

ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 30 JUNE 2017

INVESTMENT RETURNS

Inflation in New Zealand was 1.7% for the 12 months to 30 June 2017. Long term inflation is right on the cusp of the Reserve Bank's lower band, at 1.0% per annum.

The weighted average return for all Master Trust Growth funds for the year ended 30 June 2017 was 12.3%. Growth funds were the best performers compared to the other four fund categories. Balanced funds returned 8.1% over the year and Conservative funds gained 4.3%.

The five year annualised results followed the same pattern as the one year returns, with Growth funds producing double-digit returns (10.1%), Balanced 8.3% and Conservative 5.4%.

Total FUM across the six Master Trust providers rose by \$82m over the quarter, to \$7.172bn. The proportion of assets within each of the five broad investment categories (Growth, Balanced, Conservative, Defensive and Aggressive) remained at similar levels compared to last quarter.

ECONOMIC COMMENTARY

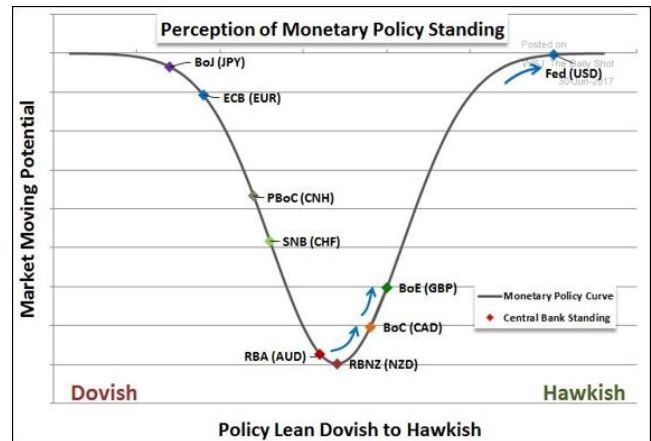
The shape of the New Zealand economy is steady in some areas but uncertainty is prevailing in other areas, particularly with the upcoming election circus:

- The RBNZ said that it expects the OCR to remain on hold until 2019. Recently they noted that their estimate of the neutral OCR has come down over time with the latest estimate being about 3.5%.
- Inflation was flat for the quarter, the strong NZ dollar is having a dampening effect on inflation.
- Fonterra recently raised its milk price forecast to \$6.75/kg milk solid which portends another good season for farmers.
- Migration levels hit new record highs.

Across the Tasman, Australia's economy is facing its own challenges:

- The RBA decided to leave the cash rate unchanged at 1.50%. They believed an unchanged cash rate would allow for sustainable growth as well as achieving the inflation target over the medium term.
- Labour conditions are tightening although wage growth remains subdued. Inflation (including the important core measure) is running below 2% although expected to lift as the economy strengthens.
- Commodity prices have firmed and the Chinese economy has picked up. Whilst China is spending more on infrastructure there are rising concerns over the level of debt in the economy.

Global growth is stable. Around 3.5% per annum according to the IMF. Inflation is low but fears of deflation appear to be fading. However unemployment in some regions is high and the costs of production are falling with technology. The following graph shows the perceptions of each major central bank's monetary policy standing. Dovish essentially meaning interest rates are likely to be lowered, hawkish meaning a rise in interest rates.



Source: The Daily Shot Brief

Some countries' central banks are starting to raise interest rates, for example the US, Canada and Norway. Others like the ECB and BOJ are still quantitatively easing with negative cash rates.

The US is still issuing USD60 billion of fresh Treasury bills each month but has said it will commence reducing its balance sheet shortly. The US debt ceiling is likely to be reached again in September; with the political gridlock in Washington has the risk of the Federal Government not being able to pay its bills increased a tad?

Lower bond yields as a result of quantitative easing have meant investors have looked to equity for yield. The following diagram demonstrates this trend within the Canadian equity market. Ten years ago there were no sectors in the equity market which yielded more than a 5-year Canadian government bond. Today every sector except one (information technology) yields more than a 5-year Canadian government bond.

