

# ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

## ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 30 SEPTEMBER 2017

### INVESTMENT RETURNS

The NZ Consumer Price Index rose 1.9% for the year to 30 September 2017, the increase being mainly driven by housing and food price changes. Long term inflation remained at 1.0% per annum.

The one year weighted average return for all Master Trust Growth funds was 10.8%; Balanced funds 7.3%; and Conservative funds 4.3%. Aggressive funds returned 11.6% over the past year on a weighted average basis, while Defensive funds returned 1.5%.

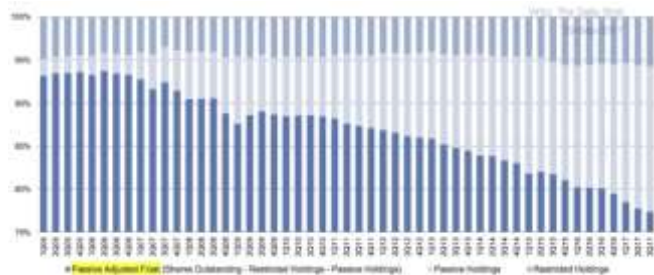
Over the past five years, funds with higher proportions of growth style assets (eg shares and property) earned superior investment returns as compared to those with conservative asset allocations.

Total FUM across the six Master Trusts increased by \$205 million during the quarter. The proportion of assets within each of the five broad investment categories (Growth, Balanced, Conservative, Defensive and Aggressive) remained at similar levels compared to last quarter.

### ECONOMIC COMMENTARY

Passive investing (e.g. investing in an ETF index) is having a significant effect on the number of shares available to active managers in the US. For the average stock in the S&P 500 the percentage of shares available to active stock pickers is decreasing once you take out restricted holdings and passive holdings (see Figure 1). The dark blue bars show the percentage of shares available to active pickers has decreased from around 93% in 2005 to approximately 77% today.

Figure 1: S&P 500 Passive Adjusted Float



Source: Wall Street Journal, The Daily Shot

Do actions made by investors change the environment in which they operate? The original idea to invest in an ETF was premised on the notion that you gained a diversified exposure to a market/index. This was attractive based on the theory that you could get a fair risk-adjusted return due to active investors who had participated in "price discovery" centred on fundamentals of each stock. Progressively there has been a significant shift away from humans making decisions towards passive investing,

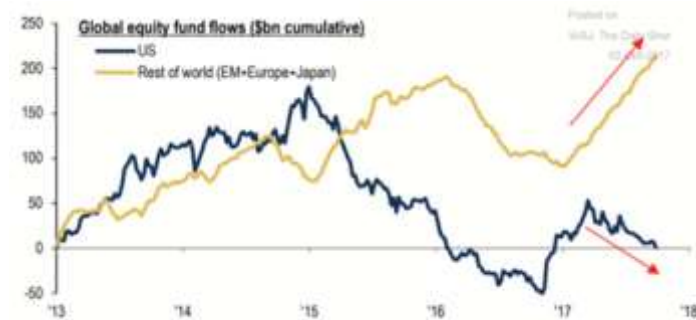
quantitative funds, and algorithmic strategies using computers to make the market. That's fine when markets are going up. Will there be sufficient liquidity when they fall?

At what point will prices in the market be too far removed from the fundamentals of their underlying economies?

Volatility remains subdued in 2017 despite the uncertainty in the global economy. There have been no days in 2017 where the S&P 500 has changed by more than 2% in a day. The VIX is still hovering around 10 which is around the lowest it's been historically.

There has been a definite trend away from US equity markets in terms of fund flows since the start of 2017 (see Figure 2). After a slight reprieve at the end of 2016 following Trump's election, global equity fund flows into the US have been decreasing. Emerging markets, Europe and Japan have seen increased fund flows in comparison.

Figure 2: Global Equity Fund Flows, US vs Rest of World



Source: BofA Merrill Lynch Global Investment Strategy, EPFR Global

Source: Wall Street Journal, The Daily Shot

European equity dividend yields are now equal or higher than the yields on European High Yield bonds. The asset purchasing program by the ECB is indirectly causing the price of HY bonds to increase, consequently pushing yields lower.

