)	3.9	7.1	9.2	6.6
AMP	Growth	174.1	(1.5)	3.9	6.7	8.3	6.2
Aon	Growth	9.0	2.7	7.3	9.3	11.5	9.4
ASB	Growth	278.2	2.8	8.8	9.0	11.0	8.4
Fisher Funds	LifeSaver Growth	55.5	3.2	6.3	8.5	10.4	7.9
Mercer	Growth	104.0	1.1	6.9	8.4	9.4	7.1
Mercer	High Growth	18.0	0.5				
SuperLife	Aim80	20.5	(0.8)	6.6	6.7	8.0	5.8
SuperLife	SuperLife80	5.6	1.5	6.8			
SuperLife	SuperLife100	247.7	(0.8)	6.7			
<b>All Growth Funds</b>		<b>1,144.8</b>	<b>0.1</b>	<b>6.2</b>	<b>7.9</b>	<b>9.7</b>	<b>7.2</b>

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP	406.3	(1.9)	3.9	6.9	8.8	6.4
Aon	9.0	2.7	7.3	9.3	11.5	9.4
ASB	278.2	2.8	8.8	9.0	11.0	8.4
Fisher Funds	55.5	3.2	6.3	8.5	10.4	7.9
Mercer	122.0	1.0	6.9	8.4	9.4	7.1
SuperLife	273.8	(0.7)	6.7	6.7	8.0	5.8
<b>All Growth Funds</b>	<b>1,144.8</b>	<b>0.1</b>	<b>6.2</b>	<b>7.9</b>	<b>9.7</b>	<b>7.2</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, 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.

BALANCED FUNDS: RESULTS TO 30 JUNE 2016

Manager Name	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	257.5	1.4	7.2	8.6	10.3	8.4
AMP	ASB Balanced	63.4	2.5	7.0	7.6	8.7	7.0
AMP	Balanced	733.8	(0.1)	4.0	5.9	7.1	5.7
AMP	Fisher Balanced	142.1	3.7	6.0	7.8	8.3	6.7
AMP	Moderate Balanced	249.9	0.6	4.0	5.5	6.4	5.1
AMP	Nikko AM Balanced	138.7	4.3	8.8	8.9	9.7	7.7
Aon	Balanced	61.6	3.2	6.2	7.6	9.2	8.0
ASB	Balanced	626.1	3.5	7.9	7.8	9.1	7.4
Fisher Funds	Lifesaver Balanced	250.4	3.9	5.9	7.4	8.3	6.8
Mercer	Balanced	205.5	2.2	6.4	7.7	8.4	6.7
SuperLife	Aim60	52.1	1.5	6.4	6.4	7.2	5.8
SuperLife	Ethica	24.6	7.0	11.2	9.2	9.6	8.1
SuperLife	SuperLife60	202.7	3.4	6.5	7.3	8.4	6.9
<b>All Balanced Funds</b>		<b>3,008.4</b>	<b>2.1</b>	<b>6.1</b>	<b>7.2</b>	<b>8.3</b>	<b>6.7</b>

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	1,585.4	1.1	5.2	6.8	7.9	6.3	
Aon	61.6	3.2	6.2	7.6	9.2	8.0	
ASB	626.1	3.5	7.9	7.8	9.1	7.4	
Fisher Funds	250.4	3.9	5.9	7.4	8.3	6.8	
Mercer	205.5	2.2	6.4	7.7	8.4	6.7	
SuperLife	279.4	3.3	6.9	7.3	8.3	6.8	
<b>All Balanced Funds</b>		<b>3,008.4</b>	<b>2.1</b>	<b>6.1</b>	<b>7.2</b>	<b>8.3</b>	<b>6.7</b>

