

INVESTMENT RETURNS

The NZ CPI was up to 1.9% for the year to 30 September 2018. This was mainly driven by transport (predominantly fuel prices), alcoholic beverages and tobacco (from increased taxes on tobacco products), and housing and household utilities. Inflation over the past three years notched up 0.2% to 1.4% p.a. but over ten years it fell slightly to 1.5% p.a., a fall of 0.1%.

Total Master Trust FUM increased by \$267 million over the quarter. Funds with a higher proportion of growth style assets (eg shares and property) continued to outperform.

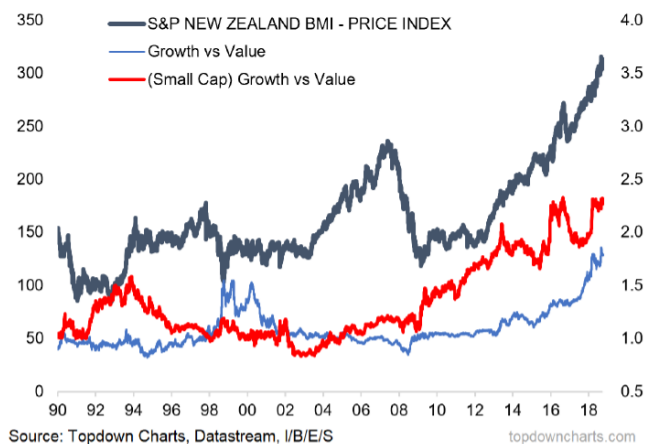
The one year weighted average return for all Master Trust Growth funds was 11.1%; Balanced funds 8.3%; and Conservative funds 5.0%. Single Sector Aggressive funds returned 14.0% over the past year on a weighted average basis, while Defensive funds returned 1.8%.

ECONOMIC COMMENTARY

Can Markets Continue to Defy Gravity?

Low volatility lingers but equity markets continue to push to all-time highs. The New Zealand market (illustrated below) reached its highest level in the September quarter driven ominously by large-scale passive investment. The NZX50 is market-cap weighted, so further investment into this index is tilted more towards the large cap stocks which have become further overvalued. This is also reflected in the outperformance of growth stocks versus value stocks as below.

Growth vs Value - frothiness



Interestingly the Australian stock market, which is broader and has exposure to resources and energy etc, displays similar characteristics but may hold up better in a sell-off because of its broader links to Chinese demand for commodities.

In a widely-expected move, the US Federal Reserve raised the fed funds rate 25 bps in its September meeting (upper end of range now 2.25%). The futures market has priced in another rise in December

at ~80%. The FOMC removed “monetary policy remains accommodative” in its statement signalling that they now believe the funds rate has moved into the neutral zone. They also increased their GDP growth projections, now 3.1% this year (previously 2.8%) and 2.5% in 2019 (previously 2.4%).

With risks from the trade war hanging over the economy, growth might slow to 2% in 2019 and below 1.5% in 2020 with a sharper decline (and perhaps recession) should the trade war turn nasty. A number of senior officials have suggested the quantum of tariffs is small compared to the size of the economy. That is certainly correct but as is usually the case it’s the details that matter. In a trade war the costs do not fall evenly, low income Walmart shoppers are likely to be hit hard. Furthermore, China has so far targeted GOP leaning states in its retaliatory tariffs, meaning reduced exports from those states.

The gradual yet consistent interest rate hikes in the US has been detrimental to Emerging Market economies. This is primarily due to their external debt being denominated in USD and thus now larger and more burdensome as the USD strengthens.

Geopolitical risks abound:

- Argentina – inflation has skyrocketed to 34.4%, the key interest rate is currently at 60% and the peso has depreciated by ~50% since the start of 2018. The IMF has intervened to help curb inflation by increasing access to funds over the next three years (from \$50bn to \$57bn) and allowing earlier access.
- Turkey – inflation sits at 24.5%, the key interest rate at 24% and the lira has fallen by around 38% since the start of the year. The diplomatic relations with the US are tenuous following Turkey’s jailing of an American pastor and Trump’s reciprocal imposition of economic sanctions.
- Italy – the target budget deficit for 2019 of 2.4% was announced recently. The 10-year yield on Italian bonds jumped from around 2.9% to 3.4% in the days following, signalling an increase in perceived risk. S&P and Moody’s will review Italy’s sovereign credit rating in October. There is continued concern around negative developments in Italian politics and their place within the European Union.
- Brexit – talks are focussing on future relations and a physical Northern Ireland border. If no deal is announced by 21 January 2019 then the UK Government must ask MPs to vote on a plan of action. The deadline for Brexit is 29 March 2019, but a transition period has been agreed until 31 December 2020 to allow for details to be fleshed out.