Japan's QE program is slowing. The Bank of Japan is gradually reducing its purchase of Japanese government bonds.

The Reserve Bank of New Zealand enters a six month period with an acting Governor. Not surprisingly the OCR was left unchanged at 1.75% with similar guidance to previous announcements. Housing prices have moderated and construction is weaker than previously projected. With the new Government looking to reduce immigration and restrict foreign ownership of houses the residential property market may soften too.

We are encouraged at the potential for contributions to the NZ Super Fund to resume and, hopefully, for tax incentives to be put back into KiwiSaver.

ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 30 SEPTEMBER 2017

GROWTH FUNDS

Manager Name	Fund Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)				
			%				
			1 Year	2 Year	3 Year	4 Year	5 Year
AMP	Aggressive	263.4	11.5	10.5	6.7	7.7	9.0
AMP	ANZ Growth	4.4	9.6				
AMP	ASB Growth	1.8	9.8				
AMP	Growth	204.2	10.2	9.4	6.2	7.1	8.2
AMP	Nikko AM Growth	3.6	9.1				
Aon	Growth	12.6	7.6	8.3	7.6	8.5	10.1
ASB	Growth	331.3	10.6	10.6	9.1	9.9	10.8
Fisher Funds	LifeSaver Growth	70.9	8.6	9.2	7.7	8.1	9.2
Mercer	Growth	117.5	10.5	9.5	8.1	8.9	9.4
Mercer	High Growth	21.8	12.6	11.1	9.2	10.3	11.0
SuperLife	SuperLife100	354.9	11.6	11.1	9.1	9.0	
SuperLife	SuperLife80	33.5	10.1	10.3	8.6	7.7	
<b>Total Growth Funds</b>		<b>1,420.1</b>	<b>10.8</b>	<b>10.4</b>	<b>8.0</b>	<b>8.6</b>	<b>9.5</b>

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		%					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	477.5	10.9	10.1	6.5	7.5	8.7	
Aon	12.6	7.6	8.3	7.6	8.5	10.1	
ASB	331.3	10.6	10.6	9.1	9.9	10.8	
Fisher Funds	70.9	8.6	9.2	7.7	8.1	9.2	
Mercer	139.4	10.9	9.8	8.2	9.1	9.6	
SuperLife	388.4	11.5	11.0	9.0			
<b>Total Growth Funds</b>		<b>1,420.1</b>	<b>10.8</b>	<b>10.4</b>	<b>8.0</b>	<b>6.2</b>	<b>9.5</b>

The material presented here has been compiled from publicly available sources and information from the respective Master Trust providers. 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 2017

BALANCED FUNDS

Manager Name	Fund Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)				
			%				
			1 Year	2 Year	3 Year	4 Year	5 Year
AMP	ANZ Balanced Plus	277.9	8.0	7.5	7.4	8.0	9.1
AMP	ASB Balanced	76.3	7.5	8.3	7.1	7.6	8.2
AMP	Balanced	810.2	7.6	7.6	5.3	6.1	6.8
AMP	Fisher Balanced	160.0	6.0	7.6	6.8	7.2	7.4
AMP	Global Multi-Asset	1.6	5.6				
AMP	Koru Balanced	158.9					
AMP	Moderate Balanced	283.5	6.2	6.5	4.8	5.5	6.0
AMP	Nikko AM Balanced	160.6	6.8	7.6	8.1	8.5	8.9
AMP	RIL Balanced	2.0	7.1				
Aon	Balanced	94.0	5.7	6.7	6.3	6.9	8.0
ASB	Balanced	713.7	8.1	8.5	7.7	8.3	8.8
Fisher Funds	Lifesaver Balanced	273.4	6.8	7.4	6.6	7.0	7.4
Mercer	Balanced	216.4	7.5	7.5	6.6	7.6	8.0
SuperLife	Ethica	38.8	3.8	7.1	8.4	8.2	8.2
SuperLife	SuperLife60	317.5	7.5	9.1	7.5	7.7	7.9
<b>Total Balanced Funds</b>		<b>3,584.7</b>	<b>7.3</b>	<b>7.8</b>	<b>6.6</b>	<b>7.2</b>	<b>7.8</b>

