

INVESTMENT RETURNS

NZ one year inflation remained at 1.9%, the same as the September quarterly figure. CPI over the past three years rose 0.2% to 1.6% p.a. since last quarter. Over ten years it rose 0.1% to 1.6% p.a.

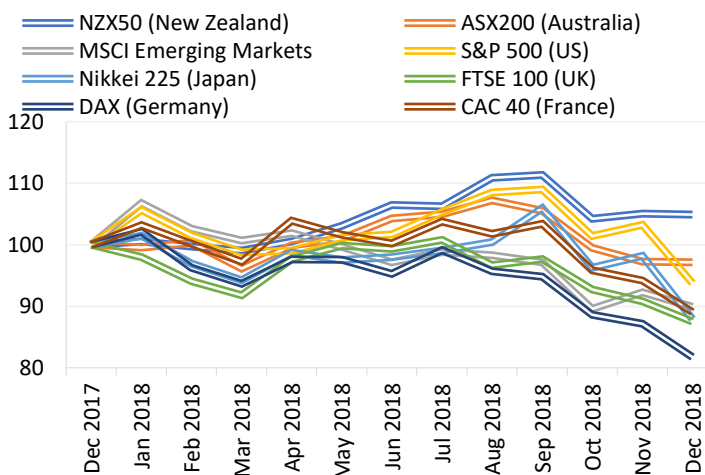
Total Master Trust FUM fell by \$407 million over the quarter due to the large drop in asset prices. Those funds with a higher proportion of growth style assets (eg shares and property) posted the biggest losses.

The one year weighted average return for all Master Trust Growth funds was -4.2%; Balanced funds -2.1%; while Conservative funds were positive at 0.4%. Single Sector Aggressive funds returned -4.0% over the past year on a weighted average basis, while Defensive funds returned 1.6%.

ECONOMIC COMMENTARY

2018 was a markedly different year for equity market performance compared to 2017. Each market was positive for 2017. However for 2018 the only market to finish in positive territory was the NZX 50. 2018 was a volatile year, the NZX 50 experienced three times as much volatility as it did in 2017 (Australia 1.5x more, US 3.9x, EM 2.4x, Japan 1.9x, UK 1.4x, Germany 1.4x and France 1.4x).

Figure 1: 2018 Equity Market Performance



Data source: Nikko Asset Management

Bond market returns in 2018 were more subdued than 2017 but still positive. Global bonds were heading for a negative return for 2018 until yields fell in October and December. This was largely to do with the risk-off environment following steep falls in equity markets during that time. Investors flocked to safe-haven assets such as investment grade bonds and government bonds. Most notable was the change in the

US 10-year Treasury yield, moving from a high of 3.26% in September to 2.69% by 31 December (it fell further to 2.55% by 3rd January).

What is in store for 2019? We expect more volatility through the year driven by quantitative tightening, elevated geopolitical risks and a slowing global economy.

The US is already showing signs of a slowing economy through lower consumer confidence surveys, below-expected ISM manufacturing and non-manufacturing data and slightly higher unemployment rate (due to a higher participation rate). Taking these factors alongside tighter financial conditions, the market is now pricing in a good chance of no more interest rate hikes for 2019. The upper range of the US Fed rate was 2.5% at the end of 2018.

The US Fed themselves have a median forecast of two 0.25% rate hikes this year. However, US Fed Chair Jerome Powell stated at the press conference following the December meeting that it is not a pre-set course. They will keep watching the economic data come in and see if it is in line with their forecasts. Powell suggested that the bottom range of what "neutral" is might have already been reached. The inflation target is symmetric around the target midpoint of 2%. Taking into account the background of a healthy US economy in 2018 and good/solid economic forecasts for 2019, the environment is supportive of hikes. There will be circumstances where they could go past neutral, and vice versa. However both the US economy and China's are challenged.

How much interest rates may rise/fall will partially be dependent on a US-China trade agreement and whether central banks continue to buffer stock market falls with accommodative interest rates. As of early January there was still considerable uncertainty around when a solution to the trade dispute will emerge, although the media reports are positive. This will have significant effect on where the global economy heads in 2019 and beyond.