The persistent raising of the US cash rate, combined with the Federal Reserve issuing more debt but also shrinking its balance sheet has led to a steepening yield curve for US Treasuries. At the time of writing the 10-year Treasury had reached 3.23%, the highest for over two years. Equity market investors using discounted cash flow valuations are starting to take notice and some stock markets are falling as a result. Be prepared for more volatility.

ERIKSENS MASTER TRUST SURVEY: RESULTS TO 30 SEPTEMBER 2018

GROWTH FUNDS

Manager Name	Fund Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)						
			%						
			1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
AMP	Aggressive	285.4	12.2	11.8	11.1	8.0	8.6	10.1	5.7
AMP	ANZ Growth	7.1	11.1						
AMP	ASB Growth	5.2	10.6						
AMP	Growth	228.8	10.9	10.6	9.9	7.4	7.9	9.1	5.5
AMP	Nikko AM Growth	10.3	12.6						
Aon	ANZ Growth	13.5	9.5	8.6	8.4	8.0	8.7	10.6	8.2
Aon	Milford Active Growth	14.1	14.8	10.8	11.9	11.1	11.4	14.2	12.5
Aon	Nikko AM Growth	2.4	13.8	12.3	10.8	11.5	11.2	11.8	9.2
Aon	Russell LifePoints Growth	3.9	10.2	11.1	10.8	9.8	10.2	11.4	7.9
Aon	Russell LifePoints Target Date 2045	1.5	9.8	10.9	10.7	9.7	10.2	11.7	7.7
ASB	Growth	372.4	11.3	10.9	10.8	9.6	10.1	11.1	7.5
Fisher Funds	LifeSaver Growth	79.1	11.2	9.9	9.8	8.6	8.7	10.0	7.2
Mercer	Growth	130.3	9.0	9.8	9.3	8.3	8.9	9.2	6.5
Mercer	High Growth	25.1	11.0	11.8	11.1	9.7	10.4	10.8	
SuperLife	SuperLife100	431.7	11.0	11.3	11.0	9.5	9.4		
SuperLife	SuperLife80	48.0	9.2	9.6	9.9	8.8	8.0		
Total Growth Funds		1,658.9	11.1	10.9	10.6	8.8	9.1	10.2	6.6

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)						
		%						
		1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
AMP	536.8	11.6	11.3	10.6	7.7	8.3	9.7	5.6
Aon	35.4	12.0	10.1	10.3	9.7	10.2	12.3	9.9
ASB	372.4	11.3	10.9	10.8	9.6	10.1	11.1	7.5
Fisher Funds	79.1	11.2	9.9	9.8	8.6	8.7	10.0	7.2
Mercer	155.5	9.3	10.1	9.6	8.5	9.2	9.5	6.5
SuperLife	479.7	10.8	11.1	10.9	9.5			
Total Growth Funds	1,658.9	11.1	10.9	10.6	8.8	6.4	10.2	6.6

