

ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 31 MARCH 2017

INVESTMENT RETURNS

New Zealand's Consumer Price Index increased to 2.2% for year to 31 March 2017. Notably the five year annualised rate of CPI is above 1.0%, after falling below the target lower bound a year ago.

The average weighted return for all Growth funds over the year was 10.9%, Balanced funds gained 7.4% and Conservative funds rose 4.4%. The annualised five year return for Growth funds was 9.1%, Balanced funds returned 7.7% and Conservative funds 5.2%.

ECONOMIC COMMENTARY

Over the past seven years financial markets have performed remarkably well considering the preceding global financial crisis. Interest rates have come down to record lows and stock markets soared to record highs, with just the odd minor corrections to remind investors that markets can go down as well as up.

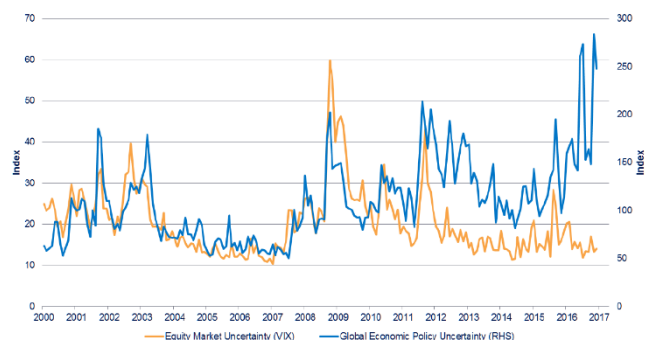
Before deciding that investing is straight forward please consider the following:

- The Central Banks, whose quantitative easing drastic experiment bailed us out of the beginning of the GFC, have bloated balance sheets. How will the countries so heavily indebted pay it off without defaulting? Europe and Japan are still expanding their QE and maintaining negative interest rates.
- The US Federal Reserve is gradually raising the cash rate. This has caused a 2% spread between 10 year German bonds and 10 year US bonds, and risks dislocating bond markets further. Currencies are volatile as a result.
- The rise in asset values, removal of jobs by robots and technology and high unemployment rates in some parts of the world is creating social unrest. The rich are getting richer, the poor poorer and more aggressive.
- The wars in Syria and broader Middle East have forced millions of people to relocate (if they can).
- The discontent with elected politicians is changing the style of leadership and traditional alliances in democracies.
- Strong leaders (called dictators in the history books) are seizing control in Russia, Indonesia, North Korea and Turkey etc. Their goals and aims are not necessarily altruistic.
- Is globalisation reversing even though financial markets are correlated?
- Global growth is finally rising but not evenly.
- Inflation is also appearing which avoids deflationary fears.
- Interest rates are rising.
- Geopolitical risks are increasing.

- The volatility index VIX is at record lows so investors are complacent. Simon Stevenson, Portfolio Manager at Schroders, provides an appropriate observation of the volatility paradox at present, where equity markets are not truly reflecting deteriorating fundamentals:

"The key to understanding volatility for equity markets is that it is directional. It falls when markets rise and rises when markets fall. The causality runs from equity market movements to volatility and not the other way around. So low volatility generally reflects an extended bull market. In other words, volatility is a lagging indicator. Given bear markets follow bull markets, the longer the bull market, all things being equal, the higher the risk of a bear market and a concurrent spike in volatility. However, all things aren't equal, and it is market fundamentals that drive the risk of a bear market and a spike in volatility.

One market fundamental that has received a great deal of focus recently is the amount of political uncertainty. In fact, indices have been created to measure the level of uncertainty. The following chart plots the VIX against the Global Economic Policy Uncertainty (EPU) Index."



Source: Schroders, Bloomberg

- Competitive pressures and regulators are forcing down fees, sending large flows into passive ETFs.
- Liquidity in many markets is tight despite the QE.
- Most markets are traded by computer algorithms.
- Should interest rates move faster than the gradual increments most people expect, volatility will rise more quickly.
- Experienced investors are getting very nervous.
- We expect a correction triggered by the bond markets, but impacting stock markets which have further to fall.
- Will it happen this month, later this year or next year?

