

INVESTMENT RETURNS

The NZ Consumer Price Index fell to 1.2% for the year to 30 December 2017, again driven mainly driven by housing and food price increases. Long term inflation is still about 1.0% per annum.

The one year weighted average return for all Master Trust Growth funds was 15.6%; Balanced funds 11.6%; and Conservative funds 6.7%. Aggressive funds returned 17.6% over the past year on a weighted average basis, while Defensive funds returned 3.0%.

This continues the trend in which funds having higher proportions of growth style assets (eg shares and property) have had much higher investment returns compared to those with more conservative asset allocations.

Total FUM across the six Master Trusts increased by \$310 million during the quarter. The proportion of assets within each of the major investment categories (Growth, Balanced, Conservative, Defensive and Aggressive) has remained largely unchanged.

KIWISAVER

We look forward to the new Government's tax review and hope it includes the return of the KiwiSaver incentives which were removed by the previous regime. In particular:

- Reintroduction of the \$1,000 kick start
- Removal of the ESCT (employer withholding tax) on Employer contributions

We also applaud the new Government's resumption of contributions to the New Zealand Superannuation Fund. This makes the old age pension more sustainable.

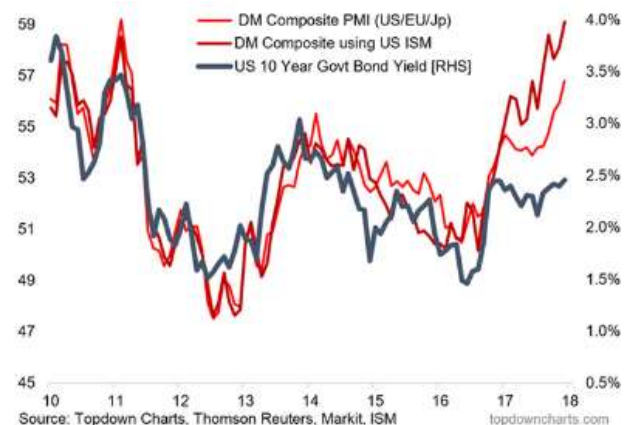
ECONOMIC COMMENTARY

After stock markets rose to new highs in January there was a sharp correction at the beginning of February. Strong US job creation and increasing wage rates were seen by investors as increasing the probability that the US Federal Reserve would raise its cash rates by 0.75% to 1% in 2018. The resulting sell-off depressed the US market by 10% before fresh buying pushed up share prices once again.

The graph shows manufacturing indices versus US 10-year government bond yields. It gives an idea of why the correction occurred. The two red lines are economic indicators based on the manufacturing industries in developed markets.

If they move higher it normally indicates an improvement in the economic cycle, and thus higher growth and inflation. This in turn suggests a tightening of monetary policy (increase in rates).

The blue line is the US 10-year government bond yield. This yield should reflect future growth and inflation in the economy. The graph shows there has been a disconnect between the manufacturing indicators and the 10-year yield over the past year or so. It suggests the 10-year yield should be trading at 3.5% or more. It is currently ~2.9%. Part of the reason for the gap is the flight to quality towards US bonds and equities relative to European and Japanese yields.



A significant risk to financial markets is a sharp increase in bond yields which will flow into equity valuations causing a correction. In recent years any stock market correction has been short lived and followed by a bounce back as seen after Brexit. This could be true of the next correction but, unlike 2008, central banks cannot respond by dropping interest rates significantly. They are abnormally low already.

Looking ahead there is a possibility that interest rates stay could stay lowish or gently trend higher. Interest rates could also rise sharply but then fall back triggering a modest stock market correction. Neither of these is reason for concern.

The real issue might be if interest rates rose sharply and/or a major geopolitical event occurs causing a liquidity freeze and major market correction. However both the New Zealand and Australian economies are stable. Both reserve banks are likely to keep cash rates at current levels for the time being. Relatively low monetary policy uncertainty will help investor sentiment. Population growth in both countries continues at a steady rate. Companies with robust balance sheets will help protect earnings against any slowdown. It will be an interesting year!