CONSERVATIVE FUNDS: RESULTS TO 30 JUNE 2016

Manager Name	Fund Name	Fund Size \$ million	Annualised Returns (Net of Tax & Expenses)				
			1 Year	2 Year	3 Year	4 Year	5 Year
AMP	Capital Assured	97.6	5.8	5.7	5.3	4.5	4.0
AMP	Conservative	274.8	2.0	3.7	4.3	4.6	4.2
AMP	Moderate	105.4	1.1	3.8	5.0	5.5	4.7
Aon	Capital Stable	4.7	4.6	4.6	4.7	4.1	4.4
Aon	Conservative	14.4	4.8	5.6	5.8	5.7	5.3
ASB	Moderate	154.6	4.4	6.8	6.6	7.1	6.1
Fisher Funds	LifeSaver Conservative	27.6	4.5	5.3	5.8	6.0	5.4
Mercer	Conservative	33.5	3.7	5.1	5.5	5.4	4.8
Mercer	Moderate	56.2	3.3				
SuperLife	Aim30	35.1	4.0	5.8	5.6	5.8	5.4
SuperLife	SuperLife30	33.2	5.1	5.9	5.9	6.1	5.4
SuperLife	SuperLife Income	94.6	6.3	4.9			
<b>All Conservative Funds</b>		<b>931.7</b>	<b>3.6</b>	<b>4.9</b>	<b>5.2</b>	<b>5.4</b>	<b>4.8</b>

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	477.8	2.6	4.1	4.7	4.8	4.2	
Aon	19.1	4.8	5.4	5.5	5.3	5.1	
ASB	154.6	4.4	6.8	6.6	7.1	6.1	
Fisher Funds	27.6	4.5	5.3	5.8	6.0	5.4	
Mercer	89.7	3.4	5.1	5.5	5.4	4.8	
SuperLife	162.9	5.6	5.3	5.7	6.0	5.4	
<b>All Conservative Funds</b>		<b>931.7</b>	<b>3.6</b>	<b>4.9</b>	<b>5.2</b>	<b>5.4</b>	<b>4.8</b>

DEFENSIVE FUNDS (SINGLE SECTOR): RESULTS TO 30 JUNE 2016

Manager Name	Fund Name	Fund Size \$ million	Annualised Returns (Net of Tax & Expenses)				
			1 Year	2 Year	3 Year	4 Year	5 Year
AMP	Cash	90.0	1.6	2.0	2.0	2.0	2.0
AMP	International Fixed Interest	2.3	4.7	4.0			
AMP	New Zealand Fixed Interest	7.8	4.7	5.4			
ASB	New Zealand Cash	65.2	2.1	2.5	2.4	2.3	2.2
ASB	New Zealand Fixed Interest	47.3	4.7	5.1	4.0	3.4	3.9
ASB	World Fixed Interest	46.1	4.9	4.1	4.4	3.5	4.0
Fisher Funds	LifeSaver NZ Fixed Income	13.8	5.7	5.7	4.4	3.6	4.1
Fisher Funds	LifeSaver Preservation	46.2	2.1	2.5	2.5	2.5	2.4
Mercer	Cash	27.8	0.3	1.9	1.9	1.9	1.9
SuperLife	Cash	145.7	2.3	2.7	2.6	2.7	2.7
SuperLife	New Zealand Bonds	120.7	5.0	5.6	4.7	4.5	4.8
SuperLife	Overseas Bonds	55.2	6.8	5.2	4.3	3.3	4.4
SuperLife	Overseas Non-Govt Bonds	51.1	8.1	4.6	5.1	4.3	5.1
SuperLife	UK Cash	7.0	(13.0)	(0.9)	(0.7)		
SuperLife	UK Income	0.6	(6.8)	3.3	2.2		
<b>All Single Sector Defensive</b>		<b>726.8</b>	<b>3.6</b>	<b>3.7</b>	<b>3.3</b>	<b>3.1</b>	<b>3.4</b>