In the meantime, good quality shares are safer than most sovereign bonds. The bonds of those corporates and cash should also retain value in a downturn.

Be prepared for a bumpy ride.

ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 31 MARCH 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	254.0	11.3	5.0	7.8	7.9	8.6
AMP	ANZ Growth	3.4					
AMP	ASB Growth	1.1					
AMP	Growth	195.4	10.1	4.6	7.2	7.2	7.9
AMP	Nikko AM Growth	3.1					
Aon	Growth	12.1	7.1	4.9	8.2	8.5	10.0
ASB	Growth	307.6	10.6	7.1	9.8	9.8	10.1
Fisher Funds	LifeSaver Growth	64.8	8.6	6.4	7.8	8.4	9.3
Mercer	Growth	112.5	9.4	6.5	8.5	8.8	8.8
Mercer	High Growth	20.2	10.8	7.4	9.5	10.3	10.1
SuperLife	Aim80	-					
SuperLife	SuperLife80	25.6	11.0	8.4	9.6		
SuperLife	SuperLife100	311.0	12.6	9.0	10.4		
All Growth Funds		1,310.7	10.9	6.7	8.9	8.6	9.1

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		%					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	456.9	10.8	4.8	7.6	7.6	8.3	
Aon	12.1	7.1	4.9	8.2	8.5	10.0	
ASB	307.6	10.6	7.1	9.8	9.8	10.1	
Fisher Funds	64.8	8.6	6.4	7.8	8.4	9.3	
Mercer	132.7	9.6	6.7	8.6	9.1	9.0	
SuperLife	336.6	12.5	8.9	10.3			
All Growth Funds		1,310.7	10.9	6.7	8.9	8.6	9.1

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ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 31 MARCH 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	268.8	6.4	4.9	8.1	8.3	9.1
AMP	ASB Balanced	72.1	7.6	5.3	7.9	7.7	8.0
AMP	Balanced	786.5	7.8	4.0	6.2	6.1	6.7
AMP	Fisher Balanced	156.5	6.5	5.7	7.1	7.2	7.6
AMP	Global Multi-Asset	0.6					
AMP	Koru Balanced	150.7					
AMP	Moderate Balanced	278.4	6.4	3.6	5.6	5.4	6.0
AMP	Nikko AM Balanced	155.0	5.3	6.4	8.3	8.2	8.5
AMP	RIL Balanced	1.8					
Aon	Balanced	95.3	5.7	4.3	6.6	6.8	8.2
ASB	Balanced	678.3	8.1	5.9	8.3	8.0	8.4
Fisher Funds	Lifesaver Balanced	273.5	6.9	5.5	6.8	6.9	7.6
Mercer	Balanced	214.4	7.1	5.2	7.2	7.6	7.6
SuperLife	Aim60	-					
SuperLife	Ethica	33.6	5.0	8.2	9.7	8.2	8.7
SuperLife	SuperLife60	306.8	9.2	7.2	8.1	7.3	8.1
All Balanced Funds		3,472.1	7.4	5.2	7.2	7.1	7.7

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		%					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	1,870.3	7.0	4.5	6.7	6.7	7.3	
Aon	95.3	5.7	4.3	6.6	6.8	8.2	
ASB	678.3	8.1	5.9	8.3	8.0	8.4	
Fisher Funds	273.5	6.9	5.5	6.8	6.9	7.6	
Mercer	214.4	7.1	5.2	7.2	7.6	7.6	
SuperLife	340.4	8.8	7.3	8.3	7.4	8.2	
All Balanced Funds		3,472.1	7.4	5.2	7.2	7.1	7.7