Another issue, apart from trade wars, is the growing nationalism in countries as the gap between rich and poor widens. At a corporate level, the ongoing merger and acquisition activity fuelled by access to low cost borrowings is hollowing out competition and could potentially fuel inflation down the track.

Whilst equities are now relatively attractively priced, future global growth will depend on stability and constructive political decision making to avoid the risk of recession.

It is going to be a fascinating year for financial markets.

ERIKSENS MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 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	253.2	(4.7)	5.2	5.8	5.0	5.9	7.9	6.5
AMP	ANZ Growth	6.8	(5.2)	4.6					
AMP	ASB Growth	5.1	(3.5)	5.1					
AMP	Growth	209.3	(3.9)	4.9	5.4	4.7	5.5	7.2	6.1
AMP	Nikko AM Growth	9.3	(3.4)	6.3					
Aon	ANZ Growth	12.2	(4.0)	4.4	4.2	4.8	6.1	8.7	9.1
Aon	Milford Active Growth	12.6	0.3	7.1	6.5	7.9	8.9	12.6	11.5
Aon	Nikko AM Growth	2.2	(5.5)	6.8	5.3	7.4	8.0	9.5	8.0
Aon	Russell LifePoints Growth	3.7	(3.6)	5.9	5.9	6.5	7.2	9.8	9.5
Aon	Russell LifePoints Target Date 2045	1.5	(3.4)	5.9	6.0	6.5	7.3	10.2	9.7
ASB	Growth	345.2	(2.6)	6.0	6.4	6.8	7.4	9.1	8.0
Fisher Funds	LifeSaver Growth	74.5	(1.9)	5.1	5.3	5.5	6.5	8.2	7.4
Mercer	Growth	119.8	(2.6)	5.0	5.8	6.0	6.7	7.8	7.1
Mercer	High Growth	23.3	(3.3)	6.0	6.6	6.8	7.5	9.1	
SuperLife	SuperLife100	402.7	(6.5)	4.7	5.7	6.2	6.6		
SuperLife	SuperLife80	43.5	(4.9)	4.3	5.5	6.0	6.3		
Total Growth Funds		1,524.8	(4.2)	5.2	5.8	5.9	6.5	8.3	7.2

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	483.6	(4.3)	5.1	5.6	4.9	5.7	7.6	6.3	
Aon	32.2	(2.4)	5.9	5.5	6.5	7.5	10.5	10.1	
ASB	345.2	(2.6)	6.0	6.4	6.8	7.4	9.1	8.0	
Fisher Funds	74.5	(1.9)	5.1	5.3	5.5	6.5	8.2	7.4	
Mercer	143.1	(2.7)	5.2	5.9	6.1	6.8	8.0	7.1	
SuperLife	446.2	(6.4)	4.7	5.7	6.2				
Total Growth Funds		1,524.8	(4.2)	5.2	5.8	5.9	4.6	8.3	7.2

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ERIKSENS MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 2018

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	265.4	(3.8)	4.2	3.9	4.7	5.9	7.9	7.5
AMP	ASB Balanced	79.7	(2.1)	4.7	4.9	5.3	6.0	7.1	6.7
AMP	Balanced	832.0	(2.6)	4.1	4.6	4.0	4.8	6.1	5.4
AMP	Fisher Balanced	148.1	(0.3)	4.6	4.8	5.0	5.9	6.9	6.4
AMP	Global Multi-Asset	3.8	(5.0)	0.5					
AMP	Koru Balanced	147.7	(4.1)	4.9					
AMP	Moderate Balanced	284.9	(1.8)	3.7	4.1	3.7	4.4	5.4	4.9
AMP	Nikko AM Balanced	162.3	(1.6)	6.1	5.0	6.1	6.8	7.9	7.1
AMP	RIL Balanced	3.5	(3.0)	3.7					
Aon	ANZ Balanced	84.7	(2.6)	3.6	3.7	4.2	5.3	7.2	7.7
Aon	Nikko AM Balanced	7.9	(1.4)	6.1	5.0	6.1	6.6	7.7	6.9
Aon	Russell LifePoints Balanced	6.3	(2.6)	5.2	5.4	5.7	6.5	8.7	8.8
Aon	Russell LifePoints Target Date 2035	1.6	(2.3)	5.2	5.4	5.8	6.6	9.0	8.9
ASB	Balanced	732.0	(1.4)	5.3	5.5	5.9	6.4	7.6	7.0
Fisher Funds	Lifesaver Balanced	269.7	0.1	4.8	5.0	5.1	5.9	6.8	6.3
Mercer	Balanced	201.0	(1.3)	4.3	4.8	5.0	5.8	6.8	6.6
SuperLife	Ethica	46.0	(4.5)	2.6	3.3	5.3	6.0	6.8	6.3
SuperLife	SuperLife60	342.6	(3.3)	3.9	5.0	5.3	5.7	7.1	
Total Balanced Funds		3,619.3	(2.1)	4.5	4.8	4.9	5.6	6.9	6.3