ERIKSENS MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 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	280.6	16.2	11.5	8.5	8.7	9.6
AMP	ANZ Growth	5.8	15.4				
AMP	ASB Growth	2.5	14.5				
AMP	Growth	215.3	14.5	10.4	7.7	8.0	8.7
AMP	Nikko AM Growth	4.3	16.9				
Aon	Growth	13.3	13.5	8.7	7.9	8.8	9.9
ASB	Growth	351.1	15.5	11.3	10.2	10.1	11.2
Fisher Funds	LifeSaver Growth	74.8	12.6	9.2	8.2	8.7	9.5
Mercer	Growth	122.9	13.3	10.3	9.0	9.1	9.7
Mercer	High Growth	23.9	16.1	11.8	10.4	10.4	11.4
SuperLife	SuperLife100	386.2	17.3	12.4	10.8	10.1	
SuperLife	SuperLife80	37.7	14.4	11.1	9.9	9.3	
Total Growth Funds		1,518.5	15.6	11.3	9.5	9.4	10.0

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		%					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	508.6	15.5	11.0	8.1	8.4	9.2	
Aon	13.3	13.5	8.7	7.9	8.8	9.9	
ASB	351.1	15.5	11.3	10.2	10.1	11.2	
Fisher Funds	74.8	12.6	9.2	8.2	8.7	9.5	
Mercer	146.9	13.7	10.5	9.2	9.3	9.9	
SuperLife	423.9	17.0	12.3	10.7	10.1		
Total Growth Funds		1,518.5	15.6	11.3	9.5	9.4	10.0

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ERIKSENS MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 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	289.8	13.0	8.0	7.7	8.5	9.4
AMP	ASB Balanced	80.2	11.9	8.5	7.9	8.1	8.7
AMP	Balanced	839.5	11.3	8.3	6.3	6.7	7.1
AMP	Fisher Balanced	163.1	9.7	7.4	6.9	7.5	7.7
AMP	Global Multi-Asset	3.2	6.2				
AMP	Koru Balanced	164.7	14.9				
AMP	Moderate Balanced	293.1	9.5	7.1	5.6	6.0	6.3
AMP	Nikko AM Balanced	167.3	14.5	8.4	8.8	9.0	9.3
AMP	RIL Balanced	2.4	10.8				
Aon	Balanced	95.3	10.3	7.1	6.4	7.1	7.8
ASB	Balanced	744.7	12.4	9.1	8.4	8.5	9.1
Fisher Funds	Lifesaver Balanced	282.5	9.9	7.6	6.8	7.4	7.7
Mercer	Balanced	217.2	10.2	8.0	7.2	7.6	8.1
SuperLife	Ethica	44.2	10.2	7.4	8.8	8.7	8.4
SuperLife	SuperLife60	333.6	11.7	9.4	8.3	8.1	8.1
Total Balanced Funds		3,720.9	11.6	8.3	7.3	7.6	8.0

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		%					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	2,003.4	11.7	8.0	6.8	7.2	7.7	
Aon	95.3	10.3	7.1	6.4	7.1	7.8	
ASB	744.7	12.4	9.1	8.4	8.5	9.1	
Fisher Funds	282.5	9.9	7.6	6.8	7.4	7.7	
Mercer	217.2	10.2	8.0	7.2	7.6	8.1	
SuperLife	377.9	11.5	9.1	8.4	8.2	8.1	
Total Balanced Funds		3,720.9	11.6	8.3	7.3	7.6	8.0

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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	3.1	5.3					
AMP	ASB Moderate	1.4	8.2					
AMP	Capital Assured	102.8	5.3	5.5	5.7	5.6	5.1	
AMP	Conservative	296.4	5.7	4.6	3.8	4.3	4.2	
AMP	Income Generator	1.3	7.5					
AMP	Moderate	132.9	7.9	6.0	4.8	5.2	5.4	
AMP	Nikko AM Conservative	1.8	7.7					
Aon	Capital Stable	2.1	2.7	2.9	3.0	4.1	3.1	
Aon	Conservative	17.8	4.7	4.1	4.0	5.0	4.5	
ASB	Moderate	182.0	8.8	6.8	6.5	6.7	6.8	
Fisher Funds	LifeSaver Conservative	32.0	5.7	4.9	4.7	5.3	5.2	
Mercer	Conservative	31.7	5.0	4.4	4.3	4.9	4.8	
Mercer	Moderate	52.9	6.9	5.8	5.7	6.3	6.7	
SuperLife	SuperLife30	45.2	7.7	6.8	6.0	6.2	5.4	
Total Conservative Funds		903.5	6.7	5.5	5.0	5.4	5.3	

