

# ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

## ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 2016

### INVESTMENT RETURNS

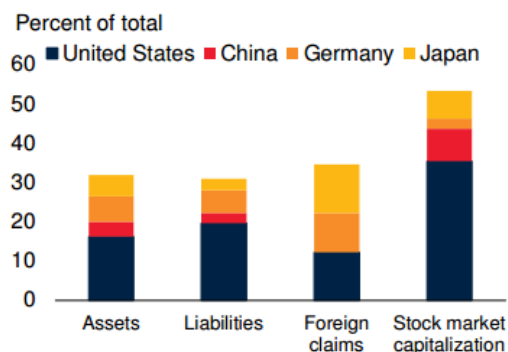
For the year to 31 December 2016 New Zealand's Consumer Price Index jumped to 1.3%. The three year and five year annualised rates both rose by 0.1% per annum, the former to 0.7% and the latter to 0.9%.

The average weighted return for all Growth funds over the year was 7.1%, Balanced funds gained 5.2% and Conservative funds rose 4.2%. The annualised five year return for Growth funds was 9.3%, Balanced funds returned 7.8% and Conservative funds 5.2%.

### ECONOMIC COMMENTARY

The size of the American economy and level of integration in the global economy mean that any changes to US policy will have a significant impact worldwide. These effects will flow through channels such as trade, finance and commodity markets. The following graph from the World Bank's Global Economic Prospects Report (January 2017) illustrates the sheer size of the US economy in a global context:

#### Financial market size, 2010-2015



The US dollar is the official currency in three Central American countries, and more than thirty other emerging and developing economies maintain exchange rate pegs against the dollar. In terms of international trade, the World Bank reports that for current account transactions the US dollar accounts for about one-third of goods/service invoicing in Europe, and two-thirds in Asia. So any factors that may have an effect on the strength/weakness of the US dollar will spill over into other nations, hence the global interest in President-elect Trump.

The influence of Trump (and his potential policies) on financial markets since his election should be highlighted. One example is Mexico's peso which has fallen significantly due to the distress Trump's protectionist policies could potentially cause Latin America's second largest economy. The peso hit an all-time low against the USD at the beginning of January. The Mexican central bank intervened for the second time in a year by selling USD to help prop up its falling currency.

The US also is a major player in commodity markets. More specifically, it is the largest producer of oil and natural gas (as of

2015). US oil rig counts have risen recently, up for the 10<sup>th</sup> week in a row to the start of this year. Better technology used in extracting oil from the ground means that the costs of production for oil companies is decreasing. So even though the price of oil may stay low, total production could still increase due to the lower costs. Oil rig counts are also increasing in Canada, up from 166 a year ago to 209 at the start of January 2017.

The other major players in the oil market are OPEC (Saudi Arabia, Iraq, Iran, Venezuela, Kuwait etc.) and Russia. An agreement was made in December between OPEC and 11 other oil exporting nations (including Russia) to curb production, ideally causing the price to increase. The excess supply of oil over the last two years or so has seen prices stay well below what is sustainable for many of the oil exporting nations to stay above water. The price of oil is hovering around the mid \$US50s currently, well above the mid \$US30s at the end of 2015. The exception in the agreement is Iran who are allowed to increase their production to pre-sanction levels.

The Australian economy has benefited from favourable movements in commodity markets in 2016, particularly iron ore prices. The RBA's commodity price index increased by 45.5% for the year, supporting the terms of trade. The RBA forecast for the terms of trade is positive for the year ahead. Yet National Australia Bank expect this to turn negative as a result of falling commodity prices, as does Schroders.

If commodity prices do fall in the year ahead the AUD is likely to weaken. Additionally, US Fed rate hikes would see the AUD fall against the USD. The Federal Open Market Committee have forecast three hikes for 2017. The US 10 year bond has risen (from 1.8%) since Trump was elected, with investors factoring in expansionary fiscal stimulus, growth and inflation. Currently it is fluctuating around the 2.4% mark. We see more chance of yields rising further rather than falling. Volatility should also continue.

The NZD is more likely to stabilise against the USD. The OCR is currently 1.75% and we expect this to increase to at least 2% in 2017. Domestic factors are supportive of NZD strength. Figures released in December show New Zealand's economy expanded by 1.1% for the September quarter. Thirteen out of sixteen sectors grew, with the exceptions being agriculture, utilities, and information media and telecommunications.

### MASTER TRUST WINNERS AND LOSERS

The FMC Act came into full force on 1 December. Company-run super schemes who chose to transition to a Master Trust (rather than retaining governance and administration of the scheme) must have completed the transition prior to this date. Many of the transitions occurred during the quarter.