With many people in Europe and North America enjoying holidays in August, the volume of trades on financial markets reduces. Light volumes increases volatility. Yet the VIX is trading below 10, near record lows.

Are things looking rosy or are people complacent? Should people trust the system and the role of central banks in it? Or is there a sense of market timing and a need to de-risk. If so, where should one invest their funds to protect value? Bonds are looking very expensive.

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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	256.0	12.2	4.9	6.7	8.5	9.9
AMP	ANZ Growth	3.8					
AMP	ASB Growth	1.3					
AMP	Growth	195.2	10.7	4.5	6.2	7.8	8.9
AMP	Nikko AM Growth	3.3					
Aon	Growth	12.3	8.1	5.4	7.6	9.0	10.8
ASB	Growth	316.9	10.9	6.8	9.5	9.5	11.0
Fisher Funds	LifeSaver Growth	66.7	9.4	6.2	7.3	8.7	10.1
Mercer	Growth	113.6	10.8	5.8	8.2	9.0	9.7
Mercer	High Growth	21.0	12.9	6.5	9.3	10.4	11.3
SuperLife	SuperLife100	330.5	15.8	7.2	9.6		
SuperLife	SuperLife80	30.9	13.6	7.4	9.1		
All Growth Funds		1,351.7	12.3	6.1	8.3	8.8	10.1

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		%					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	459.7	11.5	4.7	6.5	8.2	9.5	
Aon	12.3	8.1	5.4	7.6	9.0	10.8	
ASB	316.9	10.9	6.8	9.5	9.5	11.0	
Fisher Funds	66.7	9.4	6.2	7.3	8.7	10.1	
Mercer	134.7	11.1	5.9	8.4	9.2	10.0	
SuperLife	361.4	15.6	7.2	9.6			
All Growth Funds		1,351.7	12.3	6.1	8.3	8.8	10.1

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ERIKSEN'S MASTER TRUST SURVEY: RESULTS TO 30 JUNE 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	273.2	8.8	5.1	7.8	8.8	10.1
AMP	ASB Balanced	74.2	9.0	5.8	7.8	8.0	8.8
AMP	Balanced	786.2	8.1	4.0	5.4	6.5	7.4
AMP	Fisher Balanced	157.7	7.8	5.8	6.7	7.9	8.3
AMP	Global Multi-Asset	1.0					
AMP	Koru Balanced	155.9					
AMP	Moderate Balanced	278.5	6.6	3.7	4.9	5.9	6.6
AMP	Nikko AM Balanced	157.0	7.5	5.9	8.4	8.7	9.3
AMP	RIL Balanced	2.0					
Aon	Balanced	95.3	6.2	4.7	6.2	7.2	8.6
ASB	Balanced	689.9	8.2	5.8	8.0	7.9	9.0
Fisher Funds	Lifesaver Balanced	273.5	7.3	5.6	6.4	7.4	8.1
Mercer	Balanced	215.2	7.8	5.0	6.9	7.8	8.3
SuperLife	Ethica	36.2	5.8	6.4	9.4	8.3	8.8
SuperLife	SuperLife60	314.5	10.8	7.0	7.9	8.2	8.9
All Balanced Funds		3,510.3	8.1	5.2	6.8	7.5	8.3

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		%					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	1,885.7	7.9	4.5	6.2	7.2	8.0	
Aon	95.3	6.2	4.7	6.2	7.2	8.6	
ASB	689.9	8.2	5.8	8.0	7.9	9.0	
Fisher Funds	273.5	7.3	5.6	6.4	7.4	8.1	
Mercer	215.2	7.8	5.0	6.9	7.8	8.3	
SuperLife	350.7	10.2	6.9	8.0	8.2	8.9	
All Balanced Funds		3,510.3	8.1	5.2	6.8	7.5	8.3

