

ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

ERIKSEN'S MASTER TRUST SURVEY

RESULTS TO 31 DECEMBER 2015

Investment Returns

The annual rate of CPI was 0.1% for the 2015 calendar year. This was down from last quarter's annual result due to a 0.5% fall in prices over the fourth quarter. Growth funds returned 5.6% over the year, balanced funds gained 5.2% and conservative funds rose 3.6%. The returns have generally increased for growth and balanced funds since last quarter mainly due to strong gains in the New Zealand and Australian equity markets. Annual conservative fund returns have remained very similar since last quarters' survey. Over the longer term (five years) single sector aggressive funds have been the strongest performers, followed by growth and balanced funds.

Economic Commentary

2015 Recap

The talking points of the global economy in 2015 were largely dominated by the anticipation of a US fed rate hike and the slowdown in China. Increased volatility for much of the year was the result in financial markets worldwide.

The Fed finally hiked interest rates in mid-December after almost doing it back in September if it weren't for increased global uncertainty. China used the full power of the state to stimulate its economy, the yuan was devalued significantly, markets plummeted in August, the economy slowed but growth was still strong comparatively. Ultimately the yuan was included in the IMF's Special Drawing Rights basket by year-end.

The slowdown in China was to the detriment of Australia with mining activity falling throughout the year. The change of Prime Minister in September was positive for economic sentiment taking into account the challenges that lie ahead moving away from the resource sector.

The New Zealand economy also slowed. The Reserve Bank made a number of cuts to the OCR, from 3.5% down to 2.5%. Dairy prices fell putting pressure on New Zealand's largest export industry; tourism was strong; net immigration climbed to all-time highs; and property prices sky-rocketed, predominantly in Auckland.

Geo-political events in Europe were prevalent throughout 2015. The Greek default exposed issues with the monetary union in the region, while the refugee crisis tested one of the founding principles of the European Union, the free movement of people.

2016 Outlook

Although the financial markets ended last year in a relatively comfortable state it has been a very interesting start to the New Year. Investors have been nervous about China but stock markets have sold off on light volumes and declining oil prices due to lower expected global growth.

There are a number of things to be concerned about including:

- increasing indebtedness of global economy. Total borrowings now higher than 2007

- credit spreads on corporate bonds widening
- low demand from China's economy slowing has led to low commodity prices – oil at \$30 per barrel, iron ore at \$40 a tonne
- strong US dollar due to flight to safety has reduced the price of dollar priced commodities
- increased geo-political tensions in Syria with Russia, Turkey, Iran and Saudi Arabia getting more involved
- other hot spots include North Korea, East and South China Seas and Africa
- pressure on Russia in Eastern Ukraine and economically through sanctions and low oil price from Iran's oil coming on stream and US frackers slow to cut production
- the more than 1 million Syrian refugees in Europe and the cold Northern winter will create social tensions.

However on the plus side economic growth in US and Europe is positive. The US Federal Reserve has started raising interest rates although the ECB and Bank of Japan are still easing.

Last year we predicted the stock market correction which finally happened in August/September. However we thought the New Zealand dollar would stay stronger against the US dollar. What we got completely wrong was the price of oil which has kept falling on continued supply especially from Saudi Arabia and perceived weak demand. We expected the price to remain around \$60 per barrel rather than the current \$30.

The four investment analysts at Eriksens are divided about how markets will behave this year. What we all agree on is there will be more volatility.

Hopefully stock markets will either end up where they were at the end of last year or higher despite the bumpy ride. Bond yields should be a little higher but the US treasury 10 year number should still start with a 2?

A pessimistic view would be that interest rate rises or geo-political events push stock markets lower and bond yields higher – even in Australia and New Zealand.

With interest rates at or around record lows and most stock markets having been around record highs (except Australia) last year only time will tell.

Change to Funds Included in the Survey

AMP's Business Superannuation Funds (AMP's SMT) are now closed. These Funds were the result of AMP's acquisition of AXA. The assets have been transferred to other investments.

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ERIKSEN'S MASTER TRUST SURVEY

GROWTH FUNDS: RESULTS TO 31 DECEMBER 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP Aggressive	234.4	2.4	5.8	8.2	9.4	5.9
AMP Growth	168.2	2.4	5.5	7.4	8.4	5.6
Aon Growth	8.7	6.2	8.9	10.6	12.3	9.5
ASB Growth	269.3	8.1	8.8	11.1	11.1	8.2
Fisher Funds LifeSaver Growth	53.1	6.2	8.4	9.8	10.5	7.6
Mercer Growth	104.3	6.5	8.0	9.3	9.4	6.9
SuperLife Aim80	20.4	7.1	7.5	7.0	8.5	6.0
SuperLife SuperLife100	229.8	7.7	7.9			
SuperLife SuperLife80	3.3	7.6	7.6			
All Growth Funds	1,091.4	5.6	7.3	7.2	7.7	5.4

BALANCED FUNDS: RESULTS TO 31 DECEMBER 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	253.0	7.1	8.8	10.2	10.9	8.7
AMP ASB Balanced	60.0	6.5	7.7	8.7	8.8	6.6
AMP Balanced	727.7	2.3	5.0	6.2	7.2	5.2
AMP Fisher Balanced	141.7	5.6	7.5	7.8	8.4	6.2
AMP Moderate Balanced	244.0	2.4	4.8	5.6	6.3	4.7
AMP Nikko AM Balanced	128.4	9.4	9.5	9.8	10.0	7.6
Aon Balanced	51.3	4.9	7.0	8.1	9.8	8.1
ASB Balanced	603.4	6.9	7.8	9.0	9.2	7.2
Fisher Funds Lifesaver Balanced	250.1	5.5	7.4	7.8	8.3	6.4
Mercer Active Balanced	182.7	5.6	7.3	8.2	8.3	6.4
SuperLife Aim60	51.4	6.3	7.0	6.2	7.6	5.8
SuperLife Ethica	21.3	11.8	10.2	9.2	9.5	7.8
SuperLife SuperLife60	203.1	6.2	6.9	7.2	8.7	6.7
All Balanced Funds	2,918.1	5.2	6.9	7.8	8.4	6.4

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.