We have included a brief analysis showing comparative gains for each of the six master trusts since our 31 December 2015 survey, in terms of both the change in FUM and change in market share for each manager.

ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 2016

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	240.6	6.9	4.7	6.2	7.9	8.9
AMP	ANZ Growth	2.7					
AMP	ASB Growth	0.7					
AMP	Growth	185.3	6.3	4.4	5.8	7.2	8.0
AMP	Nikko AM Growth	2.8					
Aon	Growth	11.5	4.2	5.2	7.2	9.0	10.7
ASB	Growth	292.2	7.3	7.7	8.3	10.1	10.3
Fisher Funds	LifeSaver Growth	61.9	5.8	6.0	7.5	8.8	9.5
Mercer	Growth	108.2	7.3	6.9	7.8	8.8	9.0
Mercer	High Growth	19.0	7.8	7.6	8.6	10.2	10.4
SuperLife	Aim80	20.7	6.4	6.8	7.1	6.8	8.1
SuperLife	SuperLife80	10.5	8.0	7.8	7.7		
SuperLife	SuperLife100	335.5	7.7	7.7	7.8		
<b>All Growth Funds</b>		<b>1,291.7</b>	<b>7.1</b>	<b>6.5</b>	<b>7.3</b>	<b>8.6</b>	<b>9.3</b>

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)				
		%				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP	432.1	6.6	4.6	6.0	7.6	8.5
Aon	11.5	4.2	5.2	7.2	9.0	10.7
ASB	292.2	7.3	7.7	8.3	10.1	10.3
Fisher Funds	61.9	5.8	6.0	7.5	8.8	9.5
Mercer	127.3	7.4	7.0	7.9	9.0	9.2
SuperLife	366.7	7.7	7.6	7.8	6.8	8.1
<b>All Growth Funds</b>	<b>1,291.7</b>	<b>7.1</b>	<b>6.5</b>	<b>7.3</b>	<b>8.6</b>	<b>9.3</b>

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ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 2016

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	259.1	3.1	5.1	6.9	8.4	9.3
AMP	ASB Balanced	68.7	5.1	5.8	6.8	7.8	8.0
AMP	Balanced	761.4	5.4	3.9	5.1	6.0	6.8
AMP	Fisher Balanced	152.0	5.1	5.4	6.7	7.1	7.7
AMP	Global Multi-Asset	0.5					
AMP	Koru Balanced	142.7					
AMP	Moderate Balanced	268.8	4.7	3.6	4.8	5.4	6.0
AMP	Nikko AM Balanced	149.2	2.6	5.9	7.2	8.0	8.5
AMP	RIL Balanced	1.6					
Aon	Balanced	94.2	4.0	4.5	6.0	7.2	8.7
ASB	Balanced	650.8	5.9	6.4	7.2	8.2	8.5
Fisher Funds	Lifesaver Balanced	267.2	5.3	5.4	6.6	7.1	7.6
Mercer	Balanced	208.3	5.9	5.8	6.8	7.6	7.8
SuperLife	Aim60	54.3	6.0	6.2	6.7	6.1	7.2
SuperLife	Ethica	31.4	4.6	8.1	8.3	8.0	8.5
SuperLife	SuperLife60	251.5	7.1	6.7	7.0	7.2	8.4
<b>All Balanced Funds</b>		<b>3,361.6</b>	<b>5.2</b>	<b>5.2</b>	<b>6.3</b>	<b>7.1</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	1,803.9	4.6	4.4	5.7	6.6	7.4	
Aon	94.2	4.0	4.5	6.0	7.2	8.7	
ASB	650.8	5.9	6.4	7.2	8.2	8.5	
Fisher Funds	267.2	5.3	5.4	6.6	7.1	7.6	
Mercer	208.3	5.9	5.8	6.8	7.6	7.8	
SuperLife	337.2	6.7	6.7	7.0	7.1	8.2	
<b>All Balanced Funds</b>		<b>3,361.6</b>	<b>5.2</b>	<b>5.2</b>	<b>6.3</b>	<b>7.1</b>	<b>7.8</b>

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ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 2016