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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					
AMP	ASB Moderate	0.8					
AMP	Capital Assured	101.1	5.6	5.7	5.7	5.4	4.8
AMP	Conservative	295.6	3.5	2.8	3.7	4.2	4.4
AMP	Income Generator	0.5					
AMP	Moderate	117.2	5.3	3.2	4.4	5.1	5.6
AMP	Nikko AM Conservative	1.6					
Aon	Capital Stable	2.3	1.2	2.9	3.4	3.8	3.5
Aon	Conservative	18.6	2.3	3.6	4.5	4.9	5.0
ASB	Moderate	169.5	5.4	4.9	6.3	6.3	6.8
Fisher Funds	LifeSaver Conservative	32.0	4.1	4.3	4.9	5.3	5.5
Mercer	Conservative	33.2	3.5	3.6	4.6	5.0	5.0
Mercer	Moderate	53.3	5.1	4.2	5.9	6.6	7.0
SuperLife	SuperLife30	40.1	6.4	5.8	6.0	6.0	6.2
SuperLife	SuperLife Income	126.7	2.3	4.3	4.0		
All Conservative Funds		995.5	4.3	4.0	4.8	5.2	5.4

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		%					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	519.8	4.3	3.5	4.3	4.7	4.8	
Aon	20.9	2.2	3.5	4.4	4.8	4.8	
ASB	169.5	5.4	4.9	6.3	6.3	6.8	
Fisher Funds	32.0	4.1	4.3	4.9	5.3	5.5	
Mercer	86.6	4.5	4.0	5.4	6.0	6.2	
SuperLife	166.8	3.2	4.6	4.5	6.0	6.2	
All Conservative Funds		995.5	4.3	4.0	4.8	5.2	5.4

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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	109.6	1.3	1.5	1.9	1.9	1.9
AMP	International Fixed Interest	1.9	0.1	2.4	2.8		
AMP	New Zealand Fixed Interest	7.5	0.6	2.7	3.8		
ASB	New Zealand Cash	48.7	1.6	1.9	2.2	2.2	2.2
ASB	New Zealand Fixed Interest	5.9	1.1	2.9	3.8	3.3	2.9
ASB	World Fixed Interest	4.6	1.1	3.0	3.1	3.6	3.0
Fisher Funds	LifeSaver NZ Fixed Income	12.5	0.5	3.0	3.8	3.3	2.9
Fisher Funds	LifeSaver Preservation	42.9	1.9	1.9	2.2	2.2	2.3
Mercer	Cash	23.8	1.2	1.4	1.7	1.7	1.7
SuperLife	Global Bond ETF	0.7	3.0				
SuperLife	New Zealand Bond ETF	1.3	2.2				
SuperLife	New Zealand Bonds	127.2	2.2	3.6	4.5	4.1	4.0
SuperLife	New Zealand Cash	152.4	2.1	2.2	2.5	2.5	2.5
SuperLife	New Zealand Cash ETF	0.5	2.0				
SuperLife	Overseas Bonds	55.5	2.9	4.8	4.4	3.9	3.2
SuperLife	Overseas Non-Govt Bonds	56.9	1.7	4.9	3.6	4.2	3.8
SuperLife	UK Cash	10.6	(4.6)	(8.9)	(2.2)	(1.6)	(1.7)
All Single Sector Defensive		662.4	1.7	2.6	2.9	2.9	2.8