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BALANCED FUNDS

Manager Name	Fund Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)							
			%							
			1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	
AMP	ANZ Balanced Growth	294.5	9.3	8.6	8.1	7.9	8.3	9.6	7.2	
AMP	ASB Balanced	85.0	8.4	8.0	8.3	7.4	7.8	8.6	6.0	
AMP	Balanced	851.9	8.4	8.0	7.8	6.1	6.5	7.6	5.1	
AMP	Fisher Balanced	157.4	8.5	7.3	7.9	7.2	7.4	8.0	6.1	
AMP	Global Multi-Asset	3.9	2.7							
AMP	Koru Balanced	162.1	7.8							
AMP	Moderate Balanced	298.7	7.0	6.6	6.7	5.3	5.8	6.6	4.7	
AMP	Nikko AM Balanced	175.2	10.2	8.5	8.5	8.6	8.8	9.3	6.5	
AMP	RIL Balanced	3.5	8.2							
Aon	ANZ Balanced	91.4	7.2	6.5	6.7	6.6	7.1	8.6	7.3	
Aon	Nikko AM Balanced	8.3	10.3	8.5	8.5	8.4	8.7	9.1	6.4	
Aon	Russell LifePoints Balanced	6.6	8.3	9.1	9.1	8.4	8.9	10.0	7.5	
Aon	Russell LifePoints Target Date 2035	1.7	7.8	8.8	9.0	8.4	8.9	10.2	7.2	
ASB	Balanced	774.7	8.8	8.4	8.6	8.0	8.4	9.0	6.6	
Fisher Funds	Lifesaver Balanced	286.2	8.6	7.7	7.8	7.1	7.3	8.0	6.3	
Mercer	Balanced	213.4	6.9	7.2	7.3	6.7	7.5	7.8	5.9	
SuperLife	Ethica	50.1	6.7	5.2	7.0	7.9	7.9	8.4	6.5	
SuperLife	SuperLife60	364.2	7.2	7.4	8.5	7.4	7.6	8.6		
Total Balanced Funds		3,828.8	8.3	7.8	8.0	7.1	7.4	8.3	6.0	

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)							
		%							
		1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	
AMP	2,032.2	8.4	7.9	7.8	6.6	7.0	8.0	5.6	
Aon	108.0	7.5	6.9	7.0	6.9	7.4	8.7	7.3	
ASB	774.7	8.8	8.4	8.6	8.0	8.4	9.0	6.6	
Fisher Funds	286.2	8.6	7.7	7.8	7.1	7.3	8.0	6.3	
Mercer	213.4	6.9	7.2	7.3	6.7	7.5	7.8	5.9	
SuperLife	414.3	7.2	7.1	8.3	7.5	7.6	8.5	6.5	
Total Balanced Funds	3,828.8	8.3	7.8	8.0	7.1	7.4	8.3	6.0	

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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	7 Year	10 Year	
AMP	ANZ Conservative	4.8	3.6							
AMP	ASB Moderate	3.1	5.8							
AMP	Capital Assured	109.2	5.0	5.2	5.4	5.5	5.4	4.5	4.1	
AMP	Conservative	302.3	4.2	3.8	4.1	3.7	4.1	4.5	4.0	
AMP	Income Generator	1.6	5.3							
AMP	Moderate	149.1	5.8	5.4	5.5	4.6	5.0	5.6	4.4	
AMP	Nikko AM Conservative	6.0	5.7							
Aon	ANZ Capital Stable	2.0	2.0	1.4	2.2	2.6	3.0	3.0	4.0	
Aon	ANZ Conservative	18.0	3.3	2.6	3.4	3.9	4.3	4.9	5.3	
Aon	Nikko AM Conservative	0.7	3.8	2.0	3.1	3.5	3.8	3.7	3.7	
Aon	Russell LifePoints Conservative	2.0	3.3	3.7	4.6	5.0	5.5	6.1	6.0	
Aon	Russell LifePoints Moderate	2.4	5.9	6.4	7.0	6.8	7.3	8.1	6.9	
Aon	Russell LifePoints Target Date 2025	1.8	5.3	6.1	6.7	6.6	7.1	8.3	6.5	
ASB	Moderate	189.5	6.3	5.7	6.4	6.2	6.5	6.8	5.5	
Fisher Funds	LifeSaver Conservative	35.2	4.7	4.0	4.7	4.8	5.0	5.4	4.8	
Mercer	Conservative	32.8	3.7	3.5	4.0	4.1	4.6	4.7	4.4	
Mercer	Moderate	52.3	4.8	4.8	5.3	5.3	6.1	6.5		
SuperLife	SuperLife30	48.7	4.5	4.5	5.8	5.4	5.5	5.8		
Total Conservative Funds		961.7	5.0	4.7	5.1	4.8	5.1	5.4	4.5	

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses) %							
		1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	
AMP	576.2	4.8	4.5	4.8	4.3	4.6	4.8	4.1	
Aon	26.9	3.6	3.2	4.0	4.3	4.7	5.4	5.4	
ASB	189.5	6.3	5.7	6.4	6.2	6.5	6.8	5.5	
Fisher Funds	35.2	4.7	4.0	4.7	4.8	5.0	5.4	4.8	
Mercer	85.1	4.3	4.3	4.8	4.8	5.5	5.8	4.4	
SuperLife	48.7	4.5	4.5	5.8	5.4	5.5	5.8		
Total Conservative Funds		961.7	5.0	4.7	5.1	4.8	5.1	5.4	4.5