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CONSERVATIVE FUNDS: RESULTS TO 31 DECEMBER 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	95.1	5.8	5.5	4.7	4.0	3.8
AMP Conservative	265.0	2.1	3.9	3.9	4.4	4.0
AMP Moderate	103.2	2.1	4.3	4.8	5.4	4.4
Aon Capital Stable	4.5	3.1	5.1	3.3	4.2	4.2
Aon Conservative	13.6	4.0	6.1	5.0	5.9	5.3
ASB Moderate	147.0	5.7	6.7	6.8	7.0	5.9
Fisher Funds LifeSaver Conservative	26.3	4.5	5.7	5.5	5.8	5.2
Mercer Conservative	28.9	4.3	5.4	5.2	5.2	4.6
SuperLife Aim30	35.8	4.6	5.8	4.8	5.9	5.1
SuperLife SuperLife Income	83.5	2.5	4.4			
SuperLife SuperLife30	30.7	4.4	5.6	4.4	5.9	5.0
All Conservative Funds	833.6	3.6	5.0	4.4	4.7	4.1

DEFENSIVE FUNDS (SINGLE SECTOR): RESULTS TO 31 DECEMBER 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP Cash	94.6	2.1	2.2	2.1	2.1	2.1
AMP International Fixed Interest	1.6	2.0	2.7			
AMP New Zealand Fixed Interest	8.3	3.2	4.1			
ASB New Zealand Cash	63.4	2.5	2.6	2.4	2.3	2.2
ASB New Zealand Fixed Interest	43.9	3.7	4.4	2.8	3.0	3.9
ASB World Fixed Interest	42.8	2.4	4.1	2.8	3.1	3.6
Fisher Funds LifeSaver New Zealand Fixed Income	13.1	3.9	4.5	2.8	3.1	4.0
Fisher Funds LifeSaver Preservation	45.4	2.6	2.7	2.6	2.6	2.5
Mercer Cash	24.0	2.0	2.1	2.0	1.9	2.0
SuperLife Cash	131.3	2.7	2.8	2.7	2.7	2.8
SuperLife New Zealand Bonds	116.0	4.1	4.8	3.7	4.2	4.9
SuperLife Overseas Bonds	51.3	2.1	4.5	2.0	2.8	3.4
SuperLife Overseas Non-Government Bonds	50.8	1.6	4.6	2.7	4.1	4.3
SuperLife UK Cash	7.3	8.0	3.3	2.8		
SuperLife UK Income	0.8	10.5	6.6	5.2		
All Single Sector Defensive	694.7	2.8	3.5	2.7	2.9	3.2

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AGGRESSIVE FUNDS (SINGLE SECTOR): RESULTS TO 31 DECEMBER 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP Australasian Shares	7.3	6.4	3.8			
AMP International Shares	8.8	6.8	7.3			
AMP Passive International Shares	4.3	6.2	8.1			
AMP Property Fund	7.8	9.7	10.0			
ASB Australasian Shares	6.9	9.3	9.0	10.4	12.5	8.4
ASB Global Property Shares	34.3	10.5	17.5	12.3	13.6	10.4
ASB World Shares	9.4	8.4	8.9	14.4	13.0	9.2
Fisher Funds LifeSaver Equity	40.2	5.9	9.2	11.4	10.7	6.5
Fisher Funds LifeSaver Trans-Tasman Equity	13.8	10.5	13.3	12.6	16.0	12.2
Mercer Shares	24.6	8.8	10.4	14.2	14.2	9.6
SuperLife Australian Shares	39.9	15.0	6.9	1.1	3.4	1.0
SuperLife Emerging Markets	14.7	-0.5	2.1	-0.3	2.2	-3.9
SuperLife Gemino	6.0	-10.3	-11.2	2.2	8.5	-2.8
SuperLife New Zealand Shares	74.1	11.2	7.2	12.3	18.0	13.0
SuperLife Overseas Shares Hedged	103.7	2.7	7.4	12.2	12.8	8.7
SuperLife Overseas Shares Unhedged	82.9	11.7	11.8	15.5	13.8	9.1
SuperLife Property	34.4	9.3	15.4	10.7	13.1	12.1
SuperLife UK Shares/Property	2.1	6.4	4.9	3.9		
All Single Sector Aggressive	515.2	8.3	9.4	10.7	11.9	8.1

TOTAL FUNDS: RESULTS TO RESULTS TO 31 DECEMBER 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
Total Funds	6,053.0	5.0	6.5	6.9	7.4	5.7
Cash Benchmark (Net)		2.2	2.2	2.1	2.1	2.0
CPI		0.1	0.4	0.8	0.9	1.1

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