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	1,927.4	(2.5)	4.3	4.5	4.4	5.2	6.5	5.9	
Aon	100.5	(2.5)	4.0	3.9	4.5	5.5	7.3	7.8	
ASB	732.0	(1.4)	5.3	5.5	5.9	6.4	7.6	7.0	
Fisher Funds	269.7	0.1	4.8	5.0	5.1	5.9	6.8	6.3	
Mercer	201.0	(1.3)	4.3	4.8	5.0	5.8	6.8	6.6	
SuperLife	388.7	(3.4)	3.8	4.8	5.3	5.8	7.1	6.3	
Total Balanced Funds		3,619.3	(2.1)	4.5	4.8	4.9	5.6	6.9	6.3

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ERIKSENS MASTER TRUST SURVEY: RESULTS TO 30 DECEMBER 2018

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	6.0	(0.2)	2.5					
AMP	ASB Moderate	4.2	(0.6)	3.7					
AMP	Capital Assured	112.1	4.9	5.1	5.3	5.5	5.4	4.6	4.1
AMP	Conservative	305.9	(0.1)	2.8	3.0	2.8	3.4	3.8	3.8
AMP	Income Generator	1.4	(0.7)	3.3					
AMP	Moderate	144.9	(1.1)	3.3	3.6	3.3	3.9	4.7	4.3
AMP	Nikko AM Conservative	7.5	1.1	4.3					
Aon	ANZ Capital Stable	1.9	1.8	2.2	2.3	2.3	3.1	2.9	3.7
Aon	ANZ Conservative	17.9	0.3	2.5	2.6	2.9	3.8	4.4	5.4
Aon	Nikko AM Conservative	0.7	2.5	3.2	2.7	3.2	3.7	3.5	3.6
Aon	Russell LifePoints Conservative	2.0	(0.1)	3.3	3.7	3.7	4.5	5.6	6.6
Aon	Russell LifePoints Moderate	2.4	(1.2)	4.4	4.6	4.8	5.6	7.2	7.8
Aon	Russell LifePoints Target Date 2025	1.7	(0.9)	4.3	4.5	4.8	5.6	7.5	8.0
ASB	Moderate	186.3	(0.0)	4.3	4.5	4.8	5.4	5.9	5.7
Fisher Funds	LifeSaver Conservative	36.0	1.5	3.6	3.7	3.9	4.5	4.9	5.0
Mercer	Conservative	33.5	0.4	2.7	3.1	3.4	4.0	4.3	4.9
Mercer	Moderate	51.5	(0.2)	3.3	3.8	4.2	5.0	5.8	
SuperLife	SuperLife30	50.0	(0.6)	3.5	4.3	4.3	4.8	5.2	
Total Conservative Funds		965.9	0.4	3.5	3.8	3.8	4.4	4.7	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	582.0	0.6	3.4	3.6	3.5	3.9	4.2	4.0	
Aon	26.6	0.2	2.8	3.0	3.2	4.1	4.8	5.7	
ASB	186.3	(0.0)	4.3	4.5	4.8	5.4	5.9	5.7	
Fisher Funds	36.0	1.5	3.6	3.7	3.9	4.5	4.9	5.0	
Mercer	85.0	0.0	3.1	3.5	3.9	4.6	5.2	4.9	
SuperLife	50.0	(0.6)	3.5	4.3	4.3	4.8	5.2		
Total Conservative Funds		965.9	0.4	3.5	3.8	3.8	4.4	4.7	4.5