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ERIKSENS MASTER TRUST SURVEY: RESULTS TO 30 SEPTEMBER 2018
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	7 Year	10 Year
AMP	Cash	99.7	1.2	1.2	1.3	1.6	1.7	1.8	2.1
ASB	NZ Cash	46.9	1.6	1.6	1.7	2.0	2.0	2.0	2.1
Mercer	Cash	27.7	1.1	1.1	1.2	1.5	1.6	1.6	1.9
SuperLife	NZ Cash	173.5	1.8	1.9	2.0	2.2	2.3	2.4	2.6
SuperLife	NZ Cash ETF	1.4	1.9	1.9					
SuperLife	UK Cash	11.2	4.4	3.5	(4.6)	(0.5)	0.4		
Sub-Total: Cash		360.3	1.7	1.7	1.5	1.9	2.0	2.1	2.4
AMP	Int'l Fixed Interest	1.5	(0.2)	(0.1)	1.2	1.9			
AMP	NZ Fixed Interest	8.2	3.0	1.8	2.6	3.4			
ASB	NZ Fixed Interest	5.6	3.0	2.0	2.7	3.4	3.4	3.2	4.0
ASB	World Fixed Interest	4.1	0.1	0.4	1.9	2.3	2.8	2.6	3.4
Fisher Funds	LifeSaver NZ Fixed Income	11.5	3.7	2.1	2.9	3.7	3.6	3.2	3.9
Fisher Funds	LifeSaver Preservation	40.8	1.8	1.8	1.8	2.0	2.1	2.2	2.3
SuperLife	SuperLife Income	169.2	1.6	1.5	3.0	3.2	3.6		
SuperLife	Global Bond ETF	1.9	0.9	1.4					
SuperLife	NZ Bond ETF	3.9	3.5	2.7					
SuperLife	NZ Bonds	130.0	3.5	2.6	3.3	4.0	4.1	4.0	4.8
SuperLife	Overseas Bonds	56.4	0.9	1.4	2.9	3.2	3.6	3.3	4.2
SuperLife	Overseas Non-Govt Bonds	55.5	(0.4)	0.0	2.4	2.2	3.1	3.4	4.6
Sub-Total: Bonds		488.5	1.9	1.7	2.9	3.2	3.6	3.5	4.2
Total Single Sector Defensive		848.9	1.8	1.7	2.3	2.6	2.9	2.8	3.2

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses) %							
		1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	
AMP	109.4	1.3	1.3	1.4	1.7	1.7	1.8	2.1	
Aon	-								
ASB	56.5	1.6	1.5	1.8	2.1	2.2	2.2	2.4	
Fisher Funds	52.3	2.2	1.9	2.1	2.4	2.4	2.4	2.7	
Mercer	27.7	1.1	1.1	1.2	1.5	1.6	1.6	1.9	
SuperLife	602.9	1.9	1.8	2.6	2.9	3.2	3.2	3.8	
Total Single Sector Defensive		848.9	1.8	1.7	2.3	2.6	2.9	2.8	3.2