Manager Name	FUM \$ million	Annualised Returns (Net of Tax & Expenses)					
		%					
		1 Year	2 Year	3 Year	4 Year	5 Year	
AMP	119.0	1.2	1.6	2.0	1.9	1.9	
Aon	-						
ASB	59.2	1.5	2.0	2.4	2.4	2.3	
Fisher Funds	55.3	1.6	2.2	2.6	2.5	2.4	
Mercer	23.8	1.2	1.4	1.7	1.7	1.7	
SuperLife	405.1	2.0	3.1	3.4	3.3	3.1	
All Single Sector Defensive		662.4	1.7	2.6	2.9	2.9	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	8.3	12.6	8.0	7.9		
AMP	International Shares	8.8	17.0	5.5	9.6		
AMP	Passive International Shares	4.7	16.9	4.5	8.6		
AMP	Property	10.9	(1.2)	5.3	6.9		
ASB	Australasian Shares	6.6	10.8	10.1	10.0	10.7	13.0
ASB	Global Property Shares	3.2	(2.2)	5.4	10.0	8.8	9.7
ASB	World Shares	9.8	17.5	6.3	11.3	11.1	13.1
Fisher Funds	LifeSaver Equity	43.8	12.0	6.5	7.9	9.8	11.3
Fisher Funds	LifeSaver Trans-Tasman Equity	16.8	7.6	12.4	10.9	12.1	
Mercer	Shares	27.9	15.4	6.9	11.0	12.4	14.2
SuperLife	Asia Pacific ETF	1.6	17.0				
SuperLife	Australian Dividend ETF	0.9	16.4				
SuperLife	Australian Financials ETF	0.7	20.5				
SuperLife	Australian MidCap ETF	18.5	20.5	13.7			
SuperLife	Australian Property ETF	0.5	(1.0)				
SuperLife	Australian Resources ETF	2.2	24.1				
SuperLife	Australian Shares	46.8	18.7	6.3	9.2	6.0	6.0
SuperLife	Australian Top 20 ETF	1.1	15.7				
SuperLife	Emerging Markets	20.3	17.4	0.3	6.3	5.6	5.0
SuperLife	Emerging Markets ETF	1.5	16.7				
SuperLife	Europe ETF	2.6	21.7				
SuperLife	Gemino	6.4	0.5	3.1	(2.9)	5.2	9.2
SuperLife	New Zealand 50 Portfolio ETF	33.3	13.0	15.1			
SuperLife	New Zealand Dividend ETF	2.3	12.9				
SuperLife	New Zealand Mid Cap ETF	1.0	17.9				
SuperLife	New Zealand Property ETF	0.6	1.4				
SuperLife	New Zealand Shares	95.2	12.6	17.4	13.2	14.5	17.5
SuperLife	New Zealand Top 10 ETF	0.6	7.9				
SuperLife	Overseas Shares Hedged	123.1	23.7	8.3	9.0	11.5	13.4
SuperLife	Overseas Shares Unhedged	96.3	18.0	3.7	11.2	10.7	12.6
SuperLife	Property	42.4	0.6	5.5	9.5	9.1	10.2
SuperLife	Total World ETF	1.7	17.1				
SuperLife	US 500 ETF	8.0	16.1				
SuperLife	US Large Growth ETF	1.3	18.3				
SuperLife	US Large Value ETF	0.6	14.3				
SuperLife	US Mid Cap ETF	0.9	15.7				
SuperLife	US Small ETF	1.1	17.8				
All Single Sector Aggressive		652.3	15.4	8.6	10.0	10.8	12.5

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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	32.7	9.8	5.9	8.1		
Aon	-					
ASB	19.6	12.0	7.5	10.7	10.6	12.5
Fisher Funds	60.6	10.8	8.1	8.7	10.5	11.3
Mercer	27.9	15.4	6.9	11.0	12.4	14.2
SuperLife	511.5	16.4	9.0	10.2	10.8	12.5
All Single Sector Aggressive	652.3	15.4	8.6	10.0	10.8	12.5

TOTAL FUNDS

Manager Name	FUM \$ million		Annualised Returns (Net of Tax & Expenses)				
	Q1 2017	Q2 2017	%				
			1 Year	2 Year	3 Year	4 Year	5 Year
AMP	3,001.9	3,016.9					
Aon	128.0	128.5					
ASB	1,232.5	1,255.0					
Fisher Funds	487.9	488.1					
Mercer	486.0	488.1					
SuperLife	1,753.7	1,795.5					
Total Funds	7,090.0	7,172.1	8.4	5.2	6.7	7.3	8.1
Cash Benchmark (Net)			1.3	1.5	1.8	1.9	1.9
CPI			1.7	1.1	0.9	1.0	1.0

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