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses) %					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	539.8	6.2	5.1	4.4	4.8	4.7	
Aon	19.9	4.5	4.0	3.9	4.9	4.4	
ASB	182.0	8.8	6.8	6.5	6.7	6.8	
Fisher Funds	32.0	5.7	4.9	4.7	5.3	5.2	
Mercer	84.6	6.2	5.3	5.2	5.8	6.0	
SuperLife	45.2	7.7	6.8	6.0	6.2	5.4	
Total Conservative Funds		903.5	6.7	5.5	5.0	5.4	5.3

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ERIKSENS MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 2017
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	103.9	1.2	1.3	1.6	1.8	1.8
ASB	New Zealand Cash	47.6	1.5	1.7	2.0	2.1	2.1
Mercer	Cash	27.3	1.1	1.3	1.5	1.7	1.7
SuperLife	New Zealand Cash	164.9	2.0	2.0	2.3	2.4	2.4
SuperLife	New Zealand Cash ETF	0.7	1.9	2.3			
SuperLife	UK Cash	9.2	5.6	(4.7)	(0.7)	(0.8)	(0.5)
Sub-Total: Cash		353.6	1.7	1.6	1.9	2.1	2.1
AMP	International Fixed Interest	1.8	1.7	2.1	2.1	2.4	
AMP	New Zealand Fixed Interest	7.4	3.9	3.2	3.2	3.7	
ASB	New Zealand Fixed Interest	5.9	3.7	3.1	3.3	3.7	2.9
ASB	World Fixed Interest	4.3	1.8	2.7	2.6	3.4	2.8
Fisher Funds	LifeSaver NZ Fixed Income	11.9	4.3	3.3	3.5	3.8	2.9
Fisher Funds	LifeSaver Preservation	41.9	1.9	1.8	2.0	2.2	2.2
SuperLife	SuperLife Income	148.8	4.0	3.9	3.5	4.2	
SuperLife	Global Bond ETF	1.3	4.1	4.4			
SuperLife	New Zealand Bond ETF	2.3	5.2	3.8			
SuperLife	New Zealand Bonds	130.3	5.1	3.9	4.0	4.4	3.8
SuperLife	Overseas Bonds	56.7	4.0	4.5	3.7	4.5	3.0
SuperLife	Overseas Non-Govt Bonds	57.4	2.3	3.3	2.7	3.9	3.0
Sub-Total: Bonds		470.1	3.9	3.7	3.4	4.0	3.2
Total Single Sector Defensive		823.7	3.0	2.8	2.8	3.2	2.6

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		%					
			1 Year	2 Year	3 Year	4 Year	5 Year
AMP	113.1	1.4	1.5	1.7	1.9	1.8	
Aon	-						
ASB	57.8	1.8	1.9	2.1	2.4	2.3	
Fisher Funds	53.8	2.4	2.1	2.4	2.5	2.4	
Mercer	27.3	1.1	1.3	1.5	1.7	1.7	
SuperLife	571.6	3.5	3.2	3.1	3.6	2.9	
Total Single Sector Defensive		823.7	3.0	2.8	2.8	3.2	2.6