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ERIKSENS MASTER TRUST SURVEY: RESULTS TO 30 SEPTEMBER 2018
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	7 Year	10 Year
AMP	Australasian Shares	9.9	14.7	11.7	13.9	9.6			
ASB	Australasian Shares	7.5	15.4	11.6	15.4	11.7	10.9	12.3	9.4
Fisher Funds	LifeSaver Trans-Tasman Equity	20.6	21.3	12.6	17.0	13.9	13.1	14.5	10.9
SuperLife	Asia Pacific ETF	4.9	15.2	13.9	9.2				
SuperLife	Australian Dividend ETF	1.2	3.5	6.1	2.5				
SuperLife	Australian Financials ETF	0.9	(1.1)	6.2	5.3				
SuperLife	Australian Mid Cap ETF	23.9	17.5	13.9	16.2				
SuperLife	Australian Resources ETF	7.1	28.3	23.7	20.3				
SuperLife	Australian Shares	51.8	9.2	10.4	9.3	9.6	6.4	6.6	3.9
SuperLife	Australian Top 20 ETF	2.9	10.4	10.2	7.4				
SuperLife	NZ 50 Portfolio ETF	50.3	17.4	13.2	17.9				
SuperLife	NZ Dividend ETF	3.7	7.7	5.7	12.5				
SuperLife	NZ Mid Cap ETF	6.7	15.2	16.5	18.5				
SuperLife	NZ Shares	105.0	11.2	7.8	15.5	11.6	11.6	14.4	11.2
SuperLife	NZ Top 10 ETF	2.6	18.8	8.6	16.3				
Sub-Total: Australasian Shares		298.8	13.8	10.9	14.8	11.2	10.3	12.2	9.1
AMP	Int'l Shares	11.2	15.7	16.5	12.9	10.9			
AMP	Passive Int'l Shares	6.2	16.8	16.9	12.7	10.3			
ASB	World Shares	10.1	14.2	16.0	12.5	11.2	12.5	13.5	7.2
Fisher Funds	LifeSaver Equity	52.2	15.7	13.7	12.9	10.5	10.6	11.6	7.3
Mercer	Shares	30.6	13.7	14.5	13.2	11.4	12.4	13.4	8.2
SuperLife	Emerging Markets	24.5	3.4	9.8	6.7	5.2	6.0	4.9	
SuperLife	Emerging Markets ETF	4.8	4.6	9.6	7.0				
SuperLife	Europe ETF	6.6	8.9	14.3	6.2				
SuperLife	Gemino								(5.2)
SuperLife	Overseas Shares Hedged	134.3	10.7	14.0	13.5	9.5	10.5	13.2	8.2
SuperLife	Overseas Shares	117.3	18.5	17.6	10.8	11.6	12.5	13.3	6.5
SuperLife	Total World ETF	7.6	18.4	17.2	10.4				
SuperLife	US 500 ETF	18.0	26.5	21.4	13.8				
SuperLife	US Large Growth ETF	7.6	32.5	24.6	14.6				
SuperLife	US Large Value ETF	1.9	22.2	18.8	13.0				
SuperLife	US Mid Cap ETF	2.1	22.3	17.5	11.3				
SuperLife	US Small ETF	3.6	25.7	20.1	13.0				
Sub-Total: Global Shares		438.5	14.8	15.5	12.0	10.2	11.1	12.5	7.5
AMP	Property	9.6	9.4	3.9	6.6	7.1			
ASB	Global Property Shares	2.7	7.1	3.3	4.9	8.6	9.7	10.7	5.6
SuperLife	Australian Property ETF	1.4	11.7	7.4	8.5				
SuperLife	NZ Property ETF	1.9	14.9	6.4					
SuperLife	Property	47.0	9.4	5.0	8.0	9.1	9.9	10.8	6.6
Sub-Total: Property		62.7	9.5	4.8	7.6	8.7	9.9	10.8	6.5
Total Single Sector Aggressive		800.0	14.0	12.9	12.7	10.4	10.7	12.3	7.9

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses) %							
		1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	
AMP	36.8	14.0	12.0	11.5	9.5				
Aon	-								
ASB	20.4	13.7	12.7	12.6	11.0	11.5	12.7	7.8	
Fisher Funds	72.7	17.3	13.4	14.0	11.4	11.3	12.4	8.3	
Mercer	30.6	13.7	14.5	13.2	11.4	12.4	13.4	8.2	
SuperLife	639.5	13.7	12.9	12.6	10.2	10.5	12.1	7.8	
Total Single Sector Aggressive		800.0	14.0	12.9	12.7	10.4	10.7	12.3	7.9

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ERIKSENS MASTER TRUST SURVEY: RESULTS TO 30 SEPTEMBER 2018

TOTAL FUNDS

Manager Name	FUM \$ million		Annualised Returns (Net of Tax & Expenses) %						
	Q2 2018	Q3 2018	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
AMP	3,206.3	3,291.5							
Aon	170.0	170.3							
ASB	1,381.0	1,413.5							
Fisher Funds	516.3	525.6							
Mercer	506.8	512.4							
SuperLife	2,095.8	2,185.0							
Total Funds	7,877.3	8,098.3	8.3	7.9	8.0	7.0	7.4	8.1	5.8
Cash Benchmark (Net)			1.2	1.3	1.4	1.6	1.7	1.8	1.9
CPI			1.9	1.9	1.4	1.2	1.1	1.1	1.5

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