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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	2.8					
AMP	ASB Moderate	0.9					
AMP	Capital Assured	100.5	5.6	5.8	5.7	5.2	4.6
AMP	Conservative	296.3	3.7	2.6	4.1	3.8	4.3
AMP	Income Generator	0.3					
AMP	Moderate	115.4	5.2	3.1	4.9	4.7	5.2
AMP	Nikko AM Conservative	1.4					
Aon	Capital Stable	2.4	1.7	2.5	3.7	3.3	3.9
Aon	Conservative	18.2	2.8	3.0	5.0	4.4	5.1
ASB	Moderate	167.4	5.6	4.8	6.6	6.2	6.5
Fisher Funds	LifeSaver Conservative	32.3	4.1	4.0	5.1	5.0	5.4
Mercer	Conservative	34.1	3.5	3.4	4.7	4.7	4.8
Mercer	Moderate	53.3	4.8	4.2	6.2	6.5	6.5
SuperLife	Aim30	0.0					
SuperLife	SuperLife30	41.6	6.1	5.1	6.2	5.1	5.9
SuperLife	SuperLife Income	119.1	2.8	2.8	4.0		
All Conservative Funds		986.0	4.4	3.6	5.1	4.9	5.2

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses) %					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	517.6	4.4	3.3	4.6	4.3	4.5	
Aon	20.6	2.6	2.9	4.8	4.2	5.0	
ASB	167.4	5.6	4.8	6.6	6.2	6.5	
Fisher Funds	32.3	4.1	4.0	5.1	5.0	5.4	
Mercer	87.4	4.3	3.9	5.6	5.8	5.8	
SuperLife	160.7	3.6	3.4	4.6	5.1	5.9	
All Conservative Funds		986.0	4.4	3.6	5.1	4.9	5.2

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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	114.9	1.3	1.7	1.9	2.0	2.0
AMP	International Fixed Interest	2.1	0.8	1.8	2.7		
AMP	New Zealand Fixed Interest	8.1	1.0	2.4	3.8		
ASB	New Zealand Cash	49.2	1.7	2.0	2.3	2.2	2.2
ASB	New Zealand Fixed Interest	6.2	1.3	2.8	3.8	2.9	3.2
ASB	World Fixed Interest	4.7	2.0	2.4	3.6	3.0	3.1
Fisher Funds	LifeSaver NZ Fixed Income	12.6	0.7	2.7	3.8	2.7	3.1
Fisher Funds	LifeSaver Preservation	43.8	1.7	2.1	2.3	2.3	2.3
Mercer	Cash	24.5	1.3	1.6	1.7	1.8	1.7
SuperLife	Cash	0.4	3.5				
SuperLife	Global Bond ETF	0.9	2.2				
SuperLife	New Zealand Bond ETF	127.3	2.2	3.5	4.4	3.8	4.2
SuperLife	New Zealand Bonds	152.0	2.1	2.3	2.5	2.5	2.6
SuperLife	New Zealand Cash ETF	0.5	1.9				
SuperLife	Overseas Bonds	55.2	3.7	2.9	4.6	2.9	3.3
SuperLife	Overseas Non-Govt Bonds	57.2	3.0	1.6	3.6	3.0	3.6
SuperLife	UK Cash	11.0	(11.0)	(3.6)	(1.6)	(0.6)	(1.6)
SuperLife	UK Income	0.6	(7.4)	(0.7)	2.2	1.6	
All Single Sector Defensive		671.2	1.8	2.3	3.0	2.6	2.8

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses) %					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	125.1	1.3	1.7	2.1	2.0	2.0	
Aon	-						
ASB	60.1	1.7	2.1	2.5	2.4	2.4	
Fisher Funds	56.4	1.5	2.2	2.6	2.4	2.5	
Mercer	24.5	1.3	1.6	1.7	1.8	1.7	
SuperLife	405.1	2.1	2.5	3.4	2.9	3.2	
All Single Sector Defensive		671.2	1.8	2.3	3.0	2.6	2.8