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		%					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	1,930.9	7.2	7.4	6.0	6.7	7.3	
Aon	94.0	5.7	6.7	6.3	6.9	8.0	
ASB	713.7	8.1	8.5	7.7	8.3	8.8	
Fisher Funds	273.4	6.8	7.4	6.6	7.0	7.4	
Mercer	216.4	7.5	7.5	6.6	7.6	8.0	
SuperLife	356.3	7.1	8.9	7.6	7.7	8.0	
<b>Total Balanced Funds</b>		<b>3,584.7</b>	<b>7.3</b>	<b>7.8</b>	<b>6.6</b>	<b>7.2</b>	<b>7.8</b>

The material presented here has been compiled from publicly available sources and information from the respective Master Trust providers. 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 2017

CONSERVATIVE FUNDS

Manager Name	Fund Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses) %					
			1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	ANZ Conservative	2.8	2.2					
AMP	ASB Moderate	1.3	5.3					
AMP	Capital Assured	102.1	5.4	5.7	5.7	5.5	4.9	
AMP	Conservative	296.1	3.3	4.1	3.5	4.0	4.1	
AMP	Income Generator	0.6	2.8					
AMP	Moderate	124.8	5.0	5.4	4.2	4.8	5.2	
AMP	Nikko AM Conservative	1.7	3.0					
Aon	Capital Stable	2.1	0.8	2.5	3.3	3.9	3.2	
Aon	Conservative	18.6	1.8	3.8	4.4	4.9	4.7	
ASB	Moderate	174.7	5.1	6.5	6.1	6.5	6.7	
Fisher Funds	LifeSaver Conservative	32.8	3.4	4.7	4.8	5.1	5.2	
Mercer	Conservative	32.7	3.3	4.2	4.2	4.9	4.8	
Mercer	Moderate	52.4	4.9	5.5	5.5	6.4	6.6	
SuperLife	SuperLife30	41.6	4.4	6.4	5.7	5.8	5.5	
<b>Total Conservative Funds</b>		<b>884.3</b>	<b>4.3</b>	<b>5.1</b>	<b>4.7</b>	<b>5.1</b>	<b>5.2</b>	

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses) %					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	529.4	4.1	4.7	4.1	4.5	4.5	
Aon	20.7	1.7	3.7	4.3	4.8	4.5	
ASB	174.7	5.1	6.5	6.1	6.5	6.7	
Fisher Funds	32.8	3.4	4.7	4.8	5.1	5.2	
Mercer	85.1	4.3	5.0	5.0	5.8	5.9	
SuperLife	41.6	4.4	6.4	5.7	5.8	5.5	
<b>Total Conservative Funds</b>		<b>884.3</b>	<b>4.3</b>	<b>5.1</b>	<b>4.7</b>	<b>5.1</b>	<b>5.2</b>

The material presented here has been compiled from publicly available sources and information from the respective Master Trust providers. 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.