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ERIKSENS MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 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	102.8	1.2	1.2	1.3	1.5	1.7	1.8	2.0
ASB	NZ Cash	49.2	1.6	1.6	1.6	1.9	2.0	2.0	2.0
Mercer	Cash	27.5	1.2	1.1	1.2	1.4	1.6	1.6	1.8
SuperLife	NZ Cash	178.7	1.8	1.9	2.0	2.1	2.3	2.4	2.6
SuperLife	NZ Cash ETF	1.9	1.8	1.9	2.2				
SuperLife	UK Cash	11.0	(0.8)	2.4	(3.4)	(0.7)	(0.8)		
Sub-Total: Cash		371.1	1.5	1.6	1.5	1.8	1.9	2.1	2.3
AMP	Int'l Fixed Interest	1.5	0.3	1.0	1.5	1.6	2.0		
AMP	NZ Fixed Interest	9.7	2.8	3.3	3.1	3.1	3.5		
ASB	NZ Fixed Interest	6.2	2.9	3.3	3.0	3.2	3.5	3.0	3.6
ASB	World Fixed Interest	4.3	0.8	1.3	2.1	2.1	2.9	2.6	3.0
Fisher Funds	LifeSaver NZ Fixed Income	12.2	3.9	4.1	3.5	3.6	3.8	3.2	3.6
Fisher Funds	LifeSaver Preservation	40.6	1.7	1.8	1.8	2.0	2.1	2.2	2.2
SuperLife	SuperLife Income	161.8	1.3	2.7	3.1	2.9	3.6		
SuperLife	Global Bond ETF	2.4	0.4	2.2	3.0				
SuperLife	NZ Bond ETF	6.7	3.4	4.3	3.6				
SuperLife	NZ Bonds	129.4	3.3	4.2	3.7	3.8	4.2	4.0	4.5
SuperLife	Overseas Bonds	55.5	0.4	2.2	3.1	2.8	3.7	2.9	3.7
SuperLife	Overseas Non-Govt Bonds	54.0	(0.3)	1.0	2.1	2.0	3.1	3.3	4.0
Sub-Total: Bonds		484.3	1.7	2.8	3.0	3.0	3.6	3.4	3.9
Total Single Sector Defensive		855.4	1.6	2.3	2.4	2.5	2.9	2.7	3.0

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	114.0	1.3	1.4	1.5	1.7	1.9	1.8	2.0	
Aon	-								
ASB	59.7	1.7	1.7	1.8	2.0	2.2	2.2	2.2	
Fisher Funds	52.8	2.2	2.3	2.2	2.3	2.5	2.4	2.5	
Mercer	27.5	1.2	1.1	1.2	1.4	1.6	1.6	1.8	
SuperLife	601.3	1.7	2.6	2.7	2.7	3.2	3.1	3.5	
Total Single Sector Defensive		855.4	1.6	2.3	2.4	2.5	2.9	2.7	3.0