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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	8.8	11.9	8.0	7.3		
AMP	International Shares	8.1	14.1	6.6	8.9		
AMP	Passive International Shares	4.4	13.7	5.6	9.6		
AMP	Property	10.9	(2.1)	1.5	6.7		
ASB	Australasian Shares	6.5	10.1	8.8	9.4	9.4	11.5
ASB	Global Property Shares	3.2	0.8	4.3	12.3	9.1	10.5
ASB	World Shares	9.4	16.4	8.0	12.0	12.7	11.8
Fisher Funds	LifeSaver Equity	43.8	10.9	6.8	8.5	9.5	9.7
Fisher Funds	LifeSaver Trans-Tasman Equity	17.0	8.1	10.6	10.8	11.1	14.0
Mercer	Shares	27.1	12.4	8.1	11.2	12.6	12.5
SuperLife	Asia Pacific ETF	0.8	12.3				
SuperLife	Australian Dividend ETF	0.9	16.7				
SuperLife	Australian Financials ETF	0.6	25.3				
SuperLife	Australian MidCap ETF	18.0	18.1	13.7			
SuperLife	Australian Property ETF	0.6	4.9				
SuperLife	Australian Resources ETF	2.6	39.6				
SuperLife	Australian Shares	48.2	20.7	12.7	11.6	5.1	5.4
SuperLife	Australian Top 20 ETF	1.1	20.0				
SuperLife	Emerging Markets	20.4	12.5	4.9	8.5	4.5	3.3
SuperLife	Emerging Markets ETF	0.9	14.8				
SuperLife	Europe ETF	1.2	5.3				
SuperLife	Gemino	7.5	16.8	9.3	(2.4)	6.4	10.4
SuperLife	New Zealand 50 Portfolio ETF	31.8	7.1	9.8			
SuperLife	New Zealand Dividend ETF	2.2	6.0				
SuperLife	New Zealand Mid Cap ETF	0.7	8.8				
SuperLife	New Zealand Property ETF	0.8	(1.4)				
SuperLife	New Zealand Shares	94.7	11.3	15.2	10.1	12.7	16.6
SuperLife	New Zealand Top 10 ETF	0.6	3.0				
SuperLife	Overseas Shares Hedged	124.2	16.8	7.0	9.7	10.5	11.0
SuperLife	Overseas Shares Unhedged	97.0	10.2	7.9	12.2	12.4	11.2
SuperLife	Property	42.1	1.5	6.9	12.4	8.8	11.1
SuperLife	Total World ETF	1.1	11.3				
SuperLife	UK Shares/Property	2.5	3.3	3.3	5.4	5.0	
SuperLife	US Large Growth ETF	1.2	10.7				
SuperLife	US Large Value ETF	0.7	13.0				
SuperLife	US Mid Cap ETF	0.7	11.7				
SuperLife	US 500 ETF	6.8	11.7				
SuperLife	US Small ETF	1.0	15.4				
All Single Sector Aggressive		650.0	12.2	9.1	10.3	10.4	11.3

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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	32.2	8.0	5.1	7.8		
Aon	-					
ASB	19.1	11.6	7.6	11.2	10.9	11.5
Fisher Funds	60.8	10.1	7.8	9.2	10.0	10.9
Mercer	27.1	12.4	8.1	11.2	12.6	12.5
SuperLife	510.9	12.7	9.7	10.5	10.2	11.3
All Single Sector Aggressive	650.0	12.2	9.1	10.3	10.4	11.3

TOTAL FUNDS

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)				
		%				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP	3,001.9					
Aon	128.0					
ASB	1,232.5					
Fisher Funds	487.9					
Mercer	486.0					
SuperLife	1,753.7					
Total Funds	7,090.0	7.5	5.3	7.1	6.9	7.4
Cash Benchmark (Net)		1.4	1.7	1.9	1.9	1.9
CPI		2.2	1.3	0.9	1.1	1.0

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