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ERIKSENS MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 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	9.4	16.3	12.4	10.4	8.1	
ASB	Australasian Shares	7.3	18.7	13.7	12.3	11.4	11.7
Fisher Funds	LifeSaver Trans-Tasman Equity	18.1	18.3	13.2	12.2	13.2	12.7
SuperLife	Asia Pacific ETF	3.0	22.6	11.5			
SuperLife	Australian Dividend ETF	1.2	12.1	7.3			
SuperLife	Australian Financials ETF	0.6	7.8	7.0			
SuperLife	Australian MidCap ETF	21.7	27.0	21.4	16.7		
SuperLife	Australian Resources ETF	5.0	30.9	33.8			
SuperLife	Australian Shares	53.1	16.8	13.4	13.9	10.1	5.8
SuperLife	Australian Top 20 ETF	1.6	11.1	8.9			
SuperLife	New Zealand 50 Portfolio ETF	40.1	23.6	15.6	13.4		
SuperLife	New Zealand Dividend ETF	3.0	10.4	11.5			
SuperLife	New Zealand Mid Cap ETF	3.7	33.2	17.8			
SuperLife	New Zealand Shares	99.8	12.6	13.4	12.6	10.2	12.7
SuperLife	New Zealand Top 10 ETF	1.0	13.2	13.4			
Sub-Total: Australasian Shares		268.5	17.6	14.6	13.3	10.4	10.6
AMP	International Shares	10.8	19.3	12.9	10.9	10.1	
AMP	Passive International Shares	5.4	18.1	11.8	10.0	10.1	
ASB	World Shares	10.6	19.3	13.7	11.9	11.3	14.1
Fisher Funds	LifeSaver Equity	48.7	17.5	11.6	9.7	10.4	11.4
Mercer	Shares	30.0	19.7	13.8	12.1	12.1	14.1
SuperLife	Emerging Markets	23.9	27.5	14.8	9.5	8.3	5.5
SuperLife	Emerging Markets ETF	3.5	26.7	14.9			
SuperLife	Europe ETF	5.3	22.3	8.3			
SuperLife	Gemino	5.0	(25.3)	(7.9)	(8.7)	(9.6)	(2.0)
SuperLife	Overseas Shares Hedged	134.2	18.3	13.7	9.9	10.5	12.9
SuperLife	Overseas Shares Unhedged	107.2	18.0	10.6	11.0	11.2	13.6
SuperLife	Total World ETF	3.3	18.3	11.1			
SuperLife	US 500 ETF	10.6	15.9	12.2			
SuperLife	US Large Growth ETF	2.7	21.4	12.0			
SuperLife	US Large Value ETF	0.9	11.0	12.0			
SuperLife	US Mid Cap ETF	1.0	12.8	10.5			
SuperLife	US Small ETF	2.0	10.3	12.4			
Sub-Total: Global Shares		405.0	18.3	12.2	10.2	10.4	12.3
AMP	Property	11.0	9.3	4.7	6.4	7.4	
ASB	Global Property Shares	3.2	6.0	5.5	7.2	11.4	9.5
SuperLife	Australian Property ETF	1.1	15.3	10.7			
SuperLife	New Zealand Property ETF	0.9	14.1	6.9			
SuperLife	Property	44.9	14.1	8.5	8.8	11.9	9.9
Sub-Total: Property		61.1	12.9	7.7	8.3	11.0	9.8
Total Single Sector Aggressive		734.7	17.6	12.7	11.1	10.5	11.6

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ERIKSENS MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 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	36.7	15.4	10.2	9.3		
Aon	-					
ASB	21.2	17.1	12.5	11.3	11.3	12.6
Fisher Funds	66.7	17.7	12.0	10.4	11.1	11.8
Mercer	30.0	19.7	13.8	12.1	12.1	14.1
SuperLife	580.1	17.6	12.9	11.3	10.4	11.4
Total Single Sector Aggressive	734.7	17.6	12.7	11.1	9.9	11.6

TOTAL FUNDS

Manager Name	FUM \$ million		Annualised Returns (Net of Tax & Expenses) %				
	Q3 2017	Q4 2017	1 Year	2 Year	3 Year	4 Year	5 Year
AMP	3,087.6	3,201.5					
Aon	127.3	128.5					
ASB	1,298.4	1,356.8					
Fisher Funds	493.5	509.8					
Mercer	493.4	506.0					
SuperLife	1,877.1	1,998.6					
Total Funds	7,377.3	7,701.2	11.4	8.4	7.3	7.5	7.9
Cash Benchmark (Net)			1.2	1.4	1.6	1.8	1.8
CPI			1.6	1.5	1.0	0.9	1.1

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