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	3.2					
AMP	ASB Moderate	0.7					
AMP	Capital Assured	99.6	5.7	5.7	5.6	4.9	4.3
AMP	Conservative	291.3	3.4	2.7	3.7	3.8	4.2
AMP	Income Generator	0.3					
AMP	Moderate	112.6	4.1	3.1	4.3	4.7	5.2
AMP	Nikko AM Conservative	1.3					
Aon	Capital Stable	2.7	3.2	3.1	4.5	3.2	3.9
Aon	Conservative	19.0	3.5	3.6	5.1	4.5	5.4
ASB	Moderate	163.9	5.0	5.3	6.1	6.3	6.6
Fisher Funds	LifeSaver Conservative	32.8	4.1	4.2	5.1	5.1	5.4
Mercer	Conservative	34.4	3.8	4.0	4.8	4.8	4.9
Mercer	Moderate	52.2	4.7	5.1	6.1	6.6	6.8
SuperLife	Aim30	35.0	4.8	4.7	5.4	4.8	5.6
SuperLife	SuperLife30	26.1	5.8	5.1	5.7	4.8	5.9
SuperLife	SuperLife Income	141.3	3.9	3.2	4.2		
<b>All Conservative Funds</b>		<b>1,016.3</b>	<b>4.2</b>	<b>3.9</b>	<b>4.8</b>	<b>4.8</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	508.9	4.0	3.4	4.2	4.2	4.4	
Aon	21.7	3.4	3.6	5.1	4.3	5.2	
ASB	163.9	5.0	5.3	6.1	6.3	6.6	
Fisher Funds	32.8	4.1	4.2	5.1	5.1	5.4	
Mercer	86.6	4.4	4.7	5.6	5.9	6.1	
SuperLife	202.4	4.3	3.7	4.6	4.8	5.8	
<b>All Conservative Funds</b>		<b>1,016.3</b>	<b>4.2</b>	<b>3.9</b>	<b>4.8</b>	<b>4.8</b>	<b>5.2</b>

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ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 2016

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	114.2	1.3	1.7	1.9	1.9	1.9
AMP	International Fixed Interest	2.1	2.4	2.2	2.6		
AMP	New Zealand Fixed Interest	8.7	2.4	2.8	3.5		
ASB	New Zealand Cash	68.7	1.8	2.2	2.3	2.3	2.2
ASB	New Zealand Fixed Interest	48.0	2.4	3.0	3.7	2.7	2.9
ASB	World Fixed Interest	46.9	3.6	3.0	3.9	3.0	3.2
Fisher Funds	LifeSaver NZ Fixed Income	12.7	2.3	3.1	3.7	2.6	2.9
Fisher Funds	LifeSaver Preservation	44.9	1.7	2.1	2.3	2.3	2.3
Mercer	Cash	25.3	1.4	1.7	1.9	1.8	1.8
SuperLife	Cash	151.3	2.1	2.4	2.5	2.6	2.6
SuperLife	Global Bond ETF	0.4	4.7				
SuperLife	New Zealand Bond ETF	0.8	2.3				
SuperLife	New Zealand Bonds	104.2	2.8	3.4	4.1	3.5	3.9
SuperLife	New Zealand Cash ETF	0.4	2.8				
SuperLife	Overseas Bonds	43.8	4.9	3.5	4.7	2.7	3.2
SuperLife	Overseas Non-Govt Bonds	45.8	4.2	2.9	4.5	3.1	4.1
SuperLife	UK Cash	9.1	(14.1)	(3.7)	(2.9)	(1.7)	
SuperLife	UK Income	0.6	(2.4)	1.9	2.4	2.3	
<b>All Single Sector Defensive</b>		<b>727.7</b>	<b>2.2</b>	<b>2.5</b>	<b>3.0</b>	<b>2.5</b>	<b>2.8</b>

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		%					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	125.0	1.4	1.8	2.0	1.9	1.9	
Aon	-						
ASB	163.5	2.5	2.7	3.2	2.6	2.7	
Fisher Funds	57.6	1.9	2.3	2.6	2.4	2.4	
Mercer	25.3	1.4	1.7	1.9	1.8	1.8	
SuperLife	356.3	2.5	2.7	3.4	2.8	3.3	
<b>All Single Sector Defensive</b>		<b>727.7</b>	<b>2.2</b>	<b>2.5</b>	<b>3.0</b>	<b>2.5</b>	<b>2.8</b>