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ERIKSENS MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 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	9.3	(0.9)	7.4	7.8	7.5	6.2		
ASB	Australasian Shares	6.5	0.2	9.1	9.0	9.1	9.0	11.0	9.8
Fisher Funds	LifeSaver Trans-Tasman Equity	17.7	1.9	9.8	9.3	9.6	10.8	13.0	11.2
SuperLife	Asia Pacific ETF	4.3	(10.7)	4.6	3.5				
SuperLife	Australian Dividend ETF	1.0	(17.1)	(3.6)	(1.5)				
SuperLife	Australian Financials ETF	0.8	(15.4)	(4.5)	(1.0)				
SuperLife	Australian Mid Cap ETF	21.2	(13.0)	5.1	8.6	8.5			
SuperLife	Australian Resources ETF	5.7	(2.5)	13.0	20.4				
SuperLife	Australian Shares	47.6	(9.8)	2.6	5.0	7.4	5.8	3.9	6.2
SuperLife	Australian Top 20 ETF	2.7	(7.0)	1.6	3.3				
SuperLife	NZ 50 Portfolio ETF	51.0	4.6	13.7	11.8	11.1			
SuperLife	NZ Dividend ETF	4.7	4.5	7.4	9.1				
SuperLife	NZ Mid Cap ETF	7.3	4.5	18.0	13.2				
SuperLife	NZ Shares	100.7	2.6	7.5	9.6	10.0	8.6	14.5	12.7
SuperLife	NZ Top 10 ETF	2.6	3.7	8.3	10.1				
Sub-Total: Australasian Shares		283.3	(1.0)	8.0	9.2	9.5	8.0	11.3	10.7
AMP	Int'l Shares	9.4	(8.3)	4.6	5.4	5.8	6.2		
AMP	Passive Int'l Shares	5.4	(6.6)	5.1	5.3	5.6	6.5		
ASB	World Shares	8.8	(6.9)	5.4	6.4	6.9	7.4	10.1	8.4
Fisher Funds	LifeSaver Equity	44.0	(3.5)	6.5	6.3	6.2	7.4	8.8	7.4
Mercer	Shares	26.9	(4.9)	6.7	7.2	7.6	8.5	11.1	8.6
SuperLife	Emerging Markets	22.8	(11.0)	6.5	5.5	4.0	4.1	3.6	
SuperLife	Emerging Markets ETF	4.6	(10.7)	6.4	5.6				
SuperLife	Europe ETF	5.7	(12.0)	3.8	1.1				
SuperLife	Gemino	116.6	(9.7)	3.4	5.3	4.6	6.1	9.7	10.0
SuperLife	Overseas Shares Hedged	100.2	(6.7)	4.9	4.5	6.3	7.4	9.7	6.5
SuperLife	Overseas Shares	7.3	(6.9)	5.0	4.8				
SuperLife	Total World ETF	16.2	(2.2)	6.5	7.1				
SuperLife	US 500 ETF	6.3	(1.5)	9.3	7.3				
SuperLife	US Large Growth ETF	1.8	(3.4)	3.6	6.6				
SuperLife	US Large Value ETF	1.8	(7.2)	2.3	4.2				
SuperLife	US Mid Cap ETF	3.0	(7.0)	1.3	5.5				
SuperLife	US Small ETF	9.4	(8.3)	4.6	5.4	5.8	6.2		
Sub-Total: Global Shares		380.6	(7.3)	4.9	5.4	5.6	6.8	9.3	8.3
AMP	Property	9.6	9.4	3.9	6.6	7.1			
ASB	Global Property Shares	2.5	(3.0)	1.4	2.6	4.6	8.3	8.7	8.7
SuperLife	Australian Property ETF	1.3	(0.2)	7.3	6.9				
SuperLife	NZ Property ETF	4.1	10.1	12.1	8.0				
SuperLife	Property	44.9	0.1	6.9	5.7	6.6	9.4	9.8	9.7
Sub-Total: Property		62.4	2.1	6.6	5.9	6.6	9.4	9.7	9.6
Total Single Sector Aggressive		726.3	(4.0)	6.3	6.9	7.2	7.4	10.0	9.2

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	33.7	(0.9)	5.2	6.4	6.6				
Aon	-								
ASB	17.8	(3.8)	6.2	6.8	7.4	8.1	10.2	8.9	
Fisher Funds	61.8	(2.0)	7.4	7.2	7.2	8.4	10.0	8.5	
Mercer	26.9	(4.9)	6.7	7.2	7.6	8.5	11.1	8.6	
SuperLife	586.1	(4.4)	6.2	6.9	7.3	7.2	9.9	9.4	
Total Single Sector Aggressive		726.3	(4.0)	6.3	6.9	7.2	7.1	10.0	9.2

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ERIKSENS MASTER TRUST SURVEY: RESULTS TO 31 DECEMBER 2018

TOTAL FUNDS

Manager Name	FUM \$ million		Annualised Returns (Net of Tax & Expenses) %						
	Q3 2018	Q4 2018	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
AMP	3,291.5	3,140.7							
Aon	170.3	159.3							
ASB	1,413.5	1,341.1							
Fisher Funds	525.6	494.7							
Mercer	512.4	483.5							
SuperLife	2,185.0	2,072.3							
Total Funds	8,098.3	7,691.7	(2.0)	4.4	4.8	4.9	5.5	6.7	6.2
Cash Benchmark (Net)			1.3	1.2	1.3	1.5	1.7	1.8	1.8
CPI			1.9	1.7	1.6	1.2	1.1	1.2	1.6

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