## DEFENSIVE FUNDS (SINGLE SECTOR)

Manager Name	Fund Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)				
			%				
			1 Year	2 Year	3 Year	4 Year	5 Year
AMP	Cash	107.2	1.3	1.4	1.7	1.8	1.9
ASB	New Zealand Cash	48.3	1.5	1.7	2.1	2.2	2.2
Mercer	Cash	23.8	1.2	1.3	1.6	1.7	1.7
SuperLife	New Zealand Cash	162.2	2.0	2.1	2.4	2.4	2.5
SuperLife	New Zealand Cash ETF	1.4	1.9				
SuperLife	UK Cash	9.1	2.6	(8.8)	(2.1)	(0.6)	(0.8)
<b>Sub-Total: Cash</b>		<b>352.1</b>	<b>1.7</b>	<b>1.5</b>	<b>2.0</b>	<b>2.1</b>	<b>2.1</b>
AMP	International Fixed Interest	1.8	0.0	2.0	2.6		
AMP	New Zealand Fixed Interest	7.6	0.5	2.3	3.5		
ASB	New Zealand Fixed Interest	5.8	0.9	2.5	3.5	3.5	2.9
ASB	World Fixed Interest	4.2	0.8	2.8	3.0	3.5	2.9
Fisher Funds	LifeSaver NZ Fixed Income	12.1	0.4	2.5	3.7	3.6	2.8
Fisher Funds	LifeSaver Preservation	42.0	1.8	1.8	2.1	2.2	2.3
SuperLife	SuperLife Income	137.0	1.5	3.8	3.7	4.2	
SuperLife	Global Bond ETF	0.7	2.0				
SuperLife	New Zealand Bond ETF	1.7	1.9				
SuperLife	New Zealand Bonds	128.2	1.8	3.2	4.2	4.3	3.9
SuperLife	Overseas Bonds	56.1	1.9	3.9	3.9	4.3	3.1
SuperLife	Overseas Non-Govt Bonds	57.5	0.4	3.8	3.1	4.0	3.2
<b>Sub-Total: Bonds</b>		<b>454.8</b>	<b>1.5</b>	<b>3.4</b>	<b>3.6</b>	<b>4.0</b>	<b>3.3</b>
<b>Total Single Sector Defensive</b>		<b>806.8</b>	<b>1.5</b>	<b>2.5</b>	<b>2.9</b>	<b>3.1</b>	<b>2.7</b>

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		%					
			1 Year	2 Year	3 Year	4 Year	5 Year
AMP	116.6	1.2	1.5	1.9	1.8	1.9	
Aon	-						
ASB	58.4	1.4	1.9	2.3	2.4	2.3	
Fisher Funds	54.0	1.5	2.0	2.5	2.5	2.4	
Mercer	23.8	1.2	1.3	1.6	1.7	1.7	
SuperLife	554.0	1.6	3.0	3.3	3.6	3.0	
<b>Total Single Sector Defensive</b>		<b>806.8</b>	<b>1.5</b>	<b>2.5</b>	<b>2.9</b>	<b>3.1</b>	<b>2.7</b>

The material presented here has been compiled from publicly available sources and information from the respective Master Trust providers. 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 2017**
**AGGRESSIVE FUNDS (SINGLE SECTOR)**