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**ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 2016**
**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	8.4	8.6	7.5	5.4		
AMP	International Shares	7.6	6.8	6.9	7.2		
AMP	Passive International Shares	4.1	5.8	6.1	7.4		
AMP	Property	11.2	0.2	4.9	6.7		
ASB	Australasian Shares	6.4	9.0	9.1	9.0	10.1	11.7
ASB	Global Property Shares	38.2	5.1	7.8	13.2	10.4	11.8
ASB	World Shares	9.4	8.5	8.5	8.8	12.9	12.1
Fisher Funds	LifeSaver Equity	41.7	6.0	6.0	8.1	10.0	9.7
Fisher Funds	LifeSaver Trans-Tasman Equity	15.9	8.2	9.3	11.5	11.4	14.3
Mercer	Shares	25.3	8.2	8.5	9.7	12.7	13.0
SuperLife	Asia Pacific ETF	0.6	1.4				
SuperLife	Australian Dividend ETF	0.7	2.8				
SuperLife	Australian Financials ETF	0.3	6.3				
SuperLife	Australian MidCap ETF	16.5	16.0				
SuperLife	Australian Property ETF	0.4	6.2				
SuperLife	Australian Resources ETF	1.8	36.8				
SuperLife	Australian Shares	33.6	10.1	12.5	7.9	3.2	4.7
SuperLife	Australian Top 20 ETF	0.4	6.7				
SuperLife	Emerging Markets	8.9	3.4	1.5	2.5	0.6	2.4
SuperLife	Emerging Markets ETF	0.6	4.2				
SuperLife	Europe ETF	1.0	(4.1)				
SuperLife	Gemino	6.5	13.5	0.9	(3.7)	4.9	9.4
SuperLife	New Zealand 50 Portfolio ETF	28.4	8.1				
SuperLife	New Zealand Dividend ETF	1.6	12.7				
SuperLife	New Zealand Mid Cap ETF	0.6	4.2				
SuperLife	New Zealand Property ETF	0.6	0.3				
SuperLife	New Zealand Shares	76.2	14.1	12.6	9.4	12.7	17.2
SuperLife	New Zealand Top 10 ETF	0.7	13.6				
SuperLife	Overseas Shares Hedged	99.5	9.2	5.9	8.0	11.5	12.1
SuperLife	Overseas Shares Unhedged	74.9	3.7	7.6	9.0	12.4	11.7
SuperLife	Property	32.3	3.2	6.2	11.2	8.8	11.1
SuperLife	Total World ETF	0.9	4.3				
SuperLife	UK Shares/Property	2.4	(9.6)	0.0	0.9	1.3	
SuperLife	US Large Growth ETF	0.9	3.4				
SuperLife	US Large Value ETF	0.6	13.0				
SuperLife	US Mid Cap ETF	0.6	8.1				
SuperLife	US 500 ETF	6.2	8.5				
SuperLife	US Small ETF	0.7	14.6				
<b>All Single Sector Aggressive</b>		<b>566.6</b>	<b>8.1</b>	<b>8.0</b>	<b>8.8</b>	<b>10.6</b>	<b>11.9</b>

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ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 2016

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	31.3	4.8	6.2	6.5		
Aon	-					
ASB	54.0	6.2	8.1	11.9	10.8	11.9
Fisher Funds	57.6	6.6	6.9	9.0	10.4	11.0
Mercer	25.3	8.2	8.5	9.7	12.7	13.0
SuperLife	398.5	8.8	8.3	8.4	10.4	12.0
<b>All Single Sector Aggressive</b>	<b>566.6</b>	<b>8.1</b>	<b>8.0</b>	<b>8.8</b>	<b>10.6</b>	<b>11.9</b>

TOTAL FUNDS

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)				
		%				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP	2,901.2					
Aon	127.4					
ASB	1,324.4					
Fisher Funds	477.0					
Mercer	472.8					
SuperLife	1,661.1					
<b>Total Funds</b>	<b>6,963.8</b>	<b>5.4</b>	<b>5.2</b>	<b>6.1</b>	<b>6.9</b>	<b>7.5</b>
Cash Benchmark (Net)		1.5	1.8	2.0	1.9	2.0
CPI		1.3	0.7	0.7	0.9	0.9

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## ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 2016

### MASTER TRUST WINNERS AND LOSERS

Manager Name	31 December 2015 FUM \$ million	31 December 2016 FUM \$ million	Change FUM \$ million
AMP	2,553.4	2,901.2	347.8
Aon	78.1	127.4	49.3
ASB	1,220.4	1,324.4	104.0
Fisher Funds	442.0	477.0	35.0
Mercer	364.5	472.8	108.3
SuperLife	1,394.6	1,661.1	266.5
<b>Total Funds</b>	<b>6,053.0</b>	<b>6,963.8</b>	<b>910.8</b>

Manager Name	31 December 2015 Market Share %	31 December 2016 Market Share %	Change in Market Share %
AMP	42.2	41.7	-0.5
Aon	1.3	1.8	0.5
ASB	20.2	19.0	-1.1
Fisher Funds	7.3	6.9	-0.5
Mercer	6.0	6.8	0.8
SuperLife	23.0	23.9	0.8
<b>Total Funds</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>

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