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	100.1	1.9	2.3	2.0	2.0	2.0	
Aon	-						
ASB	158.6	3.7	3.7	3.5	3.0	3.2	
Fisher Funds	60.0	2.9	3.2	2.9	2.8	2.8	
Mercer	27.8	0.3	1.9	1.9	1.9	1.9	
SuperLife	380.3	4.3	4.2	3.8	3.6	3.9	
<b>All Single Sector Defensive</b>		<b>726.8</b>	<b>3.6</b>	<b>3.7</b>	<b>3.3</b>	<b>3.1</b>	<b>3.4</b>

AGGRESSIVE FUNDS (SINGLE SECTOR): RESULTS TO 30 JUNE 2016

Manager Name	Fund Name	Fund Size \$ million	Annualised Returns (Net of Tax & Expenses)				
			1 Year	2 Year	3 Year	4 Year	5 Year
AMP	Australasian Shares	7.7	3.5	5.6			
AMP	International Shares	8.3	(5.1)	5.8			
AMP	Passive International Shares	4.1	(6.9)	4.3			
AMP	Property Fund	10.5	12.2	11.0			
ASB	Australasian Shares	7.2	9.5	9.7	10.6	13.6	9.4
ASB	Global Property Shares	38.1	13.6	16.7	12.7	12.9	11.2
ASB	World Shares	9.4	(3.8)	8.4	9.1	12.1	8.8
Fisher Funds	LifeSaver Equity	38.6	1.2	5.8	9.1	11.2	7.1
Fisher Funds	LifeSaver Trans-Tasman Equity	15.2	17.5	12.8	13.8	17.3	13.5
Mercer	Shares	24.8	(1.0)	8.9	11.4	13.8	9.6
SuperLife	Aust MidCap ETF	15.0	7.8				
SuperLife	Australian Shares	39.1	(4.9)	4.8	2.1	3.1	0.9
SuperLife	Emerging Markets	14.4	(14.3)	1.2	1.8	2.1	(1.6)
SuperLife	Gemino	5.9	5.8	(4.6)	6.8	11.5	1.8
SuperLife	New Zealand Shares	81.3	22.3	13.4	15.1	18.7	14.0
SuperLife	NZ 50 Portfolio ETF	24.4	17.4				
SuperLife	Overseas Shares Hedged	99.9	(5.3)	2.3	7.6	10.8	7.8
SuperLife	Overseas Shares Unhedged	74.9	(8.9)	8.0	8.3	11.3	8.3
SuperLife	Property	41.1	10.7	14.3	12.0	12.7	11.9
SuperLife	UK Shares/Property	2.3	(10.0)	2.2	2.2		
<b>All Single Sector Aggressive</b>		<b>562.2</b>	<b>3.8</b>	<b>8.3</b>	<b>9.6</b>	<b>12.1</b>	<b>8.9</b>

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	30.6	2.7	7.3				
Aon	-						
ASB	54.7	10.1	14.3	11.8	12.8	10.5	
Fisher Funds	53.8	5.8	7.8	10.4	12.9	8.9	
Mercer	24.8	(1.0)	8.9	11.4	13.8	9.6	
SuperLife	398.3	3.0	7.5	9.1	11.7	8.6	
<b>All Single Sector Aggressive</b>		<b>562.2</b>	<b>3.8</b>	<b>8.3</b>	<b>9.6</b>	<b>12.1</b>	<b>8.9</b>

TOTAL FUNDS: RESULTS TO RESULTS TO 30 JUNE 2016

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP	2,600.2					
Aon	89.7					
ASB	1,272.2					
Fisher Funds	447.3					
Mercer	469.8					
SuperLife	1,494.7					
<b>Total Funds</b>	<b>6,373.9</b>	<b>2.3</b>	<b>5.9</b>	<b>6.8</b>	<b>7.9</b>	<b>6.3</b>
Cash Benchmark (Net)		1.8	2.1	2.1	2.0	2.0
CPI		0.4	0.4	0.8	0.8	0.8