Manager Name	Fund Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses) %				
			1 Year	2 Year	3 Year	4 Year	5 Year
AMP	Australasian Shares	8.6	8.7	13.4	7.9		
ASB	Australasian Shares	7.1	8.0	15.5	10.5	9.8	11.7
Fisher Funds	LifeSaver Trans-Tasman Equity	17.1	4.6	15.0	11.5	11.1	12.2
SuperLife	Asia Pacific ETF	2.1	12.6	6.3			
SuperLife	Australian Dividend ETF	1.1	8.7	1.9			
SuperLife	Australian Financials ETF	0.8	14.1	8.7			
SuperLife	Australian MidCap ETF	19.3	10.3	15.6			
SuperLife	Australian Resources ETF	3.2	19.3	16.4			
SuperLife	Australian Shares	48.5	11.7	9.3	9.7	5.7	5.3
SuperLife	Australian Top 20 ETF	1.3	9.9	6.0			
SuperLife	New Zealand 50 Portfolio ETF	36.6	9.3	18.2			
SuperLife	New Zealand Dividend ETF	2.7	3.8	14.9			
SuperLife	New Zealand Mid Cap ETF	2.7	17.7	20.2			
SuperLife	New Zealand Shares	95.6	4.4	17.7	11.8	11.8	13.2
SuperLife	New Zealand Top 10 ETF	0.8	(0.7)	15.1			
<b>Sub-Total: Australasian Shares</b>		<b>247.4</b>	<b>7.7</b>	<b>15.3</b>	<b>11.0</b>	<b>9.9</b>	<b>10.7</b>
AMP	International Shares	9.2	17.4	11.5	9.3		
AMP	Passive International Shares	4.8	17.1	10.7	8.2		
ASB	World Shares	10.2	17.9	11.7	10.2	12.1	13.4
Fisher Funds	LifeSaver Equity	45.2	11.7	11.5	8.8	9.4	10.8
Mercer	Shares	28.8	15.3	13.0	10.6	12.1	13.6
SuperLife	Emerging Markets	22.1	16.7	8.5	5.9	6.7	5.2
SuperLife	Emerging Markets ETF	2.4	14.7	8.2			
SuperLife	Europe ETF	3.8	20.0	4.8			
SuperLife	Gemino	5.5	(14.5)	0.4	(7.1)	1.7	1.8
SuperLife	Overseas Shares Hedged	127.6	17.5	14.9	9.0	10.5	12.3
SuperLife	Overseas Shares Unhedged	101.2	16.8	7.1	9.4	11.0	12.5
SuperLife	Total World ETF	2.1	16.1	6.7			
SuperLife	US 500 ETF	8.7	16.5	7.9			
SuperLife	US Large Growth ETF	1.5	17.3	6.6			
SuperLife	US Large Value ETF	0.5	15.5	8.7			
SuperLife	US Mid Cap ETF	0.8	12.9	6.1			
SuperLife	US Small ETF	1.6	14.8	7.2			
<b>Sub-Total: Global Shares</b>		<b>376.0</b>	<b>15.9</b>	<b>11.0</b>	<b>8.8</b>	<b>10.3</b>	<b>11.7</b>
AMP	Property	10.5	(1.4)	5.2	6.4		
ASB	Global Property Shares	3.1	(0.4)	3.9	9.2	10.4	9.7
SuperLife	Australian Property ETF	0.6	3.2	6.9			
SuperLife	New Zealand Property ETF	0.8	(1.6)				
SuperLife	Property	43.1	0.7	7.3	9.0	10.0	9.5
<b>Sub-Total: Property</b>		<b>58.1</b>	<b>0.3</b>	<b>6.7</b>	<b>8.5</b>	<b>10.1</b>	<b>9.5</b>
<b>Total Single Sector Aggressive</b>		<b>681.5</b>	<b>11.6</b>	<b>12.2</b>	<b>9.4</b>	<b>10.1</b>	<b>11.2</b>

The material presented here has been compiled from publicly available sources and information from the respective Master Trust providers. 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 2017

AGGRESSIVE FUNDS (SINGLE SECTOR) - CONTINUED

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)				
		%				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP	33.2	9.1	9.9	7.9		
Aon	-					
ASB	20.3	11.7	11.8	10.2	11.0	12.2
Fisher Funds	62.4	9.7	12.4	9.5	9.9	11.2
Mercer	28.8	15.3	13.0	10.6	12.1	13.6
SuperLife	536.9	11.8	12.3	9.4	10.0	11.0
<b>Total Single Sector Aggressive</b>	<b>681.5</b>	<b>11.6</b>	<b>12.2</b>	<b>9.4</b>	<b>10.1</b>	<b>11.2</b>

TOTAL FUNDS

Manager Name	FUM \$ million		Annualised Returns (Net of Tax & Expenses)				
	Q2 2017	Q3 2017	%				
			1 Year	2 Year	3 Year	4 Year	5 Year
AMP	3,016.9	3,087.6					
Aon	128.5	127.3					
ASB	1,255.0	1,298.4					
Fisher Funds	488.1	493.5					
Mercer	488.1	493.4					
SuperLife	1,795.5	1,877.1					
<b>Total Funds</b>	<b>7,172.1</b>	<b>7,377.3</b>	<b>7.4</b>	<b>7.8</b>	<b>6.5</b>	<b>7.1</b>	<b>7.6</b>
Cash Benchmark (Net)			1.3	1.5	1.7	1.8	1.8
CPI			1.9	1.2	0.9	0.9	1.0

The material presented here has been compiled from publicly available sources and information from the respective Master Trust providers. 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.